WESTERN ASSET INSTITUTIONAL CASH RESERVES, LTD.

OFFERING CIRCULAR
(Class 1, Class 2, and
Class 3 Shares)
April 1, 2021

INVESTMENT PRODUCTS: NOT INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

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Western Asset Institutional Cash Reserves, Ltd. (the "fund") is an open-end, diversified fund which has been incorporated as an exempted company in the Cayman Islands.

The investment objective of the fund is to provide its shareholders with liquidity and as high a level of current income as is consistent with preservation of capital. The fund seeks to invest its assets in a manner consistent with the rules as to the credit quality, maturity and liquidity of investments that are applicable to U.S. money market funds under Rule 2a-7 under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"). However, the fund is not subject to the 1940 Act.

The fund seeks to maintain a constant share price at US$1.00 (although no assurance can be given that this will be so on a continuing basis), and will employ specific investment strategies and procedures to accomplish this result.

There can, of course, be no assurance that the fund's investment objective will be achieved. Prospective investors should carefully consider the risks associated with an investment in the fund.

Legg Mason Partners Fund Advisor, LLC ("LMPFA" or the "manager") acts as manager for the fund, performs administrative services for the fund and supervises the overall administration of the fund, including the monitoring of performance of the fund's service providers. The Bank of New York Mellon ("BNY Mellon") serves as custodian and accounting agent to the fund. BNY Mellon Investment Servicing (U.S.) Inc. ("BNY MIS" or the "Transfer Agent") serves as transfer agent to the fund and also performs certain anti-money laundering services on behalf of the fund pursuant to a Transfer Agency Agreement. Legg Mason Investor Services, LLC ("LMIS" or the "Placement Agent") is the placement agent for the fund.

Western Asset Management Company, LLC ("Western Asset" or the "subadviser") is the fund's subadviser.

This Offering Circular contains information investors should read carefully before investing in the fund. Additional information concerning the fund and additional copies of this Offering Circular may be obtained from the Placement Agent at the address set forth on page 18 of this Offering Circular.

The distribution of this Offering Circular and the offering of shares being made hereby may be restricted by law in certain jurisdictions. You are required to inform yourself about and to observe any such restrictions.

Any distribution or reproduction of this Offering Circular, in whole or in part, or the divulgence of any of its contents, is prohibited without the prior written consent of LMIS.

SHARES OF THE FUND:

- **Are not insured by any government agency.**
- **Are not deposits or obligations of, or guaranteed or endorsed by, any bank.**
- **Are subject to investment risks, including possible loss of the principal amount invested.**

CLASS 1, CLASS 2 AND CLASS 3 SHARES OF THE FUND ARE AVAILABLE ONLY TO INVESTORS WHO ARE NOT "U.S. PERSONS" AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). THIS OFFERING CIRCULAR MAY NOT BE DELIVERED IN THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS TO ANY PROSPECTIVE INVESTOR.

THIS OFFERING CIRCULAR IS NOT AN OFFER OR INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR SHARES OF THE FUND.

THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFER AND SALE OF THE SHARES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL OR AN OFFER TO SELL THE SHARES TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN ANY JURISDICTION. NO ACTION HAS BEEN OR WILL BE TAKEN TO PERMIT A PUBLIC OFFERING IN ANY JURISDICTION WHERE ACTION WOULD BE REQUIRED FOR THAT PURPOSE. ACCORDINGLY, THE SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED IN ANY JURISDICTION, EXCEPT IN ACCORDANCE WITH THE LEGAL REQUIREMENTS APPLICABLE IN SUCH JURISDICTION. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS WITHIN THEIR OWN JURISDICTION FOR THE ACQUISITION, HOLDING OR DISPOSAL OF SHARES AND TO ANY TAXATION OR EXCHANGE CONTROL LEGISLATION APPLICABLE TO THEM.

Investors should read this Offering Circular carefully and retain it for future reference.

No dealer, agent, or other person has been authorized to give any information or make any representations other than those contained in this Offering Circular in connection with the offering of fund shares and, if given or made, such information or representations must not be relied upon as having been authorized by the fund, the manager, the subadviser, LMIS, any Recordkeeping Agent or any of their affiliates.

Summaries of certain provisions of the Memorandum and Articles of Association of the fund (the "Articles") and other documents are contained in this Offering Circular, but these summaries are qualified entirely by the documents which they purport to summarize.

This Offering Circular shall not be circulated to the public in the Cayman Islands and shall not constitute an offer to sell or a solicitation of an offer to buy shares in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

Each investor is solely responsible for deciding whether to invest or whether to redeem his or her investment, in whole or in part, in the fund. None of the fund, the manager, the subadviser, LMIS, any Recordkeeping Agent nor any of the officers, directors, principals, affiliates or employees of any of the foregoing entities, have any obligation or liability to investors with regard to any recommendation, advice or decision made in connection with any investment in the fund.

If you are in any doubt about the contents of this Offering Circular, you should consult your accountant, lawyer, or other financial adviser.

U.S. Investor Prohibition: The shares have not been and will not be registered under the 1933 Act. Class 1, Class 2, and Class 3 Shares of the fund may not be offered or sold, directly or indirectly, in the United States of America, its territories and its possessions (the "United States") or to or for the benefit of any U.S. Person, as defined in Regulation S under the 1933 Act, which includes, among other things, (i) any natural person resident in the United States, (ii) any corporation, partnership or other entity organized or incorporated under the laws of the United States, (iii) certain estates of which any executor or administrator is a U.S. Person, and (iv) certain trusts of which any trustee is a U.S. Person. Please see the section entitled "Other Information- Definition of a U.S. Person." Class 4 shares may be offered (through a separate offering circular) and sold to a limited number of qualified investors in private placements exempt from registration pursuant to Regulation D under the 1933 Act. In addition, the fund has not been registered under the 1940 Act.

For Cayman Islands Investors: No offer or invitation to subscribe for shares may be made to the public in the Cayman Islands.

Western Asset Institutional Cash Reserves, Ltd.

The following table describes the fees and expenses that you may pay if you buy and hold shares of the fund:

Annual fund operating expenses (%)

(expenses that you pay each year as a percentage of the value of your investment)

	Class 1	Class 2	Class 3
Management fees	0.25	0.25	0.25
Maintenance fees	None	0.30	0.05
Other expenses	0.01	2.71[1]	2.71[1]
Total annual fund operating expenses	0.26	3.26	3.01
Fees waived and/or expenses reimbursed[2]	(0.08)	(2.81)	(2.78)
Total annual fund operating expenses after waiving fees and/or reimbursing expenses	0.18	0.45	0.23

[1] "Other expenses" for Class 2 and Class 3 shares are estimated for the current fiscal year. Actual expenses may differ from estimates.

[2] The manager has agreed to waive fees and/or reimburse operating expenses (other than interest, brokerage, taxes, extraordinary expenses and acquired fund fees and expenses) so that the ratio of total annual fund operating expenses will not exceed 0.18% for Class 1 shares, 0.45% for Class 2 shares, and 0.23% for Class 3 shares (the "expense cap"), subject to recapture as described below. The expense cap is voluntary and may be changed or terminated at any time upon shareholder notice. Additional amounts may be voluntarily waived and/or reimbursed from time to time. The manager is permitted to recapture amounts previously waived and/or reimbursed to a class within three years after the fiscal year in which the manager earned the fee or incurred the expense if the class' total annual fund operating expenses have fallen to a level below the limits described above. In no case will the manager recapture any amount that would result, on any particular business day of the Fund, in the class' total annual fund operating expenses exceeding the applicable expense cap.

Investment Objective, Investment Strategies and Risks

Investment Objective

The investment objective of the fund is to provide its shareholders with liquidity and as high a level of current income as is consistent with preservation of capital.

There is no assurance that the fund will achieve its investment objective.

The fund's investment objective and investment strategies may be changed without the approval of investors.

The fund seeks to maintain a constant share price at US$1.00 (although no assurance can be given that this will be so on a continuing basis), and will employ specific investment strategies and procedures to accomplish this result.

Investment Strategies

The fund seeks to invest its assets in a manner consistent with the rules as to the credit quality, maturity and liquidity of investments that are applicable to U.S. money market funds under Rule 2a-7 under the 1940 Act. However, the fund is not subject to the 1940 Act.

The fund may invest in all types of high quality, short-term money market instruments denominated in U.S. dollars. These may include:

- obligations of U.S. and non-U.S. banks and other U.S. and non-U.S. private issuers;
- commercial paper and asset-backed securities;
- obligations of the U.S. government and its agencies, instrumentalities and subdivisions;
- obligations issued or guaranteed by non-U.S. governments; and
- repurchase agreements.

These securities may pay interest at fixed, floating or adjustable rates, or may be issued at a discount. The fund may invest without limit in bank obligations, such as certificates of deposit, fixed time deposits and bankers' acceptances.

The fund generally limits its investments in non-U.S. securities to U.S. dollar-denominated obligations of issuers, including banks and non-U.S. governments, located in the major industrialized countries, although with respect to bank obligations, the branches of the banks issuing the obligations may be located in The Bahamas or the Cayman Islands.

The fund may invest in instruments specifically structured so that they are eligible for purchase by money market funds, including securities that have demand, tender or put features, or interest rate reset features.

More Information On The Fund's Investments

Credit quality

The fund invests in securities that, at the time of purchase, are rated by one or more rating agencies in the highest short-term rating category or, if not rated, are determined by the subadviser to be of equivalent quality. In addition, each security, at the time of purchase by the fund, has been determined by the subadviser to present minimal credit risk. Where required by applicable rules, the fund's subadviser or Board of Directors of the fund (the "Board") will decide whether a security should be held or sold in the event of certain credit events occurring after purchase.

Maturity

The fund invests in securities that, at the time of purchase, are treated under applicable regulations as having remaining maturities of 397 days or less. For example, in determining the remaining maturity of a security for the purposes of these regulations, features such as a floating or variable rate of interest or a demand feature may be taken into account under some circumstances. The fund maintains a U.S. dollar weighted average maturity of not more than 60 days. In addition, the fund maintains a U.S. dollar weighted average life of not more than 120 days. Where required by applicable rules, if, after purchase, payment upon maturity does not occur or the maturity on a security is extended, the fund's subadviser or Board will decide whether the security should be held or sold.

Liquidity

The fund's investments are intended to comply with the liquidity rules applicable to U.S. money market funds, including daily and weekly liquidity requirements. In addition, these rules prohibit purchasing illiquid securities for the fund if, as a result of the acquisition, more than 5% of the fund's total assets would be invested in illiquid securities. Illiquid securities are those that, as determined by the subadviser, may not be disposed of in the ordinary course of business within seven days at approximately the value ascribed to them by the fund. Securities that are deemed liquid at the time of purchase by the fund may become illiquid following purchase.

Selection process

In selecting individual securities, the subadviser:

- Uses fundamental credit analysis to estimate the relative value and attractiveness of various securities and sectors
- Measures the potential impact of supply/demand imbalances for fixed versus variable rate securities and for obligations of different issuers
- Measures the yields available for securities with different maturities and a security's maturity in light of the outlook for interest rates to identify individual securities that offer return advantages at similar risk levels

Because the fund is subject to maturity limitations on the investments it may purchase, many of its investments are held until maturity. The subadviser may sell a security before maturity when it is necessary to do so to meet redemption requests or regulatory requirements. The subadviser may also sell a security if the subadviser believes the issuer is no longer as creditworthy, or in order to adjust the average weighted maturity of the fund's portfolio (for example, to reflect changes in the subadviser's expectations concerning interest rates), or when the subadviser believes there is superior value in other market sectors or industries.

Money market instruments

Money market instruments are short-term IOUs issued by banks or other non-governmental issuers, the U.S. or non-U.S. governments, or state or local governments. Money market instruments generally have maturity dates of 13 months or less, and may pay interest at fixed, floating or adjustable rates, or may be issued at a discount. Money market instruments may include certificates of deposit, bankers' acceptances, variable rate demand securities (where the interest rate is reset periodically and the holder may demand payment from the issuer or another obligor at any time), preferred shares, fixed-term obligations, commercial paper (short-term unsecured debt), asset-backed commercial paper, other asset-backed securities and repurchase agreements. Asset-backed commercial paper refers to a debt security with an original term to maturity of up to 270 days that may be backed by consumer loans or other types of receivables. Payments due on asset-backed commercial paper are supported by cash flows from underlying assets, or one or more liquidity or credit support providers, or both.

U.S. Treasury obligations

U.S. Treasury obligations are direct debt obligations issued by the U.S. government. Treasury bills, with maturities normally from 4 weeks to 52 weeks, are typically issued at a discount as they pay interest only upon maturity. Treasury bills are non-callable. Treasury notes have a maturity between two and ten years and typically pay interest semi-annually, while Treasury bonds have a maturity of over ten years and pay interest semi-annually. Treasuries also include STRIPS, TIPS and FRNs. STRIPS are Treasury obligations with separately traded principal and interest component parts that are transferable through the federal book-entry system. Because payments on STRIPS are made only at maturity, during periods of changing interest rates, STRIPS may be more volatile than unstripped U.S. Treasury obligations with comparable maturities. TIPS are Treasury

Inflation-Protected Securities, the principal of which increases with inflation and decreases with deflation, as measured by the U.S. Consumer Price Index. At maturity, a TIPS holder is entitled to the adjusted principal or original principal, whichever is greater. TIPS pay interest twice a year, at a fixed rate. The rate is applied to the adjusted principal; so, like the principal, interest payments rise with inflation and fall with deflation. However, because the interest rate is fixed, TIPS may lose value when market interest rates increase, particularly during periods of low inflation. FRNs are floating rate notes that are indexed to the most recent 13-week Treasury bill auction High Rate, and which pay interest quarterly. U.S. Treasury obligations typically offer lower interest rates than other obligations.

U.S. government obligations

U.S. government obligations include U.S. Treasury obligations and other obligations of, or guaranteed by, the U.S. government, its agencies or government-sponsored entities. Although the U.S. government guarantees principal and interest payments on securities issued by the U.S. government and some of its agencies, such as securities issued by the U.S. Government National Mortgage Association ("Ginnie Mae"), this guarantee does not apply to losses resulting from declines in the market value of these securities. U.S. government obligations include zero coupon securities that make payments of interest and principal only upon maturity and which therefore tend to be subject to greater volatility than interest bearing securities with comparable maturities.

Some of the U.S. government securities that the fund may hold are not guaranteed or backed by the full faith and credit of the U.S. government, such as those issued by Fannie Mae (formally known as the Federal National Mortgage Association) and Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation). The maximum potential liability of the issuers of some U.S. government obligations may greatly exceed their current resources, including any legal right to support from the U.S. government.

Structured instruments

Structured instruments in which the fund invests are specifically structured so that they are eligible for purchase by money market funds, including securities that have demand, tender or put features, or interest rate reset features. Structured instruments may take the form of participation interests or receipts in underlying securities or other assets, and in some cases are backed by a financial institution serving as a liquidity provider. Some of these instruments may have a feature which substitutes a floating or variable interest rate for the fixed interest rate on an underlying security. The payment and credit qualities of these instruments derive from the underlying assets embedded in the structure.

Structured securities include variable rate demand instruments and participation interests that are backed by underlying municipal or other securities. Variable rate demand instruments require the issuer or a third party, such as a bank, insurer or broker/dealer, to repurchase the security for its face value upon demand and typically have interest rates that reset on a daily or weekly basis. In a participation interest, a bank or other financial institution sells undivided interests in a municipal or other security it owns. Participation interests may be supported by a bank letter of credit or guarantee. The interest rate generally is adjusted periodically, and the holder can sell the interests back to the issuer after a specified notice period.

Asset-backed securities

Asset-backed securities represent participations in, or are secured by and payable from, assets such as installment sales or loan contracts, leases, credit card receivables and other categories of receivables.

Municipal securities

Municipal securities include debt obligations issued by any of the 50 U.S. states and the District of Columbia or their political subdivisions, agencies and public authorities, certain other U.S. governmental issuers (such as Puerto Rico, the U.S. Virgin Islands and Guam) and other qualifying issuers, participation or other interests in these securities and other structured securities. Although municipal securities are issued by qualifying issuers, payments of principal and interest on municipal securities may be derived solely from revenues from certain facilities, mortgages or private industries, and may not be backed by the issuers themselves. These securities include participation or other interests in municipal securities issued or backed by banks, insurance companies and other financial institutions.

Municipal securities include general obligation bonds, revenue bonds, housing authority bonds, private activity bonds, industrial development bonds, residual interest bonds, tender option bonds, tax and revenue anticipation notes, bond anticipation notes, tax-exempt commercial paper, municipal leases, participation certificates and custodial receipts. General obligation bonds are backed by the full faith and credit of the issuing entity. Revenue bonds are typically used to fund public works projects, such as toll roads, airports and transportation facilities, that are expected to produce income sufficient to make the payments on the bonds, since they are not backed by the full taxing power of the municipality. Housing authority bonds are used primarily to fund low to middle income residential projects and may be backed by the payments made on the underlying mortgages. Tax and revenue anticipation notes are generally issued in order to finance short-term cash needs or, occasionally, to finance construction. Tax and revenue anticipation notes are expected to be repaid from taxes or designated revenues in the related fiscal period, and they may or may not be general obligations of the issuing entity. Bond anticipation notes are issued with the expectation that their principal and interest will be paid out of proceeds from renewal notes or bonds and may be issued to finance such items as land acquisition, facility acquisition and/or construction and capital improvement projects.

Municipal securities include municipal lease obligations, which are undivided interests issued by a state or municipality in a lease or installment purchase contract which generally relates to equipment or facilities. In some cases, payments under municipal leases do not have to be made unless money is specifically approved for that purpose by an appropriate legislative body.

Banking industry concentration

The fund may invest without limit in obligations of U.S. banks and up to 25% of its assets in U.S. dollar-denominated obligations of non-U.S. banks. Obligations of non-U.S. branches of U.S. banks and U.S. branches of non-U.S. banks may be considered obligations of U.S. banks if they meet certain requirements. Bank obligations include bank notes, certificates of deposit, time deposits, banker's acceptances, commercial paper and other similar obligations. They also include Eurodollar and Yankee obligations, such as certificates of deposit issued in U.S. dollars by non-U.S. banks and non-U.S. branches of U.S. banks. Bank obligations also include participation interests in municipal securities issued and/or backed by banks, variable rate demand notes, and other obligations that have credit support or liquidity features provided by banks.

Cash management and defensive investing

The fund may hold cash uninvested for cash management purposes and defensive purposes. For example, in the event of unusual circumstances when obligations in which the fund invests are not available for purchase, or when the subadviser deems it appropriate, including during periods when the interest rate on newly-issued securities is extremely low, or where no interest is paid at the all, the fund may, without limit, hold cash uninvested. If the fund holds cash uninvested, it may be subject to risk with respect to the depository institution holding the cash. In addition, the fund will not earn income on those assets. If the fund takes a temporary defensive position, it will be more difficult for the fund to achieve its investment objective. Although the subadviser has the ability to take defensive positions, it may choose not to do so for a variety of reasons, even during volatile market conditions.

When-issued securities, delayed delivery, to be announced and forward commitment transactions

Securities purchased in when-issued, delayed delivery, to be announced or forward commitment transactions will not be delivered or paid for immediately. The fund will set aside assets to pay for these securities at the time of the agreement. Such transactions involve a risk of loss, for example, if the value of the securities declines prior to the settlement date or if the assets set aside to pay for these securities decline in value prior to the settlement date. Therefore, these transactions may have a leveraging effect on the fund, making the value of an investment in the fund more volatile and increasing the fund's overall investment exposure. Typically, no income accrues on securities the fund has committed to purchase prior to the time delivery of the securities is made, although the fund may earn income on securities it has set aside to cover these positions. Recently finalized rules in the U.S. of the Financial Industry Regulatory Authority ("FINRA") impose mandatory margin requirements for certain types of when-issued, to be announced or forward commitment transactions, with limited exceptions. Such transactions historically have not been required to be collateralized, and mandatory collateralization could increase the cost of such transactions and impose added operational complexity.

Repurchase agreements

In a repurchase agreement, the fund purchases securities from a counterparty, upon the agreement of the counterparty to repurchase the securities from the fund at a later date, and at a specified price, which is typically higher than the purchase price paid by the fund. The securities purchased serve as the fund's collateral for the obligation of the counterparty to repurchase the securities. If the counterparty does not repurchase the securities, the fund is entitled to sell the securities, but the fund may not be able to sell them for the price at which they were purchased, thus causing a loss. Additionally, if the counterparty becomes insolvent, there is some risk that the fund will not have a right to the securities, or the immediate right to sell the securities.

Reverse repurchase agreements and other borrowings

The fund may borrow money as a means of raising money to satisfy redemption requests or for other temporary or emergency purposes by entering into reverse repurchase agreements or other borrowing transactions. In a reverse repurchase agreement, the fund sells securities to a counterparty, in return for cash, and the fund agrees to repurchase the securities at a later date and for a higher price, representing the cost to the fund for the money borrowed. Although the fund does not intend to use these transactions for leveraging purposes, reverse repurchase agreements and other borrowing transactions may make the value of an investment in the fund more volatile and increase the fund's overall investment exposure.

Variable rate demand notes

Variable rate demand notes (VRDNs) and other similar obligations are typically long term instruments issued with a floating rate of interest by municipalities or other issuers. The interest rate usually resets every one to seven days, based on a published interest rate index. Investors typically may resell a VRDN to a third-party financial intermediary serving as a remarketing agent on up to seven days' notice. A VRDN may be supported by a liquidity facility or a letter of credit. These features permit the VRDN to be treated by the fund as a short-term instrument. Investments in VRDNs involve credit risk with respect to the issuer as well as with respect to the financial institutions providing remarketing, liquidity or credit support. In addition, failures or defaults by one or more of those entities could result in the fund holding a long-term fixed rate illiquid investment.

Other investments

The fund may also use other strategies and invest in other investments that are described, along with their risks, in Appendix A. However, the fund might not use all of the strategies and techniques or invest in all of the types of investments described in this Offering Circular or in Appendix A.

Main Risks

Investing in the fund involves risk. Although the fund seeks to preserve the value of your investment at US$1.00 per share, it is possible to lose money by investing in the fund. Please remember that an investment in the fund is not a bank deposit and is not insured or guaranteed by the U.S. Federal Deposit Insurance Corporation or any other U.S. or non-U.S. government agency.

The manager and its affiliates are under no obligation to provide financial support to the fund or take other measures to ensure that you do not lose money on your investment in the fund. You should not invest in the fund with the expectation that any such action will be taken.

The main risks of investing in the fund are described below. There are many other factors that could adversely affect your investment, and that could prevent the fund from achieving its investment objective; these other factors are not described here. Before investing, you should carefully consider the risks that you will assume.

The fund could underperform other short-term debt instruments or money market funds, or you could lose money, as a result of risks such as:

Market and interest rate risk. The market prices of the fund's securities may go up or down, sometimes rapidly or unpredictably. While the fund seeks to maintain a US$1.00 share price, if the market prices of the securities owned by the fund fall, the value of your investment in the fund could decline. Market prices may fall due to general market conditions, such as real or perceived adverse economic or political conditions, tariffs and trade disruptions, inflation, changes in interest rates, lack of liquidity in the bond markets or adverse investor sentiment. Changes in market conditions will not typically have the same impact on all types of securities. The market price of a security may also fall due to specific conditions that affect a particular sector of the securities market or a particular issuer.

The market prices of securities may fluctuate significantly when interest rates change and the fund may face a heightened level of interest rate risk due to certain changes in monetary policy. When interest rates rise, the market price of fixed income securities generally goes down. Generally, the longer the maturity of a fixed income security, the greater the impact of a rise in interest rates on the security's market price. Moreover, securities can change in value in response to other factors, such as credit risk. In addition, different interest rate measures (such as short- and long-term interest rates and U.S. and non-U.S. interest rates), or interest rates on different types of securities or securities of different issuers, may not necessarily change in the same amount or in the same direction. When interest rates go down, the fund's yield will decline. Also, when interest rates decline, investments made by the fund may pay a lower interest rate, which would reduce the income received by the fund. In recent years, the U.S. has experienced historically low interest rates, increasing the exposure of debt securities to the risks associated with rising interest rates.

Market events risk. The market values of securities or other assets will fluctuate, sometimes sharply and unpredictably, due to changes in general market conditions, overall economic trends or events, governmental actions or intervention, actions taken by the U.S. Federal Reserve or foreign central banks, market disruptions caused by trade disputes or other factors, political developments, investor sentiment, the global and domestic effects of a pandemic, and other factors that may or may not be related to the issuer of the security or other asset. Economies and financial markets throughout the world are increasingly interconnected. Economic, financial or political events, trading and tariff arrangements, public health events, terrorism, natural disasters and other circumstances in one country or region could have profound impacts on global economies or markets. As a result, whether or not the fund invests in securities of issuers located in or with significant exposure to the countries directly affected, the value and liquidity of the fund's investments may be negatively affected.

The rapid and global spread of a highly contagious novel coronavirus respiratory disease, designated COVID-19, has resulted in extreme volatility in the financial markets and severe losses; reduced liquidity of many instruments; restrictions on international and, in some cases, local travel; significant disruptions to business operations (including business closures); strained healthcare systems; disruptions to supply chains, consumer demand and employee availability; and widespread uncertainty regarding the duration and long-term effects of this pandemic. Some sectors of the economy and individual issuers have experienced particularly large losses. In addition, the COVID-19 pandemic may result in a sustained U.S. or even global economic downturn or recession, political and social instability, damage to diplomatic and international trade relations and increased volatility and/or decreased liquidity in the securities markets. Developing or emerging market countries may be more impacted by the COVID-19 pandemic as they may have less established health care systems and may be less able to control or mitigate the effects of the pandemic. The impact of the COVID-19 pandemic may last for an extended period of time. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual issuers, are not known. The U.S. government and the Federal Reserve, as well as certain foreign governments and central banks, are taking extraordinary actions to support local and global economies and the financial markets in response to the COVID-19 pandemic, including by pushing interest rates to very low levels. This and other government intervention into the economy and financial markets to address the COVID-19 pandemic may not work as intended, particularly if the efforts are perceived by investors as being unlikely to achieve the desired results. Government actions to mitigate the economic impact of the pandemic have resulted in a large expansion of government deficits and debt, the long term consequences of which are not known. The COVID-19 pandemic could adversely affect the value and liquidity of the fund's investments, impair the fund's ability to satisfy redemption requests, and negatively impact the fund's performance. In addition, the outbreak of COVID-19, and measures taken to mitigate its effects, could result in disruptions to the services provided to the fund by its service providers.

LIBOR risk. The fund's investments, payment obligations, and financing terms may be based on floating rates, such as the London Interbank Offered Rate, or "LIBOR," which is the offered rate for short-term Eurodollar deposits between major international banks. In 2017, the head of the UK Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. The administrator of LIBOR recently announced a

possible delay in the phase out of a majority of the U.S. dollar LIBOR publications until mid-2023, with the remainder of the LIBOR publications to end at the end of 2021. There remains uncertainty regarding the nature of any replacement rate and the impact of the transition from LIBOR on the fund's transactions and the financial markets generally. As such, the potential effect of a transition away from LIBOR on the fund or the fund's investments cannot yet be determined.

Credit risk. An issuer or other obligor (such as a party providing insurance or other credit enhancement) may fail to make the required payments on securities held by the fund. Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors. If an obligor for a security held by the fund fails to pay, otherwise defaults or is perceived to be less creditworthy, a security's credit rating is downgraded, which could happen rapidly, or the credit quality or value of any underlying assets declines, the value of your investment in the fund could decline significantly, particularly in certain market environments. If a single entity provides credit enhancement to more than one of the fund's investments, the adverse effects resulting from the downgrade or default of that entity's credit will increase the adverse effects on the fund. If the fund enters into a financial contract (such as a repurchase agreement or reverse repurchase agreement) the fund will be subject to the credit risk presented by the counterparty. In addition, the fund may incur expenses in an effort to protect the fund's interests or to enforce its rights or may be hindered or delayed in exercising those rights.

Although the fund's investments may be treated as short-term securities for the purposes of meeting regulatory maturity limitations, the actual maturity of a security may be longer, and the security's value may decline on the basis of perceived longer term credit risk of the issuer.

Upon the occurrence of certain triggering events or defaults on a security held by the fund, or if the subadviser believes that an obligor of such a security may have difficulty meeting its obligations, the fund may obtain a new or restructured security or underlying assets. In that case, the fund may become the holder of securities or assets that it could not purchase or might not otherwise hold (for example, because they are of lower quality or are subordinated to other obligations of the issuer) at a time when those assets may be difficult to sell or can be sold only at a loss. Any of these events may cause you to lose money.

Yield risk. The fund invests in short-term money market instruments. As a result, the amount of income received by the fund will go up or down depending on variations in short-term interest rates. Investing in high quality, short-term instruments may result in a lower yield (the income on your investment) than investing in lower quality or longer-term instruments. When interest rates are very low or negative, the fund's expenses could absorb all or a significant portion of the fund's income, and, if the fund's expenses exceed the fund's income, fund may be unable to maintain its US$ 1.00 share price. If interest rates increase, the fund's yield may not increase proportionately. For example, the fund manager may discontinue any temporary voluntary fee limitation or recoup amounts previously waived and/or reimbursed.

A money market fund is also required to maintain liquidity levels based on the characteristics and anticipated liquidity needs of its shareholders. A fund with greater liquidity needs may have a lower yield than money market funds with a different shareholder base. Recently adopted requirements in the U.S. for money market funds may have a negative effect on the fund's yield. There can be no assurance that an investment in the fund will not be adversely affected by additional reforms to money market regulation that may be adopted by the U.S. Securities and Exchange Commission or other regulatory authorities.

Risk of increase in expenses. Your actual costs of investing in the fund may be higher than the expenses shown in this Offering Circular for a variety of reasons. For example, expenses may be higher if the fund's average net assets decrease, as a result of redemptions or otherwise, or if a fee limitation is changed or terminated.

Prepayment or call risk. Many issuers have a right to prepay their securities. Issuers may be more likely to prepay their securities if interest rates fall. If this happens, the fund will be forced to reinvest prepayment proceeds at a time when yields on securities available in the market are lower than the yield on prepaid securities.

Extension risk. If interest rates rise, repayments of fixed income securities may occur more slowly than anticipated by the market. This may drive the prices of these securities down because their interest rates are lower than the current interest rate and they remain outstanding longer.

Structured securities risk. The value of a structured security depends on the value of the underlying assets and the terms of the particular security. Investment by the fund in certain structured securities may have the effect of increasing the fund's exposure to interest rate, market or credit risk, even if they are not primarily intended for these purposes. Structured securities may behave in ways not anticipated by the fund, and they raise certain tax, legal, regulatory and accounting issues that may not be presented by direct investments in the underlying assets. These issues could be resolved in a manner that could hurt the performance of the fund.

Risks associated with concentration in the banking industry. The fund may invest a significant portion of its assets in obligations that are issued or backed by U.S. and non-U.S. banks. Such investments are particularly susceptible to adverse events affecting banks and the financial services sector worldwide. Banks depend upon being able to obtain funds at reasonable costs and upon liquidity in the capital and credit markets to finance their lending and other operations. This makes them sensitive to changes in interest rates, money market and general economic conditions. Banks are highly regulated. Decisions by regulators may limit the loans banks make and the interest rates and fees they charge, and may reduce bank profitability. A bank's borrowers' inability or failure to repay the bank will adversely affect the bank's financial situation. In the past, banks have been particularly hard hit by problems in the real estate industry including defaults by borrowers and litigation relating to mortgage banking practices. Other bank activities such as investments in derivatives and foreign exchange practices also have caused losses to banks. Governmental entities have in the past provided support to certain financial institutions, but there is no assurance they will do so in the future. Some of the entities backing

fund investments may be non-U.S. institutions and, therefore, an investment in the fund may involve non-U.S. investments risk. Like other companies in the financial services sector, banks are also susceptible to data breaches.

Asset-backed securities risk. The value of asset-backed securities may be affected by changes in credit quality or value of the assets that support the securities as well as by changes in the credit risk of the servicing agent for the pool, the originator of the loans or receivables or the financial institution providing credit support, if any. In addition, the ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets or to otherwise recover from the underlying obligor in the event of default may be limited and the liquidation value of the underlying assets may be inadequate to pay any unpaid principal or interest. Asset-backed securities are also sensitive to changes in interest rates which may increase prepayments or extend the duration of the securities.

Risks relating to investments in municipal securities. Issuers of municipal securities tend to derive a significant portion of their revenue from taxes, particularly property and income taxes, and decreases in personal income levels and property values and other unfavorable economic factors, such as a general economic recession, adversely affect municipal securities. Municipal issuers may also be adversely affected by rising health care costs, increasing unfunded pension liabilities and by the phasing out of U.S. federal programs providing financial support. Where municipal securities are issued to finance particular projects, such as those relating to education, health care, transportation, and utilities, issuers often depend on revenues from those projects to make principal and interest payments. Adverse conditions and developments in those sectors can result in lower revenues to issuers of municipal securities, potentially resulting in defaults, and can also have an adverse effect on the broader municipal securities market.

There may be less public information available on municipal issuers or projects than other issuers, and valuing municipal securities may be more difficult. In addition, the secondary market for municipal securities is less well developed and may have lower liquidity as compared to other markets, and dealers may be less willing to offer and sell municipal securities in times of market turbulence. Changes in the financial condition of one or more individual municipal issuers (or one or more insurers of municipal issuers), or one or more defaults by municipal issuers or insurers, can adversely affect liquidity and valuations in the overall market for municipal securities. The value of municipal securities can also be adversely affected by regulatory and political developments affecting the ability of municipal issuers to pay interest or repay principal, actual or anticipated tax law changes or other legislative actions, and by uncertainties and public perceptions concerning these and other factors. In the past, a number of municipal issuers have defaulted on obligations, were downgraded or commenced insolvency proceedings.

The cost associated with combating the outbreak of the novel coronavirus (COVID-19) and its negative impact on tax revenues has adversely affected the financial condition of U.S. state and local governments. The effects of this outbreak could affect the ability of U.S. state and local governments to make payments on debt obligations when due and could adversely impact the value of their bonds, which could negatively impact the performance of the fund.

Non-U.S. investments risk. The fund's investments in securities of non-U.S. issuers or issuers with significant exposure to non-U.S. markets involve additional risk as compared to investments in U.S. securities or issuers with predominantly U.S. exposure, such as less liquid, less regulated, less transparent and more volatile markets. The value of the fund's investments may decline because of factors affecting the particular issuer as well as non-U.S. markets and issuers generally, such as unfavorable or unsuccessful government actions, tariffs and trade disputes, reduction of government or central bank support, inadequate accounting standards, lack of information and political, economic, financial or social instability. Non-U.S. investments may also be adversely affected by U.S. government or international economic sanctions, which could eliminate the value of an investment.

The value of the fund's non-U.S. investments may also be affected by non-U.S. tax laws, special U.S. tax considerations and restrictions on receiving the investment proceeds from a non-U.S. country. Dividends or interest on, or proceeds from the sale or disposition of, non-U.S. securities may be subject to non-U.S. withholding or other taxes.

It may be difficult for the fund to pursue claims against a non-U.S. issuer or other parties in the courts of a non-U.S. country. Some securities issued by non-U.S. governments or their subdivisions, agencies and instrumentalities may not be backed by the full faith and credit of such governments. Even where a security is backed by the full faith and credit of a government, it may be difficult for the fund to pursue its rights against the government. In the past, some non-U.S. governments have defaulted on principal and interest payments.

In certain non-U.S. markets, settlement and clearance of trades may experience delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments. Settlement of trades in these markets can take longer than in other markets and the fund may not receive its proceeds from the sale of certain securities for an extended period (possibly several weeks or even longer) due to, among other factors, low trading volumes and volatile prices. The custody or holding of securities, cash and other assets by local banks, agents and depositories in securities markets outside the United States may entail additional risks. Governments or trade groups may compel local agents to hold securities in designated depositories that may not be subject to independent evaluation. Local agents are held only to the standards of care of their local markets, and thus may be subject to limited or no government oversight. In extreme cases, the fund's securities may be misappropriated or the fund may be unable to sell its securities. In general, the less developed a country's securities market is, the greater the likelihood of custody problems.

US$1.00 Net Asset Value. If the market value of one or more of the securities in which the fund invests changes substantially and the fund's net asset value per share is at risk of falling below US$1.00, the fund could, if authorized by the Board, maintain a US$1.00 per share net asset value by reducing proportionately the number of shares owned by each shareholder. This would have the same economic effect as the fund's shares being

valued at less than US$1.00 per share, which means that you will have lost money. By investing in the fund, you agree to this reduction should it become necessary.

Portfolio management risk. The value of your investment may decrease if the subadviser's judgment about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, or about interest rates, is incorrect or does not produce the desired results, or if there are imperfections, errors or limitations in the tools and data used by the subadviser. In addition, the fund's investment strategies or policies may change from time to time. Those changes may not lead to the results intended by the subadviser and could have an adverse effect on the value or performance of the fund.

Illiquidity risk. Illiquidity risk exists when particular investments are impossible or difficult to sell or impossible or difficult to purchase. Although most of the fund's investments must be liquid at the time of investment, investments may become illiquid after purchase by the fund, particularly during periods of market turmoil. Markets may become illiquid when, for instance, there are few, if any, interested buyers or sellers or when dealers are unwilling or unable to make a market for certain securities, including U.S. Treasury securities. As a general matter, dealers recently have been less willing to make markets for fixed income securities. When the fund holds illiquid investments, the portfolio may be harder to value, especially in changing markets, and if the fund is forced to sell these investments to meet redemption requests or for other cash needs, the fund may be forced to sell at a substantial loss or may not be able to sell at all. The fund may experience heavy redemptions that could cause the fund to liquidate its assets at inopportune times or at a loss or depressed value, which could cause the value of your investment to decline. In addition, when there is illiquidity in the market for certain investments, the fund, due to limitations on illiquid investments, may be unable to achieve its desired level of exposure to a certain sector.

Valuation risk. The sales price the fund could receive for any particular portfolio investment may differ from the fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology. These differences may increase significantly and affect fund investments more broadly during periods of market volatility. Investors who purchase or redeem fund shares on days when the fund is holding fair-valued securities may receive fewer or more shares or lower or higher redemption proceeds than they would have received if the fund had not fair-valued securities or had used a different valuation methodology. The fund's ability to value its investments may also be impacted by technological issues and/or errors by pricing services or other third party service providers. The valuation of the fund's investments involves subjective judgment.

Redemption risk. The fund may experience periods of heavy redemptions that could cause the fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. Redemption risk is greater to the extent that the fund has investors with large shareholdings, short investment horizons, or unpredictable cash flow needs. In addition, redemption risk is heightened during periods of overall market turmoil. The redemption by one or more large shareholders of their holdings in the fund could hurt performance and/or cause the remaining shareholders in the fund to lose money. The fund's redemption risk is increased if one decision maker has control of fund shares owned by separate fund shareholders, including clients or affiliates of the fund's manager. If the fund is forced to liquidate its assets under unfavorable conditions or at inopportune times, the fund's ability to maintain a stable U.S. $1.00 share price may be affected. In addition, the fund may suspend redemptions when permitted by applicable regulations.

Repurchase agreements risk. Repurchase agreements could involve certain risks in the event of default or insolvency of the seller, including losses and possible delays or restrictions upon the fund's ability to dispose of the underlying securities. To the extent that, in the meantime, the value of the securities that the fund has purchased has decreased, the fund could experience a loss.

Operational risk. Your ability to transact with the fund or the valuation of your investment may be negatively impacted because of the operational risks arising from factors such as processing errors and human errors, inadequate or failed internal or external processes, failures in systems and technology, changes in personnel, and errors caused by third party service providers or trading counterparties. It is not possible to identify all of the operational risks that may affect the fund or to develop processes and controls that completely eliminate or mitigate the occurrence of such failures. The fund and its shareholders could be negatively impacted as a result.

Contagion risk. The fund has the power to issue shares in classes or series. The Articles provide for the manner in which the liabilities are to be attributed across the various classes or series (liabilities are to be attributed to the specific class or series in respect of which the liability was incurred). However, the fund is a single legal entity and there is no limited recourse protection for any class or series. Accordingly, all of the assets of the fund will be available to meet all of its liabilities regardless of the class or series to which such assets or liabilities are attributable. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one class or series are in excess of the assets referable to such class or series and it is unable to meet all liabilities attributed to it. In such a case, the assets of the fund attributable to other classes or series may be applied to cover such liability excess and the value of the contributing classes or series will be reduced as a result.

Taxation risk. There is taxation risk associated with investing in the fund. Please see "Taxation" below and consult your tax advisor to assess the risks associated with your personal circumstances.

Cybersecurity risk. Cybersecurity incidents, both intentional and unintentional, may allow an unauthorized party to gain access to fund assets, fund or customer data (including private shareholder information), or proprietary information, cause the fund, the manager, the subadviser and/or their service providers (including, but not limited to, fund accountants, custodians, sub-custodians, transfer agents and financial intermediaries) to suffer data breaches, data corruption or loss of operational functionality or prevent fund investors from purchasing, redeeming or exchanging shares or receiving distributions. The fund, the manager, and the subadviser have limited ability to prevent or mitigate cybersecurity incidents affecting third

party service providers, and such third party service providers may have limited indemnification obligations to the fund or the manager. Cybersecurity incidents may result in financial losses to the fund and its shareholders, and substantial costs may be incurred in order to prevent any future cybersecurity incidents. Issuers of securities in which the fund invests are also subject to cybersecurity risks, and the value of these securities could decline if the issuers experience cybersecurity incidents.

General

Brokerage Transactions

The fund's purchases and sales of portfolio securities usually are principal transactions. Portfolio securities are normally purchased directly from the issuer or from an underwriter or market maker for the securities. There usually are no brokerage commissions paid for such purchases. The fund does not anticipate paying brokerage commissions. Purchases from underwriters of portfolio securities include a commission or concession paid by the issuer to the underwriter, and purchases from dealers serving as market makers include the spread between the bid and asked price.

Allocation of transactions, including their frequency, to various dealers is determined by the subadviser in its best judgment and in a manner deemed to be in the best interest of investors in the fund rather than by any formula. The primary consideration is prompt execution of orders in an effective manner at the most favorable price.

In certain instances there may be securities that are suitable as an investment for the fund as well as for one or more of the subadviser's other clients. Investment decisions for the fund and for the subadviser's other clients are made with a view to achieving their respective investment objectives. It may develop that a particular security is bought or sold for only one client even though it might be held by, or bought or sold for, other clients. Likewise, a particular security may be bought for one or more clients when one or more clients are selling the same security. Some simultaneous transactions are common when several clients receive investment advice from the same investment adviser, particularly when the same security is suitable for the investment objectives of more than one client. When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed to be equitable to each. It is recognized that in some cases this system could adversely affect the price of or the size of the position obtainable in a security for the fund. When purchases or sales of the same security for the fund and for other funds managed by the subadviser occur contemporaneously, the purchase or sale orders may be aggregated in order to obtain any price advantages available to large denomination purchases or sales.

Investment Restrictions

Certain investment restrictions are considered fundamental and may not be changed with respect to the fund without the approval of holders of a majority of outstanding voting securities in the fund. If a percentage restriction or a rating restriction on investment or utilization of assets is adhered to at the time an investment is made or assets are so utilized, a later change in percentage resulting from changes in the value of the securities held by the fund or a later change in the rating of a security held by the fund is not considered a violation of policy.

Investment Management

LMPFA is the manager to the fund. LMPFA, with offices at 620 Eighth Avenue, 47th Floor, New York, New York 10018, also serves as the investment manager of other Legg Mason-sponsored funds.

Western Asset is subadviser to the fund and provides the day-to-day portfolio management of the fund. Western Asset, established in 1971, has offices at 385 East Colorado Boulevard, Pasadena, California 91101 and 620 Eighth Avenue, 50th Floor, New York, New York 10018. Western Asset acts as investment adviser to institutional accounts, such as corporate pension plans, mutual funds and endowment funds.

LMPFA and Western Asset are indirect, wholly-owned subsidiaries of Franklin Resources, Inc. ("Franklin Resources"). Franklin Resources, whose principal executive offices are at One Franklin Parkway, San Mateo, California 94403, is a global investment management organization operating, together with its subsidiaries, as Franklin Templeton.

The manager manages the fund pursuant to a management agreement (the "Fund Management Agreement"). Under the Fund Management Agreement, subject to the supervision of the Board, the manager performs certain administrative and management services necessary for the operation of the fund.

With respect to the manager's services under the Fund Management Agreement, the fund pays the manager an annual management fee of up to 0.25% of the fund's average daily net assets.

The manager has appointed Western Asset as subadviser to the fund, pursuant to a subadvisory agreement (the "Fund Subadvisory Agreement"). Under the Fund Subadvisory Agreement, subject to the supervision and direction of the Board and the manager, the subadviser manages the fund's portfolio in accordance with its investment objective and policies, assists in supervising all aspects of the fund's operations, makes investment decisions for the fund, places orders to purchase and sell securities, and employs professional portfolio managers and securities

analysts who provide research services to the fund. As compensation for its services under the Fund Subadvisory Agreement, the manager pays the subadviser a portion of the management fee paid to the manager by the fund.

Investing In The Fund

Fund Business Days

The fund is open for business and calculates its Net Asset Value ("NAV") every day on which both the New York Stock Exchange ("NYSE") and the Federal Reserve Bank of New York (the "FRBNY") are open for business. Therefore, the fund will be closed the days on which the following holidays are observed: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day. Both the NYSE and the FRBNY are closed on weekends and may be closed because of an emergency or other unanticipated event. In the event the Federal Reserve wire payment system is open and the NYSE is open, the fund may close for purchase or redemption transactions —if due to an emergency or other unanticipated event—the U.S. bond markets are closed for business as recommended by the Securities Industry and Financial Markets Association ("SIFMA"). In the event the NYSE does not open for business because of an emergency or other unanticipated event, the fund may, but is not required to, open for purchase or redemption transactions if the Federal Reserve wire payment system is open and the U.S. bond markets are open. Each day the fund is open is a "fund Business Day".

On any day when the NYSE, U.S. bond markets (as recommended by SIFMA) or the FRBNY close early due to an unanticipated event, trading on the NYSE is restricted, an emergency arises or on other dates as permitted by the U.S. Securities and Exchange Commission (the "SEC") the fund reserves the right to close for business and make its final NAV calculation earlier than normal (normally, 5:00 p.m., New York City time).

When SIFMA recommends an early close to the U.S. bond markets on a business day before or after a day on which a holiday is celebrated, the fund reserves the right to close for business and make its final NAV calculation at or prior to the SIFMA recommended closing time.

To learn whether the fund is open for business, please call the fund's U.S. Service Desk at 1-877-721-1926 or 1-203-703-6002 between 8:30 a.m. and 5:30 p.m. (New York City time). If you do not transact directly with the fund's U.S. Service Desk, but instead transact through an Intermediary (as defined below), you should contact your Intermediary directly to determine their schedule of operations.

Purchase Procedures

Shares of the fund are normally not offered or made available to the general public and may only be purchased by eligible investors.

The fund reserves the right to reject any purchase order. All purchase orders will be effective and shares will be issued only upon acceptance of the order by the Placement Agent and receipt by the fund of payment for purchase. Purchase orders received after the time at which the fund makes its final net asset value calculation on a day (normally 5:00 p.m., New York City time) are deemed to be received on the next fund Business Day.

An eligible investor may arrange with the Placement Agent, or any dealer or bank intermediary that is authorized by the Placement Agent to act in connection with the placement of fund shares (each, an "Intermediary"), to place orders to purchase shares of the fund, pursuant to procedures approved by the fund.

Shares of each class of the fund are sold at their net asset value (intended to be US$ 1.00 per share) next determined after an order is received and accepted by the Placement Agent, without a sales charge.

The fund has authorized four classes of shares, Class 1, Class 2, Class 3 and Class 4. Class 1, Class 2 and Class 3 shares are offered through this Offering Circular. Class 4 shares may be purchased only by a limited number of qualified U.S. Persons, and are offered through a separate offering circular.

The minimum initial investment generally required by the fund for Class 1, Class 2 and Class 3 shares are as follows:

Class 1	US$ 1 million
Class 2	US$ 100,000
Class 3	US$ 100,000

The fund may change or waive this minimum initial investment. Your Intermediary may set different minimum initial investments.

Investments in the fund will be subject to compliance with the restrictions of the U.S. Treasury Department's Office of Foreign Assets Control and other applicable laws which may restrict subscriptions or redemptions of fund shares, require the manager, the subadviser, a Recordkeeping Agent, the Custodian or any of their delegates to file reports with certain governmental entities and may result in the freezing or other disposition of investors' assets.

The fund will not be registered under the 1940 Act and the offering of shares of the fund will not be registered under the 1933 Act. Accordingly, shares may not be offered or sold in the United States or to, or for the benefit of, U.S. Persons, as that term is defined in the section entitled "Other Information-Definition of a U.S. Person" except that Class 4 shares may be offered (through a separate offering circular) and sold to a limited number of qualified investors in private placements exempt from registration pursuant to Regulation D under the 1933 Act. In addition, shares may not be offered or sold directly or indirectly to members of the public in the Cayman Islands or elsewhere.

Revenue Sharing

LMPFA, LMIS, their affiliates and their personnel have interests in promoting sales of the fund, including remuneration, fees and profitability relating to services to and sales of the fund. Associated Persons of LMPFA, LMIS or their affiliates (including wholesalers registered with LMIS) may receive additional compensation related to the sale of affiliated funds. LMPFA, the subadviser, and their advisory or other personnel may also benefit from increased amounts of assets under management.

Intermediaries, including broker/dealers, investment advisers, financial consultants or advisers, mutual fund supermarkets, insurance companies, financial institutions and other financial intermediaries through which investors may purchase shares of the fund, also may benefit from the sales of shares of affiliated funds. For example, in connection with such sales, Intermediaries may receive compensation from the fund (with respect to the fund as a whole or a particular class of shares) and/or from LMPFA, LMIS, and/or their affiliates, as further described below. The structure of these compensation arrangements, as well as the amounts paid under such arrangements, varies and may change from time to time. In addition, new compensation arrangements may be negotiated at any time. The compensation arrangements described in this section are not mutually exclusive, and a single Intermediary may receive multiple types of compensation.

LMIS has agreements in place with Intermediaries defining how much each firm will be paid for the sale of the fund from sales charges, if any, paid by fund shareholders and from Maintenance Fees paid to LMIS or an affiliate by the fund, if any. These Intermediaries then pay their employees or associated persons who sell fund shares from the sales charges and/or fees they receive. The Intermediary, and/or its employees or associated persons may receive a payment when a sale is made and will, in most cases, continue to receive ongoing payments while you are invested in the fund. In other cases, LMIS or an affiliate may retain all or a portion of such fees and sales charges, if any.

In addition, LMIS, LMPFA and/or certain of their affiliates may make additional payments (which are often referred to as "revenue sharing" payments) to the Intermediaries from their past profits and other available sources, including profits from their relationships with the fund. Revenue sharing payments are a form of compensation paid to an Intermediary in addition to the sales charges, if any, paid by fund shareholders or Maintenance Fees paid by the fund, if any. LMPFA, LMIS and/or certain of their affiliates may revise the terms of any existing revenue sharing arrangement, and may enter into additional revenue sharing arrangements with other financial services firms.

Revenue sharing arrangements are intended, among other things, to foster the sale of fund shares and/or to compensate financial services firms for assisting in marketing or promotional activities in connection with the sale of fund shares. In exchange for revenue sharing payments, LMPFA and LMIS generally expect to receive the opportunity for the fund to be sold through the Intermediaries' sales forces or to have access to third-party platforms or other marketing programs, including but not limited to mutual fund "supermarket" platforms or other sales programs. To the extent that Intermediaries receiving revenue sharing payments sell more shares of the fund, LMPFA and LMIS and/or their affiliates benefit from the increase in fund assets as a result of the fees they receive from the fund. LMIS, LMPFA or their affiliates consider revenue sharing arrangements based on a variety of factors and services to be provided.

Revenue sharing payments are usually calculated based on a percentage of fund sales and/or fund assets attributable to a particular Intermediary. Payments are at times based on other criteria or factors such as, for example, a fee per each transaction. Specific payment formulas are negotiated based on a number of factors, including, but not limited to, reputation in the industry, ability to attract and retain assets, target markets, customer relationships and scope and quality of services provided. In addition, LMIS, LMPFA and/or certain of their affiliates may pay flat fees on a one-time or irregular basis 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. Furthermore, LMIS, LMPFA and/or certain of their affiliates at times pay certain education and training costs of Intermediaries (including, in some cases, travel expenses) to train and educate the personnel of the Intermediaries. It is likely that Intermediaries that execute portfolio transactions for the fund will include those firms with which LMPFA, LMIS and/or certain of their affiliates have entered into revenue sharing arrangements.

The fund generally pays the Transfer Agent for certain recordkeeping and administrative services. In addition, the fund may pay Intermediaries for certain recordkeeping, administrative, sub-accounting and networking services. These services include maintenance of shareholder accounts by Intermediaries, such as recordkeeping and other activities that otherwise would be performed by the fund's Transfer Agent. Administrative fees may be paid to an Intermediary that undertakes, for example, shareholder communications on behalf of the fund. These payments are generally based on either (i) a percentage of the average daily net assets of fund shareholders serviced by an Intermediary or (ii) a fixed dollar amount for each account serviced by an Intermediary. LMIS, LMPFA and/or their affiliates may make all or a portion of these payments.

If your fund shares are purchased through a retirement plan, LMIS, LMPFA or certain of their affiliates at times also make similar payments to those described in this section to the plan's recordkeeper or an affiliate.

Revenue sharing payments, as well as the other types of compensation arrangements described in this section, create an incentive for Intermediaries and their employees or associated persons to recommend the fund over other investments or sell shares of the fund to customers and in doing so may create conflicts of interest between the Intermediaries' financial interests and the interests of their customers. The total amount of these revenue sharing payments is substantial, may be substantial to any given recipient and may exceed the costs and expenses incurred by the recipient for any fund-related marketing or shareholder servicing activities.

Please contact your Intermediary for details about any payments it (and its employees) may receive from the fund and/or from LMIS, LMPFA and/or their affiliates. You should review your Intermediary's disclosure and/or talk to your Intermediary to obtain more information on how this compensation may have influenced your Intermediary's recommendation of the fund.

Use of Record Shareholder

All shares are owned of record by LM (BVI) Limited, a British Virgin Islands company that is an indirect wholly-owned subsidiary of Franklin Resources (the "Record Shareholder"), as nominee for investors. Investors acquire beneficial interests in the fund shares held of record by the Record Shareholder. References in this Offering Circular to shares of the fund include, as appropriate, those beneficial interests, and, except where the context requires otherwise, references to subscribers or shareholders other than the Record Shareholder refer to the fund investors for whom the Record Shareholder acts as nominee.

The Record Shareholder has entered or will enter into nominee agreements with fund investors (each, a "Nominee Agreement"), in which the Record Shareholder will agree to take certain actions on behalf of investors unaffiliated with Franklin Resources holding beneficial interests in the fund's shares held of record by the Record Shareholder ("Unaffiliated Investors") including (i) upon a written request of Unaffiliated Investors holding beneficial interests in 5% or more of the fund's shares held of record by the Record Shareholder for the account of Unaffiliated Investors, to poll the remaining Unaffiliated Investors to determine if any remaining Unaffiliated Investors wish to convene a shareholder meeting; (ii) to convene a meeting of Unaffiliated Investors whenever it is instructed to do so by Unaffiliated Investors holding beneficial interests in not less than one-third of the fund's shares held of record by the Record Shareholder for the account of Unaffiliated Investors; and (iii) at any such shareholder meeting, to vote the fund shares to elect or remove the fund Directors according to the instructions of Unaffiliated Investors holding beneficial interests in a simple majority of the fund shares held of record by the Record Shareholder for the account of Unaffiliated Investors. The Record Shareholder has further agreed to not amend the fund's Articles to eliminate shareholder rights to convene meetings and elect or remove the fund Directors without the approval of Unaffiliated Investors with beneficial interests in at least a majority of the fund shares held of record by the Record Shareholder for the account of Unaffiliated Investors. However, these undertakings will not otherwise prohibit the Record Shareholder from exercising voting rights as record shareholder, so that the Record Shareholder will be able without any consent or approval of fund investors to otherwise exercise shareholder voting rights in the fund.

See "Handling of Mail" for information on how to contact the Record Shareholder.

Redeeming Shares

Voluntary Redemptions

The fund is open for redemption transactions on every fund Business Day. Investors may redeem fund shares by contacting the Intermediary through which the shares were purchased, or in such other manner as the fund may from time to time advise investors. Shares are redeemed at their net asset value next determined after the fund receives a redemption request in proper form. Redemption requests received by the fund's transfer agent after the time at which the fund makes its final net asset value calculation on a fund Business Day (normally 5:00 p.m., New York City time) are deemed to be received on the next fund Business Day.

The Board may, if it determines it to be in the best interests of the fund and its shareholders, suspend the ability of any investor to redeem fund shares for any reason, to the extent permitted by applicable law.

Receiving Payment

Redemption proceeds normally will be sent within one day of receipt of a redemption request in proper form. As noted above, if your redemption request in proper form is received by the fund's transfer agent after the time at which the fund makes its final net asset value calculation on a fund Business Day (normally 5:00 p.m., New York City time), your redemption request will be deemed to be received on the next fund Business Day. Shares redeemed earn dividends up to and including the day prior to the day the redemption is effected.

The fund may delay payment for one business day under certain circumstances and may delay beyond one business day if Fedwire, the applicable U.S. Federal Reserve Bank or any applicable non-U.S. payment system is closed on the day your redemption proceeds would otherwise be paid, or in the circumstances described below. Additionally, payment of redemption proceeds from a recent purchase of shares may be delayed to assure that such purchase has cleared.

The fund has the right to pay your redemption proceeds by giving you securities instead of cash. In that case, you may pay transaction costs to dispose of the securities, and you may receive less than the price at which they were valued for purposes of the redemption.

The right of any investor to receive payment with respect to any redemption may be suspended or the payment of the redemption proceeds postponed during any period in which the NYSE or the FRBNY is closed (other than on weekends or holidays) or trading on the NYSE is restricted, if an emergency exists, or as otherwise permitted by applicable law or government order.

The Board may, if it determines it to be in the best interests of the fund and its shareholders, suspend the right of any investor to receive payment with respect to any redemption or postpone the payment of redemption proceeds for any reason to the extent permitted by applicable law or government order.

Mandatory Redemptions

If at any time the Board determines that the net assets of the fund are not sufficient for the efficient operation of the fund, the Board may, subject to the applicable provisions of Cayman Islands law, cause the fund to redeem all or substantially all of the shares of the fund then outstanding at the next determined net asset value per share.

The Board also has the power to compel the redemption of shares if it determines that any of the representations given by an investor were not true or ceased to be true or it becomes apparent that any shares are owned directly or beneficially by any person who by virtue of such ownership is in breach of any law or requirement of any country or governmental authority that (i) might result in the fund or its investors suffering any taxation or pecuniary or other disadvantage that they would not suffer if such person (whether alone or together with other persons) was not the holder of shares or (ii) would cause an undue risk of adverse regulatory consequences. However, the Board accepts no responsibility for ascertaining, and is not obliged to ascertain, whether or not any ownership of shares by any investor would result in breach of any such law or requirement or would cause any such consequences.

If the Board determines to exercise its power to compel the redemption of shares, the fund will send a notice of redemption to the investor concerned stating the reason for such redemption. The investor to which the notice is sent shall have no rights as an investor with respect to his or her shares after the date of the notice (irrespective of when it is received by that investor), other than the right to receive the redemption price which, subject to applicable law, will be paid within thirty days of the date of the redemption notice.

In addition, the Board may compel the redemption of an investor's shares if the net asset value of the shares proposed to be retained by the investor drops below the minimum amount, if any, set forth in the investor's Subscription Agreement or otherwise as may be permitted or required by fund policy or applicable law.

Account Closings

The fund reserves the right to close your account after a period of inactivity.

Fund Information

General

The fund has been incorporated as an "Exempted Company" under the law of the Cayman Islands. The fund is designed for investors other than U.S. Persons, as defined in the section entitled "Other Information- Definition of a U.S. Person".

The Mutual Funds Act (As Revised) of the Cayman Islands (the "Cayman Law") provides for the regulation and licensing of certain mutual funds and mutual fund administrators established or operating in or from the Cayman Islands. For as long as the issued shares of the fund are held by a single shareholder of record the fund will not be required to be regulated or licensed under the Cayman Law. Nevertheless, the fund believes that, if it became necessary or desirable, it would be able to meet the regulatory and licensing requirements of the Cayman Law. See "Investing in the Fund — Use of Record Shareholder" for more information on the shareholder of record.

Neither the Cayman Islands Monetary Authority (the "Authority"), nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this Offering Circular. There is no investment compensation scheme available to investors in the Cayman Islands.

Investors should inform themselves as to the legal requirements within their own countries for the purchase and holding of shares of the fund, any currency exchange restrictions that they may be subject to and the income and other tax consequences that may apply in their own countries relevant to the purchase, holding or disposal of shares of the fund.

Board of Directors

The Board is responsible for managing the business affairs of the fund and for exercising all of the powers of the fund except those reserved for the owners of shares. Subject to the supervision and direction of the Board, certain powers and responsibilities of the Board are delegated to the manager, Recordkeeping Agents, Custodian and Placement Agent.

Custodian

The Bank of New York Mellon ("BNY Mellon" or, in its capacity as custodian of the fund, the "Custodian") serves as custodian and accounting agent of the fund. For its services, the Custodian receives such compensation as is from time to time agreed upon. Securities of the fund may be held by sub-custodians located in the countries in which the issuers of those securities are located.

Manager, Subadviser, Transfer Agent, Accounting Agent and Placement Agent

LMPFA is the fund manager, performs administrative services for the fund and supervises the overall administration of the fund, including the monitoring of performance of the fund's other service providers, including BNY Mellon in its role as accounting agent (the "Accounting Agent") and BNY Mellon Investment Servicing (U.S.) Inc. ("BNY MIS" or the "Transfer Agent") (collectively, the "Recordkeeping Agents"). BNY MIS provides

shareholder servicing and transfer agent functions for the fund pursuant to its Transfer Agency Agreement. BNY Mellon performs certain accounting services on behalf of the fund pursuant to its Fund Accounting Services Agreement. Western Asset is the fund's subadviser.

Legg Mason Investor Services, LLC ("LMIS" or the "Placement Agent") is the Placement Agent for the fund. LMIS is an indirect, wholly-owned broker/dealer subsidiary of Franklin Resources, located at 100 International Drive, Baltimore, Maryland 21202. The Placement Agent is responsible for accepting purchase orders for shares of the fund and for distribution activities relating to shares of the fund.

See "Investment Management" for information about the management fee paid by the fund to the manager. The fund may pay the Recordkeeping Agents directly for services performed.

For its services as Placement Agent, LMIS or an affiliate may receive a Maintenance Fee at an annual rate of up to the below percentage of the average daily net assets of each share class:

Class 1	None
Class 2	0.30%
Class 3	0.05%

Maintenance Fees are accrued daily and paid monthly. A class that has a higher Maintenance Fee will have higher expense ratios, pay lower dividends and may have a lower per share net asset value than a class that has a lower Maintenance Fee. Maintenance Fees are payable to LMIS or an affiliate, which may use these payments to fund, in whole or in part, revenue sharing payments as described under "Investing in the Fund-Revenue Sharing". From time to time, LMIS and/or financial intermediaries may agree to a reduction or a waiver of these fees.

Fund Administration

The manager performs administrative and management services necessary for the operation of the fund, such as: supervising the overall administration of the fund, including negotiation of contracts and fees with and the monitoring of performance and billings of the transfer and shareholder servicing agents, the Custodian and other independent contractors or agents; providing certain compliance, fund accounting, regulatory reporting, and tax reporting services; preparing or participating in the preparation of Board materials, registration statements, proxy statements and reports and other communications to shareholders; maintaining the existence of the fund; and arranging for the maintenance of books and records of the fund. For these services, the manager receives a fee under the Fund Management Agreement as described above under "Investment Management". Directors, officers, and investors in the fund are or may be or may become interested in the manager, as directors, officers, employees, or otherwise and directors, officers and employees of the manager are or may become similarly interested in the fund.

Directors and Officers

The Board is entirely composed of Franklin Resources representatives, although Directors who are not representatives of Franklin Resources may be appointed in the future. Directors serve for such terms, if any, as are fixed upon their appointment or election and otherwise indefinitely. Directors need not be elected by investors in the fund although investors that are unaffiliated with Franklin Resources have certain rights to direct the Record Shareholder as to the election and removal of directors. Directors affiliated with Franklin Resources are not compensated by the fund for serving on the Board.

Anti-Money Laundering Servicing

BNY Mellon Investment Servicing (U.S.) Inc. performs certain anti-money laundering services on behalf of the fund pursuant to a separate agreement.

Legal Counsel

Maples and Calder, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, acts as Cayman Islands legal counsel to the fund.

Ropes & Gray LLP, 1211 Avenue of the Americas, New York, New York 10036, United States, provides legal counsel to the fund as to matters of United States federal income tax and securities law.

Independent Auditors

The independent auditor for the fund is PricewaterhouseCoopers LLP.

Record Shareholders

The shareholder of record for the fund is LM (BVI) Limited, a British Virgin Islands company that is an indirect wholly-owned subsidiary of Franklin Resources. Investors acquire beneficial interests in the fund shares held of record by LM (BVI) Limited. See "Investing in the Fund — Use of Record Shareholder" for more information.

Anti-Money Laundering and Countering of Terrorist and Proliferation Financing

In order to comply with legislation or regulations aimed at the prevention of money laundering and the countering of terrorist and proliferation financing the fund is required to adopt and maintain procedures, and may require subscribers to provide evidence to verify their identity, the identity of their beneficial owners/controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the fund may also

rely upon a suitable person for the maintenance of these procedures (including the acquisition of due diligence information) or otherwise delegate the maintenance of such procedures to a suitable person.

The fund, and the manager on the fund's behalf, reserve the right to request such information as is necessary to verify the identity of subscribers, and where applicable, the identity of their beneficial owners/controllers and the source of their subscription funds. Where the circumstances permit, the fund, or the manager on the fund's behalf, may be satisfied that full due diligence may not be required at subscription where a relevant exemption applies under applicable law. However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of an interest in shares.

In the event of delay or failure on the part of the subscriber or the transferee, as applicable, in producing any information required for verification purposes, the fund, or the manager on the fund's behalf, may refuse to accept the application, or if the application has already occurred, may suspend or redeem the interest, in which case any funds received will, to the fullest extent permitted by applicable law, be returned without interest to the account from which they were originally debited.

The fund, and the manager on the fund's behalf, also reserve the right to refuse to make any redemption or dividend payment to a shareholder if the Directors or the manager on the fund's behalf suspect or are advised that the payment of redemption or dividend proceeds to such shareholder may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the fund or the manager on the fund's behalf with any applicable laws or regulations.

The Authority has a discretionary power to impose substantial administrative fines upon the fund in connection with any breaches by the fund of prescribed provisions of the Anti-Money Laundering Regulations (As Revised) of the Cayman Islands, as amended and revised from time to time, and upon any director or officer of the fund who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the fund, the fund will bear the costs of such fine and any associated proceedings.

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority ("FRA") of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (As Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Investors may obtain details (including contact details) of the current AML Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer of the fund, by contacting the fund’s U.S. Service Desk at 1-877-721-1926 or 1-203-703-6002.

Requests for Information

The fund, or any directors or agents domiciled in the Cayman Islands, may be compelled to provide information, including, but not limited to, information relating to the subscriber, and where applicable the subscriber’s beneficial owners and controllers, subject to a request for information made by a regulatory or governmental authority or agency under applicable law, e.g. by the Cayman Islands Monetary Authority, either for itself or for a recognized overseas regulatory authority, under the Monetary Authority Act (As Revised), or by the Tax Information Authority, under the Tax Information Authority Act (As Revised) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the fund, director or agent may be prohibited from disclosing that the request has been made.

Subscription Monies

Where a subscription for shares is accepted, the shares will be treated as having been issued with effect from the relevant subscription date notwithstanding that certain procedures for the issuing of those shares may not be completed until after the relevant subscription date. The subscription monies paid by a subscriber for shares will accordingly be subject to investment risk in the fund from the relevant subscription date.

Capital Structure

The authorized share capital of the fund is US$10,000,000 divided into 100,000,000,000 shares each having a par value of US$0.0001. There are currently four classes of shares of the fund. The Board may establish additional classes in the future.

The Board is authorized to issue additional shares of the fund at the fund’s current net asset value per share at any time, plus any applicable sales charge (although at present no sales charge applies). When additional shares are issued, the Board is not required to grant subscription rights to existing shareholders.

Fractional shares may be issued and redeemed. Under Cayman Islands law the liability of shareholders of the fund is generally limited to the amount of their investment in the fund.

Expenses

The fund bears its expenses that include, but are not limited to, organizational and regulatory costs; expenses of registering or qualifying the shares of the fund for sale in certain jurisdictions; Directors' fees (if any); management fees; expenses of writing, typesetting and printing offering materials and other documents for, and communications with, investors and prospective investors; taxes and commissions; expenses of issuing, purchasing, repurchasing and redeeming shares; fees of administrative and dividend disbursing agents; printing, mailing, auditing, accounting and legal expenses; expenses relating to reports to investors and governmental agencies; costs of meetings of Trustees, Directors and investors and proxy solicitations therefor (if any); insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise.

Fund expenses or fees (other than interest, brokerage, taxes, extraordinary expenses and acquired fund fees and expenses) will be waived or borne by the manager and/or other service providers to the extent necessary in order that the aggregate annualized fund expenses allocated to each class of the fund do not exceed the percentage specified below of the average daily net assets of such class (each an "expense cap"):

Class 1	0.18%
Class 2	0.45%
Class 3	0.23%

Each expense cap is voluntary, and may be changed or terminated at any time. Additional amounts may be voluntarily waived and/or reimbursed from time to time. The manager and/or other service providers may, subject to any then applicable expense cap, seek reimbursement for such expenses or fees from the fund in future years.

Investors may be assessed bank and other charges for special handling of account transactions.

Fees and expenses described in this Offering Circular are subject to change without notice to, or a vote of, investors in the fund.

Net Asset Value

The net asset value of shares of each class of the fund is expressed in U.S. dollars as a per share figure. The fund normally calculates its net asset value as of each hour from 9:00 a.m., New York City time, until its close of business (normally, 5:00 p.m., New York City time) on each fund Business Day, as described above.

However, the fund could, without advance notice, determine not to make one or more intraday calculations for a number of reasons such as unusual conditions in the bond, credit or other markets or unusual fund purchase or redemption activity. If the fund determined not to make an intraday calculation, purchases or redemptions would be effected at the next determined intraday or closing net asset value, which may be greater or less than the price at which the purchase or redemption would otherwise have been effected.

The net asset value per share of the fund (or its classes) is calculated by dividing (i) the value of the fund's net assets (allocable to that class, if applicable) (i.e., the fund's assets less its liabilities, including expenses payable or accrued (and, if applicable, the value of the assets attributable to such class)) by (ii) the total number of shares of the fund (or such class, if applicable) outstanding at the time the determination is made.

The fund seeks to maintain a constant share price at US$1.00 (although no assurance can be given that this will be so on a continuing basis). The fund uses the amortized cost method to value its portfolio securities. Using this method, the fund constantly amortizes over the remaining life of a security the difference between the principal amount due at maturity and the cost of the security to the fund. The Board periodically assesses the procedures for determining the net asset value of its shares, including the fund's use of the amortized cost method of valuation.

Distributions

Substantially all of the fund's net income from dividends and interest is paid to its investors, as a dividend declared on a daily basis and distributed monthly on or about the last business day of each month.

The fund's net income consists of its share of the investment income that it earns, less its own expenses.

The net realized short-term and long-term capital gains earned by the fund, if any, will be distributed to the fund's investors at such times and in such amounts as LMPFA, in consultation with the Board, determines to be in the best interests of the fund. For example, LMPFA, in consultation with the Board, may determine that the fund will distribute such gains on an annual, quarterly, monthly or daily basis. LMPFA, in consultation with the Board, also has authority not to distribute the fund's net realized short-term and long-term capital gains that it earns. It is possible that LMPFA, in consultation with the Board, may from time to time change the times and amounts of such distributions for the fund.

Each investor may elect to receive dividends and capital gains distributions of the fund in either U.S. dollars or in additional shares of the fund (purchased at their net asset value without a sales charge). If no election is made by an investor, all dividends and other distributions will be automatically reinvested in additional shares of the fund at the net asset value determined on the reinvestment date.

Since the net income of the fund is declared as a dividend each time the net income of the fund is determined, the net asset value per share of the fund is intended to remain at US$1.00 per share immediately after each such determination and dividend declaration. Any increase in the value of a shareholder's investment in the fund representing the reinvestment of dividend income is reflected by an increase in the number of shares of the fund in the investor's account.

Taxation

Cayman Islands

The Government of the Cayman Islands, will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the fund or its shareholders. The Cayman Islands are not party to any double tax treaty with any country that is applicable to any payments made by or to the fund.

The fund has received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the fund or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the fund or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the fund to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the fund.

Automatic Exchange of Financial Account Information

The Cayman Islands has signed an inter-governmental agreement to improve international tax compliance and the exchange of information with the United States (the "US IGA"). The Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the "CRS" and together with the US IGA, "AEOI").

Cayman Islands regulations have been issued to give effect to the US IGA and the CRS (collectively, the "AEOI Regulations"). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the "TIA") has published guidance notes on the application of the US IGA and the CRS.

All Cayman Islands "Financial Institutions" are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a "Non-Reporting Financial Institution" (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The fund does not propose to rely on any Non-Reporting exemption and therefore intends to comply with the requirements of the AEOI Regulations.

The AEOI Regulations require the fund to, amongst other things (i) register with the United States Internal Revenue Service (the "IRS") to obtain a Global Intermediary Identification Number (a "GIIN") (in the context of the US IGA only), (ii) register with the TIA, and thereby notify the TIA of its status as a "Reporting Financial Institution"; (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS; (iv) conduct due diligence on its accounts to identify whether any such accounts are considered "Reportable Accounts", and (v) report information on such Reportable Accounts to the TIA. The TIA will transmit the information reported to it to the overseas fiscal authority relevant to a reportable account (e.g. the IRS in the case of a US Reportable Account) annually on an automatic basis.

For information on any potential withholding tax that may be levied against the fund, see also sections entitled "Taxation – United States" and "Foreign Account Tax Compliance Act".

By investing in the fund and/or continuing to invest in the fund, investors shall be deemed to acknowledge that further information may need to be provided to the fund, the fund's compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information (regardless of the consequences), the fund may be obliged, and/or reserves the right, to take any action and/or pursue all remedies at its disposal including, without limitation, compulsory redemption of the investor concerned and/or closure of the investor's account. In accordance with TIA issued guidance, the fund is required to close an investor's account if a self-certification is not obtained within 90 days of account opening.

United States

The following is a summary of certain aspects of U.S. federal income taxation under the United States Internal Revenue Code of 1986, as amended (the "Code"), that may be applicable to the fund and its shareholders that are not "United States persons" (as defined in the Code). This discussion is not intended to be a summary of all relevant U.S. tax considerations. In particular, it does not address the taxation of estates and gifts under the Code, or considerations specific to state and local taxation, or consequences under any tax treaty. The following discussion does not take into account considerations that may relate to special classes of investors, including, among others, shareholders classified as partnerships or otherwise

as pass-through entities for U.S. federal income tax purposes or who hold their shares in the fund through an entity classified as a partnership or other pass-through entity for U.S. federal income tax purposes, shareholders that hold shares in the fund in connection with a U.S. trade or business, shareholders subject to the rules that apply to expatriates under the Code, or shareholders that are governments or agencies or instrumentalities thereof, in each case except as expressly discussed below. Special considerations (not discussed herein) may apply to persons who are not direct shareholders but who are deemed to own shares in the fund as a result of the application of certain attribution rules.

U.S. Federal Income Tax Status of the Fund

The fund is and will be classified as a corporation for United States federal income tax purposes. Based on the structure and operations of the fund, the fund generally should not be subject to U.S. federal income tax, except as provided below.

The fund currently conducts and intends to continue to conduct its activities so that it will not be deemed to be engaged in the conduct of a United States trade or business under the Code. As a result, it is not anticipated that the fund will be subject to a net income or branch profits tax under the Code. The Code imposes a 30% withholding tax on certain income received from U.S. sources by non-U.S. persons, such as the fund. However, the fund realizes, and is anticipated to continue to realize, substantially all of its U.S.-source income in the form of "portfolio interest" or other interest that is exempt from such withholding. There can be no assurance that the United States Internal Revenue Service (the "IRS") will not challenge the above conclusions or take other positions that, if successful, might result in the payment of United States federal income taxes by the fund. For instance, the IRS could assert that the fund's investments in repurchase agreements, when-issued securities, or forward commitment transactions cause the fund to be engaged in the conduct of a United States trade or business and therefore subject to a net income and, potentially, to a branch profits tax under the Code.

U.S. Federal Income Tax Treatment of Non-U.S. Shareholders

Because the fund is classified as a foreign corporation under the Code, investors in the fund that are not "United States persons" (as that term is defined in the Code) and are not subsidiaries or affiliates of U.S. taxpayers, should not be subject to United States federal income tax on any distributions from the fund or on the sale, exchange, or redemption of shares of the fund, unless those shares are held in connection with a United States trade or business of the investor (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that the investor maintains in the United States), or unless they are subject to withholding as described in "Foreign Account Tax Compliance Act" below.

In the case of a shareholder who is a nonresident alien individual, however, gain from the sale, exchange, or redemption of shares of the fund will be subject to a 30% (or any applicable lower tax treaty rate) U.S. withholding tax if (i) such person is present in the U.S. for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and (ii) such gain is derived from U.S. sources. Generally, the source of gain upon the sale, exchange, or redemption of shares of the fund is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the Code defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the U.S. being treated as a U.S. resident for purposes of determining the source of gain only. Each potential individual shareholder who is a nonresident alien individual and anticipates being present in the U.S. for 183 days or more in any taxable year should consult his tax advisor with respect to the possible application of this rule.

Reporting

A "United States person" (and, potentially, a non-U.S. person who is engaged in business in the U.S.) who owns an interest in certain non-U.S. financial accounts that, when aggregated with the value of certain other non-U.S. financial accounts, are worth more than US$10,000 during any part of a calendar year is generally required to file a Report of Foreign Bank and Financial Accounts (an "FBAR") with respect to such accounts by April 15 following the close of such calendar year. Relevant guidance provides that, for persons who fail to file by April 15, the deadline will be automatically extended to October 15. The definition of "United States person" for this purpose generally includes U.S. citizens, residents of the U.S. and of U.S. territories and possessions, and entities created, organized or formed under the laws of the U.S. or a U.S. territory or possession. Under current IRS guidance, an investment in the fund is not treated as a non-U.S. financial account for purposes of the FBAR filing requirements. The penalties for failing to file an FBAR when required can be severe.

The foregoing is not intended to constitute an exhaustive description of all reporting requirements that may apply to an investment in the fund. Shareholders are urged to consult their own tax advisors or return preparers concerning the application of these and any other reporting requirements. A failure to satisfy reporting requirements may result in significant penalties. A failure to satisfy certain reporting requirements may also result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement.

Prospective investors in the fund, particularly prospective investors that are subsidiaries or affiliates of U.S. taxpayers, should seek their own professional advice as to the potential U.S. tax consequences of an investment in the fund.

Foreign Account Tax Compliance Act

Legislation commonly referred to as the Foreign Account Tax Compliance Act ("FATCA") was enacted in the United States in 2010. It introduced a number of new customer identification, reporting and tax withholding requirements applicable to foreign (i.e., non-U.S.) financial institutions ("FFIs") and certain nonfinancial foreign entities. These requirements are aimed at preventing citizens and residents of the United States from evading U.S.

taxes by holding their assets in financial accounts outside of the United States. The term "FFI" is defined very broadly and therefore the fund and, potentially, certain dealers or third parties selling shares of the fund are considered FFIs.

The following is a general discussion of the application of FATCA to the fund and certain dealers or third parties selling shares of the fund, as well as existing and prospective investors or shareholders of the fund. It is included for general informational purposes only, should not be relied upon as tax advice and may not be applicable depending upon a shareholder's particular situation. Investors should consult their tax advisors regarding the tax consequences to them of the purchase, ownership and disposition of the shares of the fund, including the tax consequences under United States federal laws (and any proposed changes in applicable law).

For purposes of this discussion, the following definitions apply:

"FATCA" or the "Foreign Account Tax Compliance Act" means sections 1471-1474 of the Code, as amended from time to time.

"FATCA Regulations" means the regulations promulgated from time to time by the U.S. Department of Treasury and administrative guidance issued by the U.S. Internal Revenue Service with respect to FATCA.

"U.S. Reportable Account" generally means an account maintained by an FFI on behalf of one or more Specified U.S. Persons or U.S. Owned Foreign Entities, or an equity or debt interest in an FFI held by one or more Specified U.S. Persons or U.S. Owned Foreign Entities.

"Specified U.S. Person" means a specified U.S. person as defined under the FATCA Regulations, including, in general:

i. A citizen or resident of the United States;

ii. A partnership organized under the laws of the United States;

iii. A corporation incorporated under the laws of the United States, as long as the corporation is not regularly traded on an established securities market and is not a member of an "expanded affiliated group" that includes another corporation that is regularly traded on an established securities market;

iv. Any estate (other than a foreign estate, within the meaning of section 7701(a)(31) of the Code);

v. A trust (other than a real estate investment trust, a charitable remainder trust or certain other trusts that are exempt from U.S. federal income tax)

  a. If a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons, as defined under section 7701(a)(30) of the Code, have authority to control all substantial decisions of the trust, or

  b. That has in effect a valid election under applicable regulations to be treated as a United States person.

"Substantial U.S. Owner" means:

i. With respect to any foreign corporation, any Specified U.S. Person that owns, directly or indirectly, more than 10 percent of the stock of such corporation (by vote or value);

ii. With respect to any foreign partnership, any Specified U.S. Person that owns, directly or indirectly, more than 10 percent of the profits interests or capital interests in such partnership; and

iii. In the case of a trust,

  a. Any Specified U.S. Person treated as an owner of any portion of the trust under sections 671 through 679 of the Code; and

  b. Any Specified U.S. Person that holds, directly or indirectly, more than 10 percent of the beneficial interests of the trust.

"U.S. Owned Foreign Entity" means a foreign entity owned by one or more Substantial U.S. Owners.

FFI Agreements and FATCA Withholding

FATCA generally requires FFIs to enter into agreements ("FFI Agreements") with the IRS, under which they agree to identify and report information to the IRS on any U.S. Reportable Accounts held by them. The IRS assigns a GIIN to each FFI that has entered into an FFI Agreement, which confirms the FFI's status as a Participating FFI. If an FFI fails to enter into an FFI Agreement, it may be treated as a non-participating FFI and may become subject to a 30% withholding tax on "withholdable payments" or "passthru payments" (as defined under the FATCA Regulations) it receives (collectively "FATCA Withholding"), except as provided by certain alternative rules, such as an intergovernmental agreement between the U.S. and a foreign government with respect to the implementation of FATCA. Withholdable payments include generally (i) any U.S. source fixed or determinable annual or periodic income ("U.S. source FDAP income") and (ii) passthru payments. The term "passthru payment" is defined for purposes of section 1471 of the Code to generally include withholdable payments and payments that are attributable to withholdable payments made by an FFI. Under proposed

U.S. Treasury regulations, on which taxpayers may rely, withholding on passthru payments will not be effective until two years after final regulations are promulgated.

Application of FATCA to the Fund

See section entitled "Cayman Islands – Automatic Exchange of Financial Account Information" above.

Application of FATCA to Investors

Each existing and prospective shareholder in the fund will be required to provide the fund (or a dealer or other third party when shares are purchased through a dealer or other third party) a completed and signed IRS Form W-8, W-9 or other withholding certificate acceptable to the fund (or dealer or third party, as appropriate), as well as any other information required by it to determine whether such shareholder is a holder of a U.S. Reportable Account or qualifies for an exemption under an intergovernmental agreement, FATCA or the FATCA Regulations. If shares of the fund are held in a nominee account by a non-FFI nominee for the benefit of their underlying beneficial owner, the underlying beneficial owner is an accountholder for purposes of FATCA, and the information provided must pertain to the beneficial owner.

Please note that the term "U.S. Reportable Account" as defined above for purposes of FATCA is broader and covers a wider range of investors than the term "U.S. Person" under Regulation S of the 1933 Act, which is discussed in the section entitled "Other Information-Definition of a U.S. Person". Investors should consult their legal counsel or tax advisors regarding whether they fall under either of these definitions.

Reporting on U.S. Reportable Accounts

If an account is determined to be a U.S. Reportable Account, the accountholder will be required to provide to the fund (or dealer or third party, as appropriate) information required to be reported to the appropriate tax authorities under FATCA, generally including among other things, the full name, address, and taxpayer identification number of the accountholder. For shares purchased directly from the fund, the fund intends to report the shareholder's information to the government of the Cayman Islands, pursuant to the intergovernmental agreement between the U.S. and the Cayman Islands. For shares purchased from a dealer or other third party, the dealer or other third party may be required to report the shareholder's information to the IRS or, potentially, to the dealer's or third party's local taxing authorities in the case of a dealer or third party located in a country that has entered into an intergovernmental agreement with the United States. Failure by a shareholder to provide necessary information may result in its account being closed and the shareholder being subject to FATCA withholding on any distributions received by the shareholder from the fund.

Application of FATCA to Brokers, Dealers or Similar Third Parties Selling Shares of the Fund

To avoid FATCA Withholding, a broker, dealer or similar third party selling shares of the fund may be required to certify its compliance with FATCA by providing the fund (i) an appropriate IRS Form W-8, W-9 or other withholding certificate acceptable to the fund, as applicable, duly executed by an authorized representative; (ii) its GIIN, if applicable, as well as (iii) any other information required by the fund to confirm such compliance with FATCA. Failure by such a broker, dealer or similar third party to provide such information may lead to closure of the broker's, dealer's or third party's accounts with the fund and imposition of FATCA Withholding on such accounts.

This discussion was written to support the promotion or marketing of the fund. Each recipient of this document should seek advice based on that person's particular circumstances from an independent tax advisor.

General

Investment income realized by fund from sources within countries other than the United States and the Cayman Islands may be subject to withholding taxes imposed by those countries.

The fund does not purchase securities that it believes, at the time of purchase, will be subject to exchange controls or non-U.S. withholding taxes; however, there can be no assurance that such laws may not become applicable to certain investments. In the event exchange controls or non-U.S. withholding taxes are imposed with respect to any of the fund's investments, the effect may be to reduce the income received by the fund on those investments.

A prospective investor should be aware of the taxes applicable to the acquisition, holding and disposition of fund shares and to distributions in respect thereof under the laws of the countries of his or her citizenship, residence or domicile. Prospective investors are encouraged to contact their own tax advisors in this regard.

Other Information

Investor Representations

By purchasing fund shares, investors represent or are deemed to represent that, among other things:

(i) they have received and reviewed this Offering Circular;

(ii) they will hold the fund shares that they acquire subject to the terms of this Offering Circular and the fund's Articles, as amended or supplemented from time to time;

(iii) they have such knowledge and experience in business and financial matters as to be capable of evaluating the merits and risks of investing in the fund, and they are able to bear the economic risk of an investment in the fund;

(iv) they are purchasing the fund shares for investment and not with a view to resale or distribution;

(v) either (A) they were not present in the United States when any offer to purchase shares of the fund was made to them and at the time they placed their order to buy shares they were outside the United States or (B) the offer and sale of shares of the fund to them otherwise qualify as an "offshore transaction" as defined in Rule 902(h) under the 1933 Act;

(vi) they are not, and are not acting on behalf of, a U.S. Person (as defined below) or an investor of any other type that the manager may determine to be ineligible to acquire shares of the fund (a "Restricted Investor");

(vii) they will promptly notify the fund if they become a U.S. Person or Restricted Investor;

(viii) they have not received funds from any U.S. Person or Restricted Investor to acquire fund shares and will not sell, transfer or otherwise dispose of fund shares, directly or indirectly, within the United States or to any U.S. Person or Restricted Investor;

(ix) they have received the Nominee Agreement setting out the rights and limitations of investors as holders of beneficial interests in shares of the fund, and agree to its terms;

(x) they are not currently a Sanctions Subject as defined at p. 27 herein, and that they will promptly notify the fund if they become a Sanctions Subject;

(xi) that all personal data provided to the fund, the manager or its delegates by or on behalf of the investor has been and will be provided in accordance with applicable laws and regulations, including, without limitation, those relating to privacy or the use of personal data. Investors shall ensure that any personal data that each investor provides to the fund or its delegates (including, without limitation, the manager) is accurate and up to date, and investors shall promptly notify the fund if the investor becomes aware that any such data is no longer accurate or up to date;

(xii) investors acknowledge that the fund and/or its delegates may transfer and/or process personal data provided by the investors outside of the Cayman Islands and each investor hereby consents to such transfer and/or processing and further represents that it is duly authorised to provide this consent on behalf of any individual whose personal data is provided by the investor; and

(xiii) investors acknowledge receipt of the fund's privacy notice included herein (the "Fund Privacy Notice"). Each investor shall promptly provide the Fund Privacy Notice to (i) each individual whose personal data the investor has provided or will provide to the fund or any of its delegates in connection with the investor's investment in the fund (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) and (ii) any other individual connected to the investor as may be requested by the fund or any of its delegates. Investors shall also promptly provide to any such individual, on request by the fund or any of its delegates, any updated versions of the Fund Privacy Notice and the privacy notice (or other data protection disclosures) of any third party to which the fund or any of its delegates has directly or indirectly provided that individual's personal data.

In addition, if an investor holds shares issued by the fund prior to July 1, 2009, by purchasing fund shares on or after July 1, 2009 the investor will be deemed to have agreed to the nominee arrangements described in this Offering Circular and the Nominee Agreement. Contact the fund or the Record Shareholder for a copy of a Nominee Agreement.

Definition a of U.S. Person

As used in this Offering Circular, the term "U.S. Person" has the meaning assigned to it in Regulation S under the 1933 Act. As defined therein, U.S. Person means, in general:

i. a natural person who is a resident of the United States;

ii. a corporation, partnership or other entity organized or incorporated under the laws of the United States;

iii. any agency or branch of a non-U.S. entity located in the United States;

iv. any entity organized or incorporated under the laws of a jurisdiction other than the United States if formed by a U.S. Person principally to invest in securities not registered under the 1933 Act unless it is organized or incorporated, and owned, by accredited investors (as defined in Regulation D under the 1933 Act) that are not natural persons, estates or trusts;

v. any estate of which any executor or administrator is a U.S. Person;

vi. any trust of which any trustee is a U.S. Person;

vii. any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; and

viii. any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States.

Notwithstanding the foregoing, (a) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organized, incorporated or (if an individual) resident in the United States shall not be deemed a U.S. Person under (viii) above, (b) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person shall not be deemed a U.S. Person under (v) above if an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate and the estate is governed by non-U.S. law, (c) any trust of which any professional fiduciary acting as trustee is a U.S. Person shall not be deemed a U.S. Person under (vi) above if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person, (d) any employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a U.S. Person, (e) any agency or branch of a U.S. Person located outside the United States shall not be deemed a U.S. Person if (i) the agency or branch operates for valid business reasons; and (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located, and (f) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans shall not be deemed U.S. Persons.

Investment by Entities Holding U.S. Benefit Plan Assets

Shares of the fund are not intended for purchase and may not be purchased by any entity ("Benefit Plan Investor") whose underlying assets include the assets of any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any plan, including individual retirement accounts and plans covering self-employed individuals, subject to Section 4975 of the Code (any such employee benefit plan or plan, a "Benefit Plan"), by reason of any Benefit Plan's investment in such entity within the meaning of Section 3(42) of ERISA and applicable regulations of the United States Department of Labor. Prospective investors will be required to certify prior to the purchase of shares of the fund, and by purchasing fund shares, have represented or will be deemed to have represented, that they are not, and are not acting on behalf of, any Benefit Plan Investor, and to advise the fund of any change in such certification.

Financial Statements

The audited financial statements of the fund are sent to each investor in the fund within 90 days following the close of each fiscal year.

Fiscal Year

The fiscal year of the fund ends on August 31.

Indemnification

The fund will indemnify its Directors, the manager, the Placement Agent, the Recordkeeping Agents, the Custodian and the Record Shareholder and their respective directors, officers, employees, agents, partners, shareholders and affiliates against certain losses, claims, damages, liabilities and expenses, including legal fees, to which they may be or become subject by reason of their activities on behalf of the fund.

Language

This Offering Circular was originally prepared in the English language and may be translated into other languages. If there is any inconsistency between the Offering Circular as originally prepared in the English language and any translation thereof into another language, or if there is an ambiguity in any translation of the Offering Circular, the Offering Circular as originally prepared in the English language shall control in all respects.

Material Documents

The description of the fund set forth in this Offering Circular represents a summary only. Summaries of certain provisions of the fund's Articles and other documents are contained in this Offering Circular, but such summaries are qualified entirely by the documents that they purport to summarize. Copies of all material documents, including the Articles and the contracts between the fund and its service providers may be obtained from or through the manager by any investor upon payment of a copying and mailing charge.

Handling of Mail

Correspondence may be directed to the fund at its registered office address:

> Western Asset Institutional Cash Reserves, Ltd.
> c/o Maples Corporate Services Limited
> P.O. Box 309, Ugland House
> Grand Cayman, KY1-1104
> Cayman Islands

Mail addressed to the fund and received at its registered office will be forwarded unopened to the forwarding address supplied by the fund to be dealt with. None of the fund, its directors, officers or service providers (including the organization which provides registered office services in the

Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular the Directors will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed only to the fund).

Correspondence to the Record Shareholder should be sent to:

LM (BVI) Limited c/o Maples Corporate Services (BVI) Limited
Re: Western Asset Institutional Cash Reserves, Ltd.
Kingston Chambers
P.O. Box 173
Road Town, Tortola
British Virgin Islands, VG 1110

Mail addressed to the Record Shareholder and received at its registered office will be forwarded unopened to representatives of the Record Shareholder. None of the Record Shareholder, its directors, officers or service providers will bear any responsibility for any delay howsoever caused in mail reaching those representatives.

Sanctions

The fund is subject to laws that restrict it from dealing with entities, individuals, organisations and/or investments which are subject to applicable sanctions regimes.

Accordingly, the fund will require the subscriber to represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers or authorised persons ("Related Persons") (if any) are not; (i) named on any list of sanctioned entities or individuals maintained by the US Treasury Department's Office of Foreign Assets Control ("OFAC") or pursuant to European Union ("EU"), United Kingdom ("UK") Regulations (as the latter are extended to the Cayman Islands by Statutory Instrument) and/or Cayman Islands legislation, (ii) operationally based or domiciled in a country or territory in relation to which sanctions imposed by the United Nations, OFAC, the EU, the UK and/or the Cayman Islands apply, or (iii) otherwise subject to sanctions imposed by the United Nations, OFAC, the EU, the UK (including as the latter are extended to the Cayman Islands by Statutory Instrument) or the Cayman Islands (collectively, a "Sanctions Subject").

Where the subscriber or a Related Person is or becomes a Sanctions Subject, the fund may be required immediately and without notice to the subscriber to cease any further dealings with the subscriber and/or the subscriber's interest in the fund until the subscriber or the relevant Related Person (as applicable) ceases to be a Sanctions Subject, or a licence is obtained under applicable law to continue such dealings (a "Sanctioned Persons Event"). The fund, the directors, and the manager shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by the subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of the fund subsequently become subject to applicable sanctions, the fund may immediately and without notice to the subscriber cease any further dealings with that investment until the applicable sanctions are lifted or a licence is obtained under applicable law to continue such dealings (a "Sanctioned Investment Event").

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Act, 2017 (the "DPA") on 18 May 2017. The DPA introduces legal requirements for the fund based on internationally accepted principles of data privacy.

The fund has prepared a document outlining the fund's data protection obligations and the data protection rights of subscribers (and individuals connected with subscribers) under the DPA (the "Fund Privacy Notice"). For the Fund Privacy Notice, see Appendix B to this Offering Circular.

Prospective investors should note that, by virtue of making investments in the fund and the associated interactions with the fund and its affiliates and/or delegates (including completing the application form, and including the recording of electronic communications or phone calls where applicable), or by virtue of providing the fund with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the fund and its affiliates and/or delegates (including, without limitation, the manager) with certain personal information which constitutes personal data within the meaning of the DPA. The fund shall act as a data controller in respect of this personal data and its affiliates and/or delegates, including without limitation the manager, may act as data processors (or data controllers in their own right in some circumstances).

By investing in the fund and/or continuing to invest in the fund, investors shall be deemed to acknowledge that they have read in detail and understood the Fund Privacy Notice and that the Fund Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the fund. The section entitled “Investor Representations” of this Offering Circular contains relevant representations and warranties.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the fund could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

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Appendix A

Western Asset Institutional Cash Reserves, Ltd. (the "Fund").

In addition to the investment strategies and risks described in the Fund's Offering Circular under Investment Objective, Investment Strategies and Risks, the Fund may employ other investment practices and may be subject to other risks, which are described below. The Fund may engage in the practices described below to the extent consistent with its investment objectives, strategies, policies and restrictions. However, as with any investment or investment technique, even when the Fund's Offering Circular or this discussion indicates that the Fund may engage in an activity, the Fund may not actually do so for a variety of reasons. In addition, new types of instruments and other securities may be developed and marketed from time to time. Consistent with its investment limitations, the Fund expects to invest in those new types of securities and instruments that its portfolio managers believe may assist the Fund in achieving its investment objective.

This discussion is not intended to limit the Fund's investment flexibility, unless such a limitation is expressly stated, and therefore will be construed by the Fund as broadly as possible. Statements concerning what the Fund may do are not intended to limit any other activity.

GLOSSARY OF TERMS

"1933 Act" means the Securities Act of 1933, as amended.

"1940 Act" means the Investment Company Act of 1940, as amended.

"Board" means the Fund's Board of Directors.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Manager" means Legg Mason Partners Fund Advisor, LLC.

"NAV" means net asset value.

"NRSROs" means nationally recognized (or non-U.S.) statistical rating organizations, including, but not limited to, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings and S&P Global Ratings ("S&P").

"SEC" means the U.S. Securities and Exchange Commission.

"Subadviser" means Western Asset Management Company, LLC.

The Fund seeks to invest its assets in a manner consistent with the rules as to the credit quality, maturity and liquidity of investments that are applicable to U.S. money market funds under Rule 2a-7 under the 1940 Act. However, the Fund is not subject to the 1940 Act.

Banking Industry Concentration

Up to 25% of the Fund's assets may be invested at any time in U.S. dollar-denominated obligations of non-U.S. banks, and all of the Fund's assets may be invested at any time in obligations of U.S. domestic banks, as that term has been interpreted by the SEC. Under SEC interpretations, a U.S. branch of a non-U.S. bank may be considered a U.S. domestic bank if the U.S. branch of the non-U.S. bank is subject to the same regulation as a U.S. bank. Likewise, a non-U.S. branch of a U.S. bank may be considered a U.S. domestic bank if the investment risk associated with investing in instruments issued by the non-U.S. branch is the same, in the opinion of the portfolio manager, as that of investing in instruments issued by the branch's domestic parent. The Fund may also invest in Eurodollar and Yankee bank obligations.

The Fund limits its investments in U.S. bank obligations (including, for these purposes, their non-U.S. branches) to banks having more than $100 million of equity capital or total assets in excess of $1 billion and which are subject to regulation by an agency of the U.S. government, except that the investments in certificates of deposit, time deposits and banker's acceptances are limited to those issued by banks having total assets in excess of $1 billion. Notwithstanding the foregoing, the Fund may also invest in certificates of deposit with principal amounts of no more than $100,000 per issuing bank with total assets of less than $1 billion, if those deposits are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

Certificates of deposit ("CDs") are savings certificates generally issued by commercial banks that bear a maturity date and a specified interest rate, and can be issued in any denomination. Fixed time deposits ("Fixed TDs") are obligations which are payable at a stated maturity date and bear a fixed rate of interest. Generally, Fixed TDs may be withdrawn on demand by the Fund, but they may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. Although Fixed TDs do not have a market, there are no contractual restrictions on the Fund's right to transfer a beneficial interest in the deposit to a third party. A bankers' acceptance is a draft drawn on and accepted by a bank that orders payment to a third party at a later date. Bankers' acceptances generally act as a negotiable time draft for financing imports, exports, or other transactions in goods.

U.S. banks organized under federal law are supervised and examined by the Comptroller of the Currency and are required to be members of the Federal Reserve System and to be insured by the FDIC. U.S. banks organized under state law are supervised and examined by state banking

authorities and are members of the Federal Reserve System only if they elect to join. However, state banks which are insured by the FDIC are subject to federal examination and to a substantial body of federal law and regulation. As a result of federal and state laws and regulations, U.S. branches of U.S. banks, among other things, are generally required to maintain specified levels of reserves, and are subject to other supervision and regulation designed to promote financial soundness.

The provisions of federal law governing the establishment and operation of U.S. branches do not apply to non-U.S. branches of U.S. banks. However, the Fund may purchase obligations only of those non-U.S. branches of U.S. banks which were established with the approval of the Board of Governors of the Federal Reserve System (the "Board of Governors"). As a result of such approval, these branches are subject to examination by the Board of Governors and the Comptroller of the Currency. In addition, such non-U.S. branches of U.S. banks are subject to the supervision of the U.S. bank and creditors of the non-U.S. branch are considered general creditors of the U.S. bank subject to whatever defenses may be available under the governing non-U.S. law and to the terms of the specific obligation. Nonetheless, the Fund generally will be subject to whatever risk may exist that the non-U.S. country may impose restrictions on payment of certificates of deposit or time deposits.

U.S. branches of non-U.S. banks are subject to the laws of the state in which the branch is located or to the laws of the United States. Such branches are therefore subject to many of the regulations, including reserve requirements, to which U.S. banks are subject.

Obligations of non-U.S. branches of U.S. banks and of non-U.S. branches of non-US banks, such as CDs and Fixed TDs, may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation or by governmental regulation. Such obligations are subject to many of the same risks as those of U.S. banks or U.S. branches of non-U.S. banks. They are also subject to risks such as future political and economic developments, the possible imposition of non-U.S. withholding taxes on interest income payable on such obligations held by the Fund, the possible seizure or nationalization of non-U.S. deposits and the possible establishment of exchange controls or other non-U.S. governmental laws or restrictions that might affect adversely payment of principal and interest on such obligations held by the Fund. Non-U.S. branches of U.S. banks and non-U.S. branches of non-U.S. banks are not necessarily subject to the same or similar regulatory requirements that apply to U.S. banks, such as mandatory reserve requirements, loan limitations and accounting, auditing and financial record keeping requirements. Additionally, there may be less public information available about non-U.S. entities. Non-U.S. issuers may be subject to less governmental regulation and supervision than U.S. issuers. Non-U.S. issuers also generally are not bound by uniform accounting, auditing and financial reporting requirements comparable to those applicable to U.S. issuers.

Borrowings

The Fund may engage in borrowing transactions as a means of raising cash to satisfy redemption requests, for other temporary or emergency purposes or, to the extent permitted by its investment policies, to raise additional cash to be invested by the Fund in other securities or instruments in an effort to increase the Fund's investment returns. Reverse repurchase agreements may be considered to be a type of borrowing.

When the Fund invests borrowing proceeds in other securities, the Fund will be at risk for any fluctuations in the market value of the securities in which the proceeds are invested. Like other leveraging risks, this makes the value of an investment in the Fund more volatile and increases the Fund's overall investment exposure. In addition, if the Fund's return on its investment of the borrowing proceeds does not equal or exceed the interest that the Fund is obligated to pay under the terms of a borrowing, engaging in these transactions will lower the Fund's return.

The Fund may be required to liquidate portfolio securities at a time when it would be disadvantageous to do so in order to make payments with respect to its borrowing obligations. Interest on any borrowings will be an expense to the Fund and will reduce the value of the Fund's shares. The Fund may borrow on a secured or on an unsecured basis. If the Fund enters into a secured borrowing arrangement, a portion of the Fund's assets will be used as collateral. During the term of the borrowing, the Fund will remain at risk for any fluctuations in the market value of these assets in addition to any securities purchased with the proceeds of the loan. In addition, the Fund may be unable to sell the collateral at a time when it would be advantageous to do so, which could result in lower returns. The Fund would also be subject to the risk that the lender may file for bankruptcy, become insolvent, or otherwise default on its obligations to return the collateral to the Fund. In the event of a default by the lender, there may be delays, costs and risks of loss involved in the Fund's exercising its rights with respect to the collateral or those rights may be limited by other contractual agreements or obligations or by applicable law.

The Fund seeks to maintain an "asset coverage" of at least 300% of the amount of its borrowings, provided that in the event that the Fund's asset coverage falls below 300%, the Fund is required to reduce the amount of its borrowings so that it meets the 300% asset coverage threshold within three days (not including Sundays and holidays). Asset coverage means the ratio that the value of the Fund's total assets, minus liabilities other than borrowings and other senior securities, bears to the aggregate amount of all borrowings. Although complying with this guideline would have the effect of limiting the amount that the Fund may borrow, it does not otherwise mitigate the risks of entering into borrowing transactions.

Commercial Paper

Commercial paper (including variable amount master demand notes and funding agreements) consists of short-term, unsecured promissory notes issued by corporations, partnerships, trusts and other entities to finance short-term credit needs.

Cybersecurity Risk

With the increased use of technologies such as mobile devices and Web-based or "cloud" applications, and the dependence on the Internet and computer systems to conduct business, the Fund is susceptible to operational, information security and related risks. In general, cybersecurity incidents can result from deliberate attacks or unintentional events (arising from external or internal sources) that may cause the Fund to lose proprietary information, suffer data corruption, physical damage to a computer or network system or lose operational capacity. Cybersecurity attacks include, but are not limited to, infection by malicious software, such as malware or computer viruses or gaining unauthorized access to digital systems, networks or devices that are used to service the Fund's operations (e.g., through "hacking," "phishing" or malicious software coding) or other means for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on the Fund's websites (i.e., efforts to make network services unavailable to intended users). In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on the Fund's systems.

Cybersecurity incidents affecting the Fund's Manager, the Subadviser, other service providers to the Fund or its shareholders (including, but not limited to, Fund accountants, custodians, sub-custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses to both the Fund and its shareholders, interference with the Fund's ability to calculate its net asset value, impediments to trading, the inability of Fund shareholders to transact business and the Fund to process transactions (including fulfillment of Fund share purchases and redemptions), violations of applicable privacy and other laws (including the release of private shareholder information) and attendant breach notification and credit monitoring costs, regulatory fines, penalties, litigation costs, reputational damage, reimbursement or other compensation costs, forensic investigation and remediation costs, and/or additional compliance costs. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which the Fund invests, counterparties with which the Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers) and other parties. In addition, substantial costs may be incurred in order to safeguard against and reduce the risk of any cybersecurity incidents in the future. In addition to administrative, technological and procedural safeguards, the Fund's Manager and the Subadviser have established business continuity plans in the event of, and risk management systems to prevent or reduce the impact of, such cybersecurity incidents. However, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified, as well as the rapid development of new threats. Furthermore, the Fund cannot control the cybersecurity plans and systems put in place by its service providers or any other third parties whose operations may affect the Fund and its shareholders. The Fund and its shareholders could be negatively impacted as a result.

Demand Instruments

Demand instruments are securities issued as floating- or variable-rate securities subject to demand features. Demand instruments usually have a stated maturity of more than one year but contain a demand feature (or "put") that enables the holder to tender the investment at an exercise price equal to approximately the amortized cost of the instrument plus accrued interest on no more than 30 days' notice. Variable-rate demand instruments provide for automatic establishment of a new interest rate on set dates. Floating-rate demand instruments provide for automatic adjustment of interest rates whenever a specified interest rate (e.g., the prime rate) changes. The Fund currently is permitted to purchase floating rate and variable rate obligations with demand features in accordance with requirements established by the SEC, which, among other things, permit such instruments to be deemed to have remaining maturities of 13 months or less, notwithstanding that they may otherwise have a stated maturity in excess of 13 months. Securities with ultimate maturities of greater than 13 months may be purchased only pursuant to Rule 2a-7 of the 1940 Act. Frequently, floating rate and variable rate obligations are secured by letters of credit or other credit support arrangements provided by banks.

Securities with demand features may involve certain expenses and risks, including the inability of the issuer of the instrument to pay for the securities at the time the instrument is exercised, non-marketability of the instrument and differences between the maturity of the underlying security and the maturity of the instrument. Securities may cost more with demand features than without them. Demand features can serve three purposes: (i) to shorten the maturity of a variable or floating rate security, (ii) to enhance the instrument's credit quality and (iii) to provide a source of liquidity. Demand features are often issued by third party financial institutions, generally U.S. and non-U.S. banks, and by brokerage firms or insurance companies. Accordingly, the credit quality and liquidity of the Fund's investments may be dependent in part on the credit quality of the institutions supporting the Fund's investments and changes in the credit quality of these institutions could cause losses to the Fund and affect its share price.

Variable rate demand instruments include variable rate demand preferred shares or other forms of liquidity protected preferred shares that are issued by closed end investment companies that invest in municipal securities. These preferred shares have a liquidation preference and pay a dividend that is set weekly or at some other interval (typically 28 days) by a remarketing agent or through a similar process that is designed to approximate current prevailing interest rates. The Fund, as a holder of one of these instruments, will have the right to tender the securities for remarketing or, if the securities cannot be remarketed, to tender the securities to a liquidity provider, in each case at a price equal to its liquidation preference plus accrued dividends. The Fund would have no right to tender the shares to the issuer for payment or redemption, and the shares will be not freely transferable. The Fund will be subject to the risk that the liquidity provider will not be able to honor its unconditional commitment to purchase the shares.

High Quality Corporate Obligations

High quality corporate obligations include obligations of corporations that are originally issued with a maturity of greater than 397 days and are: (1) rated as long-term debt obligations in the highest rating category or (2) issued by an issuer that has a class of short-term debt obligations that are comparable in priority and security with the obligation and that have been rated in the highest rating category for short-term debt obligations, or are otherwise comparable to short-term debt obligations having such a rating.

Illiquid Investments and Restricted Securities

An illiquid security is any security which the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the security. The Fund must follow strict rules with respect to the liquidity of its portfolio securities, including daily and weekly liquidity requirements. To the extent required by applicable law and SEC guidance, the Fund will not acquire an illiquid security if such acquisition would cause the aggregate value of illiquid securities to exceed 5% of the Fund's total assets. If at any time the portfolio manager determines that the value of illiquid securities held by the Fund exceeds 5% of the Fund's total assets, the portfolio manager will take such steps as it considers appropriate to reduce the percentage as soon as reasonably practicable.

Restricted securities are securities subject to legal or contractual restrictions on their resale, such as private placements. Such restrictions might prevent the sale of restricted securities at a time when the sale would otherwise be desirable. Under SEC regulations, certain restricted securities acquired through private placements can be traded freely among qualified purchasers. While restricted securities are generally presumed to be illiquid, it may be determined that a particular restricted security is liquid. Investing in these restricted securities could have the effect of increasing the Fund's illiquidity if qualified purchasers become, for a time, uninterested in buying these securities.

Restricted securities may be sold only (1) pursuant to SEC Rule 144A or another exemption, (2) in privately negotiated transactions or (3) in public offerings with respect to which a registration statement is in effect under the 1933 Act. Rule 144A securities, although not registered in the U.S., may be sold to qualified institutional buyers in accordance with Rule 144A under the 1933 Act. As noted above, the Fund may determine that some Rule 144A securities are liquid. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a restricted security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell.

Illiquid securities may be difficult to value, and the Fund may have difficulty disposing of such securities promptly. The Fund does not consider non-U.S. securities to be restricted if they can be freely sold in the principal markets in which they are traded, even if they are not registered for sale in the U.S.

Money Market Instruments Generally

Money market instruments are short-term IOUs issued by banks or other non-governmental issuers, the U.S. or non-U.S. governments, or state or local governments. Money market instruments generally have maturity dates of 13 months or less, and may pay interest at fixed, floating or adjustable rates, or may be issued at a discount. Money market instruments may include certificates of deposit, bankers' acceptances, variable rate demand securities (where the interest rate is reset periodically and the holder may demand payment from the issuer or another obligor at any time), preferred shares, fixed-term obligations, commercial paper (short-term unsecured debt), asset-backed commercial paper, other mortgage-backed and asset-backed securities and repurchase agreements. Asset-backed commercial paper refers to a debt security with an original term to maturity of up to 270 days that may be backed by residential and commercial mortgage loans or mortgage-backed securities or other types of receivables. Payments due on asset-backed commercial paper are supported by cash flows from underlying assets, or one or more liquidity or credit support providers, or both.

Mortgage-Backed and Other Asset-Backed Securities – Generally

An asset-backed security is a fixed income security that derives its value primarily from cash flows relating to a pool of assets. There are a number of different types of asset-backed and related securities, including mortgage-backed securities, securities backed by other pools of collateral (such as automobile loans, student loans, sub-prime mortgages, and credit card receivables), collateralized mortgage obligations, and collateralized debt obligations.

Asset-backed and mortgage-backed securities differ from conventional bonds in that principal is paid over the life of the securities rather than at maturity. As a result, payments of principal of and interest on mortgage-backed securities and asset-backed securities are made more frequently than are payments on conventional debt securities. The average life of asset-backed and mortgage-backed securities is likely to be substantially less than the original maturity of the underlying asset pools as a result of prepayments or foreclosures of mortgages, as applicable. In addition, holders of mortgage-backed securities and of certain asset-backed securities (such as asset-backed securities backed by home equity loans) may receive unscheduled payments of principal at any time representing prepayments on the underlying mortgage loans or financial assets. When the holder of the security attempts to reinvest prepayments or even the scheduled payments of principal and interest, it may receive a rate of interest that is higher or lower than the rate on the mortgage-backed security or asset-backed security originally held. To the extent that mortgage-backed securities or asset-backed securities are purchased by the Fund at a premium, mortgage foreclosures and principal prepayments may result in a loss to the extent of the premium paid. To the extent the loans underlying a security representing an interest in a pool of mortgages or other assets are prepaid, the Fund may experience a loss (if the price at which the respective security was acquired by the Fund was at a premium over par, which

represents the price at which the security will be redeemed upon prepayment) or a gain (if the price at which the respective security was acquired by the Fund was at a discount from par). In addition, prepayments of such securities held by the Fund will reduce the share price of the Fund to the extent the market value of the securities at the time of prepayment exceeds their par value, and will increase the share price of the Fund to the extent the par value of the securities exceeds their market value at the time of prepayment. Prepayments may occur with greater frequency in periods of declining interest rates because, among other reasons, it may be possible for borrowers to refinance their outstanding obligation at lower interest rates. When market interest rates increase, the market values of asset-backed and mortgage-backed securities decline. At the same time, however, refinancing slows, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of asset-backed and mortgage-backed securities is usually more pronounced than it is for other types of fixed income securities.

Changes in the market's perception of the mortgages or assets backing the security, the creditworthiness of the servicing agent for the loan pool, the originator of the loans, or the financial institution providing any credit enhancement, will all affect the value of an asset-backed or mortgage-backed security, as will the exhaustion of any credit enhancement.

The risks of investing in asset-backed and mortgage-backed securities ultimately depend upon the payment of the underlying loans by the individual borrowers. In its capacity as purchaser of an asset-backed security or mortgage-backed security, the Fund would generally have no recourse to the entity that originated the loans in the event of default by the borrower. The risk of non-payment is greater for asset-backed and mortgage-backed securities that are backed by pools that contain subprime loans, but a level of risk exists for all loans. Market factors adversely affecting loan repayments may include a general economic turndown and high unemployment. Mortgage-backed securities may be adversely affected by a general slowdown in the real estate market, a drop in the market prices of real estate, or an increase in interest rates resulting in higher mortgage payments by holders of adjustable rate mortgages.

Additional information regarding different types of asset-backed and mortgage-backed securities is provided below. Governmental, government-related or private entities may create pools of loan assets offering pass-through investments in addition to those described below. As new types of asset-backed or mortgage-backed securities are developed and offered to investors, the portfolio manager may, consistent with the Fund's investment objective and policies, consider making investments in such new types of securities.

Mortgage-Backed Securities. Mortgage-backed securities ("MBS") represent interests in pools of mortgage loans made by lenders such as savings and loan institutions, mortgage bankers, commercial banks and others, to finance purchases of homes, commercial buildings or other real estate. The individual mortgage loans are assembled for sale to investors (such as the Fund) by various governmental or government-related agencies and private organizations, such as dealers.

Government-sponsored MBS. Some government sponsored mortgage-related securities are backed by the full faith and credit of the United States. The Government National Mortgage Association ("Ginnie Mae"), the principal guarantor of such securities, is a wholly owned United States government corporation within the Department of Housing and Urban Development. Other government-sponsored mortgage-related securities are not backed by the full faith and credit of the United States government. Issuers of such securities include Fannie Mae (formally known as the Federal National Mortgage Association) and Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation). Fannie Mae is a government-sponsored corporation which is subject to general regulation by the Secretary of Housing and Urban Development. Pass-through securities issued by Fannie Mae are guaranteed as to timely payment of principal and interest by Fannie Mae. Freddie Mac is a stockholder-owned corporation chartered by Congress and subject to general regulation by the Department of Housing and Urban Development. Participation certificates representing interests in mortgages from Freddie Mac's national portfolio are guaranteed as to the timely payment of interest and ultimate collection of principal by Freddie Mac. The U.S. government has provided financial support to Fannie Mae and Freddie Mac in the past, but there can be no assurances that it will support these or other government-sponsored entities in the future.

Under the Federal Housing Finance Agency's "Single Security Initiative," Fannie Mae and Freddie Mac have entered into a joint initiative to develop a common securitization platform for the issuance of Uniform Mortgage-Backed Securities ("UMBS"), which would generally align the characteristics of Fannie Mae and Freddie Mac participation certificates. In June 2019 Fannie Mae and Freddie Mac are expected to begin issuing UMBS in place of their current offerings of "to be announced"-eligible mortgage-backed securities. The effect of the issuance of UMBS on the market for mortgage-backed securities is uncertain.

Privately Issued MBS. Unlike MBS issued or guaranteed by the U.S. government or certain government-sponsored entities, MBS issued by private issuers do not have a government or government-sponsored entity guarantee, but may have credit enhancement provided by external entities such as banks or financial institutions or achieved through the structuring of the transaction itself.

In addition, MBS that are issued by private issuers are not subject to the underwriting requirements for the underlying mortgages that are applicable to those MBS that have a government or government-sponsored entity guarantee. As a result, the mortgage loans underlying private MBS may, and frequently do, have less favorable collateral, credit risk or other underwriting characteristics than government or government-sponsored MBS and have wider variances in a number of terms including interest rate, term, size, purpose and borrower characteristics. Privately issued pools more frequently include second mortgages, high loan-to-value mortgages and manufactured housing loans. The coupon rates and maturities of the underlying mortgage loans in a private-label MBS pool may vary to a greater extent than those included in a government guaranteed pool, and the pool may include subprime mortgage loans. Subprime loans refer to loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans. For these reasons, the loans underlying these securities have had in many cases higher default rates than those loans that meet government underwriting requirements.

Privately issued mortgage-backed securities are not traded on an exchange and there may be a limited market for the securities, especially when there is a perceived weakness in the mortgage and real estate market sectors. Without an active trading market, mortgage-backed securities held in the Fund's portfolio may be particularly difficult to value because of the complexities involved in assessing the value of the underlying mortgage loans.

Adjustable rate mortgage-backed securities. Adjustable rate mortgage-backed securities ("ARMBS") are pass-through securities collateralized by mortgages with adjustable rather than fixed rates. Adjustable rate mortgages eligible for inclusion in a mortgage pool generally provide for a fixed initial mortgage interest rate for a set number of scheduled monthly payments. After that schedule of payments has been completed, the interest rates of the adjustable rate mortgages are subject to periodic adjustment based on changes to a designated benchmark index.

Mortgages underlying most ARMBS may contain maximum and minimum rates beyond which the mortgage interest rate may not vary over the lifetime of the mortgage. In addition, certain adjustable rate mortgages provide for additional limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. In the event that market rates of interest rise more rapidly to levels above that of the maximum rate for the adjustable rate mortgages underlying an ARMBS, the ARMBS' coupon may represent a below market rate of interest. In these circumstances, the market value of the ARMBS will likely have fallen. During periods of declining interest rates, income to the Fund derived from adjustable rate mortgages that remain in the mortgage pool underlying the ARMBS may decrease in contrast to the income on fixed rate mortgages, which will remain constant. Adjustable rate mortgages also have less potential for appreciation in value as interest rates decline than do fixed rate investments. In addition, the current yields on ARMBS may be different than market yields during interim periods between coupon reset dates.

Stripped mortgage-backed securities. Stripped mortgage-backed securities ("SMBS") are structured with two or more classes of securities that receive different proportions of the interest and principal distributions on a pool of mortgage assets. A common type of SMBS will have at least one class receiving only a small portion of the principal. In the most extreme case, one class will receive all of the interest ("IO" or interest-only class), while the other class will receive all of the principal ("PO" or principal-only class). The yield to maturity on IOs, POs and other mortgage-backed securities that are purchased at a substantial premium or discount generally are extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on such securities' yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in these securities even if the securities have received the highest rating by a NRSRO.

SMBS have greater volatility than other types of securities. Although SMBS are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, the market for such securities has not yet been fully developed. Accordingly, the secondary market for SMBS may be more volatile and have lower liquidity than that for other MBS, potentially limiting the Fund's ability to buy or sell SMBS at any particular time.

Collateralized mortgage obligations. Another type of security representing an interest in a pool of mortgage loans is known as a collateralized mortgage obligation ("CMO"). CMOs represent interests in a short-term, intermediate-term or long-term portion of a mortgage pool. Each portion of the pool receives monthly interest payments, but the principal repayments pass through to the short-term CMO first and to the long-term CMO last. A CMO permits an investor to more accurately predict the rate of principal repayments. CMOs are issued by private issuers, such as broker-dealers, and by government agencies, such as Fannie Mae and Freddie Mac. Investments in CMOs are subject to the same risks as direct investments in the underlying mortgage-backed securities. In addition, in the event of a bankruptcy or other default of a broker that issued the CMO held by the Fund, the Fund could experience delays in liquidating both its position and losses. The Fund may invest in CMOs in any rating category of the recognized rating services and may invest in unrated CMOs. The Fund may also invest in "stripped" CMOs, which represent only the income portion or the principal portion of the CMO. The values of stripped CMOs are very sensitive to interest rate changes; accordingly, these instruments present a greater risk of loss than conventional mortgage-backed securities.

Tiered index bonds. Tiered index bonds are relatively new forms of mortgage-related securities. The interest rate on a tiered index bond is tied to a specified index or market rate. So long as this index or market rate is below a predetermined "strike" rate, the interest rate on the tiered index bond remains fixed. If, however, the specified index or market rate rises above the "strike" rate, the interest rate of the tiered index bond will decrease. Thus, under these circumstances, the interest rate on a tiered index bond, like an inverse floater, will move in the opposite direction of prevailing interest rates, with the result that the price of the tiered index bond would decline and may be considerably more volatile than that of a fixed-rate bond.

Other Asset-Backed Securities – Additional Information

Similar to mortgage-backed securities, other types of asset-backed securities may be issued by agencies or instrumentalities of the U.S. government (including those whose securities are neither guaranteed nor insured by the U.S. government), non-U.S. governments (or their agencies or instrumentalities), or non-governmental issuers. These securities include securities backed by pools of automobile loans, educational loans, home equity loans, and credit card receivables. The underlying pools of assets are securitized through the use of trusts and special purpose entities. These securities may be subject to the risks described above under "Mortgage-Backed and Other Asset-Backed Securities — General," including risks associated with changes in interest rates and prepayment of underlying obligations.

Certain types of asset-backed securities present additional risks that are not presented by mortgage-backed securities. In particular, certain types of asset-backed securities may not have the benefit of a security interest in the related assets. For example, many securities backed by credit card receivables are unsecured. Even when security interests are present, the ability of an issuer of certain types of asset-backed securities to enforce those interests may be more limited than that of an issuer of mortgage-backed securities. For instance, automobile receivables generally are secured by automobiles rather than by real property. Most issuers of automobile receivables permit loan servicers to retain possession of the underlying assets. In addition, because of the large number of underlying vehicles involved in a typical issue of asset-backed securities and technical requirements under state law, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the automobiles. Therefore, recoveries on repossessed automobiles may not be available to support payments on these securities.

In addition, certain types of asset-backed securities may experience losses on the underlying assets as a result of certain rights provided to consumer debtors under federal and state law. In the case of certain consumer debt, such as credit card debt, debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on their credit cards (or other debt), thereby reducing their balances due. For instance, a debtor may be able to offset certain damages for which a court has determined that the creditor is liable to the debtor against amounts owed to the creditor by the debtor on his or her credit card.

Additionally, an asset-backed security is subject to risks associated with the servicing agent's or originator's performance. For example, a servicing agent or originator's mishandling of documentation related to the underlying collateral (e.g., failure to properly document a security interest in the underlying collateral) may affect the rights of the security holders in and to the underlying collateral.

Asset-backed commercial paper. The Fund may purchase commercial paper, including asset-backed commercial paper ("ABCP") that is issued by structured investment vehicles or other conduits. These conduits may be sponsored by mortgage companies, investment banking firms, finance companies, hedge funds, private equity firms and special purpose finance entities. ABCP typically refers to a debt security with an original term to maturity of up to 270 days, the payment of which is supported by cash flows from underlying assets, or one or more liquidity or credit support providers, or both. Assets backing ABCP, which may be included in revolving pools of assets with large numbers of obligors, include credit card, car loan and other consumer receivables and home or commercial mortgages, including subprime mortgages. The repayment of ABCP issued by a conduit depends primarily on the cash collections received from the conduit's underlying asset portfolio and the conduit's ability to issue new ABCP. Therefore, there could be losses to the Fund investing in ABCP in the event of credit or market value deterioration in the conduit's underlying portfolio, mismatches in the timing of the cash flows of the underlying asset interests and the repayment obligations of maturing ABCP, or the conduit's inability to issue new ABCP. To protect investors from these risks, ABCP programs may be structured with various protections, such as credit enhancement, liquidity support, and commercial paper stop-issuance and wind-down triggers. However there can be no guarantee that these protections will be sufficient to prevent losses to investors in ABCP.

Some ABCP programs provide for an extension of the maturity date of the ABCP if, on the related maturity date, the conduit is unable to access sufficient liquidity through the issue of additional ABCP. This may delay the sale of the underlying collateral and the Fund may incur a loss if the value of the collateral deteriorates during the extension period. Alternatively, if collateral for ABCP deteriorates in value, the collateral may be required to be sold at inopportune times or at prices insufficient to repay the principal and interest on the ABCP. ABCP programs may provide for the issuance of subordinated notes as an additional form of credit enhancement. The subordinated notes are typically of a lower credit quality and have a higher risk of default. A fund purchasing these subordinated notes will therefore have a higher likelihood of loss than investors in the senior notes.

Municipal Securities

Municipal securities (which are also referred to herein as "municipal obligations" or "municipal bonds") generally include debt obligations (including, but not limited to bonds, notes or commercial paper) issued by or on behalf of any of the 50 U.S. states and the District of Columbia and their political subdivisions, agencies and public authorities, certain other governmental issuers (such as Puerto Rico, the U.S. Virgin Islands and Guam) or other qualifying issuers, participations or other interests in these securities and other related investments. The interest paid on municipal securities is generally excluded from gross income for regular U.S. federal income tax purposes, although it may be subject to the U.S. federal alternative minimum tax ("AMT").

Municipal securities are issued to obtain funds for various public purposes, including the construction of a wide range of public facilities, such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets, water and sewer works, gas, and electric utilities. They may also be issued to refund outstanding obligations, to obtain funds for general operating expenses, or to obtain funds to loan to other public institutions and facilities and in anticipation of the receipt of revenue or the issuance of other obligations.

The two principal classifications of municipal securities are "general obligation" securities and "limited obligation" or "revenue" securities. General obligation securities are secured by a municipal issuer's pledge of its full faith, credit, and taxing power for the payment of principal and interest. Accordingly, the capacity of the issuer of a general obligation bond to pay interest and repay principal when due is affected by the issuer's maintenance of its tax base. Revenue securities are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source. Accordingly, the timely payment of interest and the repayment of principal in accordance with the terms of the revenue security is a function of the economic viability of the facility or revenue source. Revenue securities include private activity bonds which are not payable from the unrestricted revenues of the issuer. Consequently, the credit quality of private activity bonds is usually directly related to the credit standing of the corporate user of the facility involved. Municipal securities may also include "moral obligation" bonds, which are normally issued by special purpose public authorities. If the issuer of moral obligation bonds is unable to

meet its debt service obligations from current revenues, it may draw on a reserve fund the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

Private Activity Bonds. Private activity bonds are issued by or on behalf of public authorities to provide funds, usually through a loan or lease arrangement, to a private entity for the purpose of financing construction of privately operated industrial facilities, such as warehouse, office, plant and storage facilities and environmental and pollution control facilities. Such bonds are secured primarily by revenues derived from loan repayments or lease payments due from the entity, which may or may not be guaranteed by a parent company or otherwise secured. Private activity bonds generally are not secured by a pledge of the taxing power of the issuer of such bonds. Therefore, repayment of such bonds generally depends on the revenue of a private entity. The continued ability of an entity to generate sufficient revenues for the payment of principal and interest on such bonds will be affected by many factors, including the size of the entity, its capital structure, demand for its products or services, competition, general economic conditions, government regulation and the entity's dependence on revenues for the operation of the particular facility being financed.

Under U.S. federal income tax law, interest on municipal bonds issued after August 7, 1986 which are specified private activity bonds, and the proportionate share of any exempt-interest dividend paid by a regulated investment company that receives interest from such private activity bonds, will be treated as an item of tax preference for purposes of the AMT. For regular U.S. federal income tax purposes such interest is tax-exempt. Bonds issued in 2009 and 2010 generally will not be treated as private activity bonds, and interest earned on such bonds generally will not be treated as a tax preference item.

Industrial Development Bonds. Industrial development bonds ("IDBs") are issued by public authorities to obtain funds to provide financing for privately-operated facilities for business and manufacturing, housing, sports, convention or trade show facilities, airport, mass transit, port and parking facilities, air or water pollution control facilities, and certain facilities for water supply, gas, electricity or sewerage or solid waste disposal. Although IDBs are issued by municipal authorities, the payment of principal and interest on IDBs is dependent solely on the ability of the user of the facilities financed by the bonds to meet its financial obligations and the pledge, if any, of the real and personal property being financed as security for such payments. IDBs are considered municipal securities if the interest paid is exempt from regular federal income tax. Interest earned on IDBs may be subject to the AMT.

Tender Option Bonds. In a tender option bond ("TOB") transaction, a tender option bond trust ("TOB Trust") issues floating rate certificates ("TOB Floaters") and residual interest certificates ("TOB Residuals" also known as an "inverse floaters") and utilizes the proceeds of such issuance to purchase a bond, typically a fixed-rate municipal bond ("Fixed Rate Bond"). The Fund may invest in both TOB Floaters and TOB Residuals. The Fund may purchase a TOB Residual in the secondary market or purchase a TOB Residual from a TOB Trust where the Fixed-Rate Bond held by the TOB Trust was either owned or identified by the Fund. The TOB Floaters typically have first priority on the cash flow from the Fixed Rate Bond held by the trust, and the remaining cash flow, less certain expenses, is paid to holders of the TOB Residuals. Where the Fixed-Rate Bond held by the TOB Trust was either owned or identified by the Fund, the net proceeds of the sale of the TOB Floaters, after expenses, may be received by the Fund and may be invested in additional securities. This would generate economic leverage for the Fund.

TOB Residuals in which the Fund will invest will pay interest or income that, in the opinion of counsel to the applicable TOB Trust, is exempt from regular U.S. federal income tax. Neither the Fund, nor the Manager, nor the Subadviser will conduct its own analysis of the tax status of the interest or income paid by residual interest held by the Fund, but will rely on the opinion of counsel to the applicable TOB Trust. There is a risk that the Fund will not be considered the owner of a TOB for federal income tax purposes, and in that case it would not be entitled to treat such interest as exempt from federal income tax.

Typically, a liquidity provider is engaged to purchase the TOB Floaters at their original purchase price plus accrued interest upon the occurrence of certain events, such as the failure to remarket a certain percentage of the floating rate interests in a timely fashion, the downgrading (but typically not below investment grade or in connection with events indicating that bankruptcy of the issuer may be likely) of the bonds held by the TOB Trust, or certain regulatory or tax events. A fund participating in a TOB transaction will bear the fees paid to the liquidity provider for providing the put option to the holders of the TOB Floaters. If the liquidity provider acquires the TOB Floaters upon the occurrence of an event described above, the liquidity provider generally will be entitled to an in-kind distribution of the Fixed Rate Bond held by the TOB Trust or to cause the TOB Trust to sell the securities and distribute the proceeds to the liquidity provider.

The TOB Trust may be collapsed without the consent of the Fund upon the occurrence of tender option termination events ("TOTEs") and mandatory termination events ("MTEs"), as defined in the TOB Trust agreements. TOTEs typically include the bankruptcy or default of the issuer of the Fixed-Rate Bonds held in the TOB Trust, a substantial downgrade in the credit quality of the issuer of the Fixed-Rate Bonds held in the TOB Trust, failure of any scheduled payment of principal or interest on the Fixed-Rate Bonds, and a judgment or ruling that interest on the Fixed-Rate Bonds is subject to U.S. federal income taxation. MTEs may include, among other things, a failed remarketing of the TOB Floaters, the inability of the TOB Trust to obtain renewal of the liquidity support agreement, and a substantial decline in the market value of the Fixed-Rate Bonds held in the TOB Trust. Upon the occurrence of a TOTE or an MTE, a TOB Trust would be liquidated with the proceeds applied first to any accrued fees owed to the trustee of the TOB Trust, the remarketing agent of the TOB Floaters and the liquidity provider. In the case of an MTE, after the payment of fees, the holders of the TOB Floaters would be paid senior to the TOB Residual holders. In contrast, generally in the case of a TOTE, after payment of fees, the holders of TOB Floaters and the TOB Residual holders would be paid pro rata in proportion to the respective face values of their certificates.

The Fund may invest in a TOB Trust on either a non-recourse and recourse basis. TOB Trusts are typically supported by a liquidity facility provided by a third-party bank or other financial institution (the "liquidity provider") that allows the holders of the TOB Floaters to tender their TOB

Floaters in exchange for payment of par plus accrued interest on any business day (subject to the non-occurrence of a TOTE described above). Depending on the structure of the TOB Trust, the liquidity provider may purchase the tendered TOB Floaters, or the TOB Trust may draw upon a loan from the liquidity provider to purchase the tendered TOB Floaters.

When the Fund invests in TOB Trusts on a non-recourse basis, and the liquidity provider is required to make a payment under the liquidity facility, the liquidity provider will typically liquidate all or a portion of the fixed-income bonds held in the TOB Trust and then fund the balance, if any, of the amount owed under the liquidity facility over the liquidation proceeds (the "Liquidation Shortfall"). If the Fund invests in a TOB Trust on a recourse basis, it will typically enter into a reimbursement agreement with the liquidity provider pursuant to which the Fund is required to reimburse the liquidity provider the amount of any Liquidation Shortfall. As a result, if the Fund invests in a recourse TOB Trust, the Fund will bear the risk of loss with respect to any Liquidation Shortfall. The net economic effect of this agreement is to treat the Fund as though it had entered into a special type of reverse repurchase agreement pursuant to which the Fund is required to repurchase the municipal bonds or other securities upon the occurrence of certain events. Such an arrangement may expose the Fund to a risk of loss that exceeds its investment in the TOB and the residual interest income received by the Fund.

In a non-recourse transaction, the Fund does not expect to pay the liquidity provider in the event that it suffers a loss. However, the Fund might incur a loss if the liquidity provider liquidates the TOB Trust at an inopportune time. Even if a TOB transaction was entered into on a non-recourse basis, under certain circumstances it might be in the Fund's interest to later agree to a recourse arrangement in order to prevent the liquidity provider from terminating the TOB Trust at that time.

Transactions in the short-term floating rate interests of TOBs are generally facilitated by a remarketing agent for the TOB Trust, which sets an interest rate for the securities periodically, usually every 7-35 days. Holders of the floating rate securities usually have the right to require the TOB Trust or a specified third party acting as agent for the TOB Trust (such as the liquidity provider) to purchase the bonds, usually at par plus accrued interest, at a certain time or times prior to maturity or upon the occurrence of specified events or conditions. The put option or tender option right is typically available to the investor on a periodic (daily, weekly or monthly) basis. Typically, the put option is exercisable on dates on which the interest rate changes. A failure to remarket typically requires the liquidity provider to purchase the floating rate interests and in turn the liquidity provider may have recourse to the TOB Trust and to the Fund, as described above. A fund participating in a TOB transaction will also bear the fees paid to the remarketing agent and or tender agent for providing services to the TOB Trust.

If the Fund purchases all or a portion of the short-term floating rate securities sold by the TOB Trust, it is usually permitted to surrender those short-term floating rate securities together with a proportionate amount of residual interests to the trustee of the TOB Trust in exchange for a proportionate amount of the municipal bonds or other securities held by the TOB Trust.

In December 2013, U.S. regulators finalized rules implementing Section 619 (the "Volcker Rule") and Section 941 (the "Risk Retention Rules") of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), both of which place restrictions on TOB Trust sponsors and their participation in TOB transactions. TOB Trusts and related transactions are generally considered to be subject to the limitations of the Volcker Rule and, thus, may not be sponsored by a banking entity absent an applicable exemption. No exemption to the Volcker Rule exists that would allow covered banking entities to sponsor TOB Trusts in the same manner as they did prior to the Volcker Rule's compliance date in 2017.

In response to the Volcker Rule, industry participants developed alternative structures for TOB financings in which service providers are engaged to assist with establishing, structuring and sponsoring TOB Trusts. The service providers, such as administrators, liquidity providers, trustees and remarketing agents act at the direction of, and as agent of, the Fund holding residual interests of the TOB trust. This new structure and any other strategies that may be developed to address the Volcker Rule may be more or less advantageous to the Fund than obtaining leverage through existing TOB transactions. In addition, the Fund, rather than a bank entity, may be the sponsor of the TOB Trust and undertakes certain responsibilities that previously belonged to the sponsor bank. Although the Fund may use third-party service providers to complete some of these additional responsibilities, being the sponsor of the TOB Trust may give rise to certain additional risks including compliance, securities law and operational risks.

The Risk Retention Rules, which took effect in 2016, require the sponsor of a TOB Trust to retain at least five percent of the credit risk of the underlying assets supporting the TOB Trust's underlying securities. The Risk Retention Rules may adversely affect the Fund's ability to engage in TOB Trust transactions or increase the costs of such transactions in certain circumstances. Other accounts managed by the subadviser may contribute bonds to a TOB Trust into which the Fund has contributed bonds. If multiple accounts/funds managed by the subadviser participate in the same TOB Trust, the economic rights and obligations under the TOB Residual will generally be shared among the funds/accounts ratably in proportion to their participation in the TOB Trust.

Municipal Leases. Municipal leases or installment purchase contracts are issued by a U.S. state or local government to acquire equipment or facilities. Municipal leases frequently have special risks not normally associated with general obligation bonds or revenue bonds. Many leases include "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on a yearly or other periodic basis. Although the obligations are typically secured by the leased equipment or facilities, the disposition of the property in the event of non-appropriation or foreclosure might, in some cases, prove difficult or, if sold, may not fully cover the Fund's exposure.

Participation Interests. Tax-exempt participation interests in municipal obligations (such as private activity bonds and municipal lease obligations) are typically issued by a financial institution. A participation interest gives the Fund an undivided interest in the municipal obligation in

the proportion that the Fund's participation interest bears to the total principal amount of the municipal obligation. Participation interests in municipal obligations may be backed by an irrevocable letter of credit or guarantee of, or a right to put to, a bank (which may be the bank issuing the participation interest, a bank issuing a confirming letter of credit to that of the issuing bank, or a bank serving as agent of the issuing bank with respect to the possible repurchase of the participation interest) or insurance policy of an insurance company. The Fund has the right to sell the participation interest back to the institution or draw on the letter of credit or insurance after a specified period of notice, for all or any part of the full principal amount of the Fund's participation in the security, plus accrued interest.

Issuers of participation interests will retain a service and letter of credit fee and a fee for providing the liquidity feature, in an amount equal to the excess of the interest paid on the instruments over the negotiated yield at which the participations were purchased on behalf of the Fund. The issuer of the participation interest may bear the cost of insurance backing the participation interest, although the Fund may also purchase insurance, in which case the cost of insurance will be an expense of the Fund. Participation interests may be sold prior to maturity. Participation interests may include municipal lease obligations. Purchase of a participation interest may involve the risk that the Fund will not be deemed to be the owner of the underlying municipal obligation for purposes of the ability to claim tax exemption of interest paid on that municipal obligation.

Municipal Notes. There are four major varieties of municipal notes: Tax and Revenue Anticipation Notes ("TRANs"); Tax Anticipation Notes ("TANs"); Revenue Anticipation Notes ("RANs"); and Bond Anticipation Notes ("BANs"). TRANs, TANs and RANs are issued by U.S. states, municipalities and other tax-exempt issuers to finance short-term cash needs or, occasionally, to finance construction. Many TRANs, TANs and RANs are general obligations of the issuing entity payable from taxes or designated revenues, respectively, expected to be received within the related fiscal period. BANs are issued with the expectation that their principal and interest will be paid out of proceeds from renewal notes or bonds to be issued prior to the maturity of the BANs. BANs are issued most frequently by both general obligation and revenue bond issuers usually to finance such items as land acquisition, facility acquisition and/or construction and capital improvement projects.

Tax-Exempt Commercial Paper. Tax-exempt commercial paper is a short-term obligation with a stated maturity of 270 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer term financing. Although tax-exempt commercial paper is intended to be repaid from general revenues or refinanced, it frequently is backed by a letter of credit, lending arrangement, note repurchase agreement or other credit facility agreement offered by a bank or financial institution.

Demand Instruments. Municipal bonds may be issued as floating- or variable-rate securities subject to demand features ("demand instruments"). Demand instruments usually have a stated maturity of more than one year but contain a demand feature (or "put") that enables the holder to redeem the investment. Variable-rate demand instruments provide for automatic establishment of a new interest rate on set dates. Floating-rate demand instruments provide for automatic adjustment of interest rates whenever a specified interest rate (e.g., the prime rate) changes.

These floating and variable rate instruments are payable upon a specified period of notice which may range from one day up to one year. The terms of the instruments provide that interest rates are adjustable at intervals ranging from daily to up to one year and the adjustments are based upon the prime rate of a bank or other appropriate interest rate adjustment index as provided in the respective instruments. Variable rate instruments include participation interests in variable- or fixed-rate municipal obligations owned by a bank, insurance company or other financial institution or affiliated organizations. Although the rate of the underlying municipal obligations may be fixed, the terms of the participation interest may result in the Fund receiving a variable rate on its investment.

Because of the variable nature of the instruments when prevailing interest rates decline, the yield on these instruments generally will decline. On the other hand, during periods when prevailing interest rates increase, the yield on these instruments generally will increase and the instruments will have less risk of capital depreciation than instruments bearing a fixed rate of return.

Custodial Receipts

The Fund may acquire custodial receipts or certificates underwritten by securities dealers or banks that evidence ownership of future interest payments, principal payments or both on certain municipal obligations. The underwriter of these certificates or receipts typically purchases municipal obligations and deposits the obligations in an irrevocable trust or custodial account with a custodian bank, which then issues receipts or certificates that evidence ownership of the periodic unmatured coupon payments and the final principal payment on the obligations. Although under the terms of a custodial receipt, the Fund would be typically authorized to assert its rights directly against the issuer of the underlying obligation, the Fund could be required to assert through the custodian bank those rights as may exist against the underlying issuer. Thus, in the event the underlying issuer fails to pay principal and/or interest when due, the Fund may be subject to delays, expenses and risks that are greater than those that would have been involved if the Fund had purchased a direct obligation of the issuer. In addition, in the event that the trust or custodial account in which the underlying security has been deposited is determined to be an association taxable as a corporation for U.S. federal income tax purposes, the yield on the underlying security would be reduced by any entity-level corporate taxes paid by the issuer.

Custodial receipts may also evidence ownership of future interest payments, principal payments or both on certain U.S. government obligations. Such obligations are held in custody by a bank on behalf of the owners. Custodial receipts are generally not considered obligations of the U.S. government for purposes of securities laws.

Stand-By Commitments. Under a stand-by commitment a dealer agrees to purchase, at the Fund's option, specified municipal obligations held by the Fund at a specified price and, in this respect, stand-by commitments are comparable to put options. A stand-by commitment entitles the

holder to achieve same day settlement and to receive an exercise price equal to the amortized cost of the underlying security plus accrued interest, if any, at the time of exercise. The Fund will be subject to credit risk with respect to an institution providing a stand-by commitment and a decline in the credit quality of the institution could cause losses to the Fund.

The Fund will generally acquire stand-by commitments to facilitate fund liquidity. The cost of entering into stand-by commitments will increase the cost of the underlying municipal obligation and similarly will decrease such security's yield to investors. Gains, if any, realized in connection with stand-by commitments will be taxable.

Taxable Municipal Obligations. The market for U.S. taxable municipal obligations is relatively small, which may result in a lack of liquidity and in price volatility of those securities. Interest on taxable municipal obligations is includable in gross income for regular U.S. federal income tax purposes. While interest on taxable municipal obligations may be exempt from personal taxes imposed by the U.S. state within which the obligation is issued, such interest will nevertheless generally be subject to all other U.S. state and local income and franchise taxes.

Additional Risks Relating to Municipal Securities

Tax Risk. The Code imposes certain continuing requirements on issuers of tax-exempt bonds regarding the use, expenditure and investment of bond proceeds and the payment of rebates to the U.S. government. Failure by the issuer to comply after the issuance of tax-exempt bonds with certain of these requirements could cause interest on the bonds to become includable in gross income retroactive to the date of issuance.

From time to time, proposals have been introduced before the U.S. Congress for the purpose of restricting or eliminating the U.S. federal income tax exemption for interest on municipal obligations. In this regard, for bonds issued after December 31, 2017, the tax-advantaged treatment previously available to "tax credit bonds" and "advance refunding bonds" is no longer available. Further, similar proposals may be introduced in the future. In addition, the U.S. federal income tax exemption has been, and may in the future be, the subject of litigation. If one of these proposals were enacted, or if any such litigation were adversely decided, the availability of tax-exempt obligations for investment by the Fund and the value of the Fund's investments could be affected.

Opinions relating to the validity of municipal obligations and to the exclusion of interest thereon from gross income for regular federal and/or state income tax purposes are rendered by bond counsel to the respective issuers at the time of issuance. The Fund and its service providers will rely on such opinions and will not review the proceedings relating to the issuance of municipal obligations or the bases for such opinions.

Information Risk. Information about the financial condition of issuers of municipal obligations may be less available than about corporations whose securities are publicly traded.

U.S. State and Federal Law Risk. Municipal obligations are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the U.S. federal Bankruptcy Code, and laws, if any, that may be enacted by the U.S. Congress or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or upon the ability of municipalities to levy taxes. There is also the possibility that, as a result of litigation or other conditions, the power or ability of any one or more issuers to pay, when due, the principal of and interest on its or their municipal obligations may be materially affected.

Market and Ratings Risk. The yields on municipal obligations are dependent on a variety of factors, including economic and monetary conditions, general market conditions, supply and demand, general conditions of the municipal market, size of a particular offering, the maturity of the obligation and the rating of the issue. Adverse economic, business, legal or political developments might affect all or substantial portions of the Fund's municipal obligations in the same manner.

Unfavorable developments in any economic sector may have far-reaching ramifications for the municipal market overall or any state's municipal market. Although the ratings of tax-exempt securities by ratings agencies are relative and subjective, and are not absolute standards of quality, such ratings reflect the assessment of the ratings agency, at the time of issuance of the rating, of the economic viability of the issuer of a general obligation bond or, with respect to a revenue bond, the special revenue source, with respect to the timely payment of interest and the repayment of principal in accordance with the terms of the obligation, but do not reflect an assessment of the market value of the obligation. Consequently, municipal obligations with the same maturity, coupon and rating may have different yields when purchased in the open market, while municipal obligations of the same maturity and coupon with different ratings may have the same yield.

Risks Associated with Sources of Liquidity or Credit Support. Issuers of municipal obligations may employ various forms of credit and liquidity enhancements, including letters of credit, guarantees, swaps, puts and demand features, and insurance, provided by U.S. or non-U.S. entities such as banks and other financial institutions. Changes in the credit quality of the entities providing the enhancement could affect the value of the securities or the Fund's share price. U.S. banks and certain financial institutions are subject to extensive governmental regulation which may limit both the amounts and types of loans and other financial commitments which may be made and interest rates and fees which may be charged. Non-U.S. banks and financial institutions may be less regulated than their U.S. counterparts and may be subject to additional risks, such as those relating to foreign economic and political developments and foreign governmental restrictions. The profitability of the banking industry is largely dependent upon the availability and cost of capital for the purpose of financing lending operations under prevailing money market conditions. Also, general economic conditions play an important part in the operation of the banking industry, and exposure to credit losses arising from possible financial difficulties of borrowers might affect a bank's ability to meet its obligations under a letter of credit.

Other. Securities may be sold in anticipation of a market decline (a rise in interest rates) or purchased in anticipation of a market rise (a decline in interest rates). In addition, a security may be sold and another purchased at approximately the same time to take advantage of what the portfolio manager believes to be a temporary disparity in the normal yield relationship between the two securities. In general, the secondary market for tax-exempt securities in the Fund's portfolio may have lower liquidity than that for taxable fixed income securities. Accordingly, the ability of the Fund to make purchases and sales of securities in the foregoing manner may be limited. Yield disparities may occur for reasons not directly related to the investment quality of particular issues or the general movement of interest rates, but instead due to such factors as changes in the overall demand for or supply of various types of tax-exempt securities or changes in the investment objectives of investors.

Risks Inherent in an Investment in Different Types of Municipal Securities

General Obligation Bonds. General obligation bonds are backed by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. However, the taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors. Some such factors are the entity's tax base, the extent to which the entity relies on federal or state aid, and other factors which are beyond the entity's control.

Industrial Development Revenue Bonds ("IDRs"). IDRs are tax-exempt securities issued by states, municipalities, public authorities or similar entities to finance the cost of acquiring, constructing or improving various projects. These projects are usually operated by corporate entities. IDRs are not general obligations of governmental entities backed by their taxing power. Issuers are only obligated to pay amounts due on the IDRs to the extent that funds are available from the unexpended proceeds of the IDRs or receipts or revenues of the issuer. Payment of IDRs is solely dependent upon the creditworthiness of the corporate operator of the project or corporate guarantor. Such corporate operators or guarantors that are industrial companies may be affected by many factors, which may have an adverse impact on the credit quality of the particular company or industry.

Hospital and Health Care Facility Bonds. The ability of hospitals and other health care facilities to meet their obligations with respect to revenue bonds issued on their behalf is dependent on various factors. Some such factors are the level of payments received from private third-party payors and government programs and the cost of providing health care services, as well as competition from other health care facilities and providers. There can be no assurance that payments under governmental programs will be sufficient to cover the costs associated with their bonds. It also may be necessary for a hospital or other health care facility to incur substantial capital expenditures or increased operating expenses to effect changes in its facilities, equipment, personnel and services. Hospitals and other health care facilities are additionally subject to claims and legal actions by patients and others in the ordinary course of business. There can be no assurance that a claim will not exceed the insurance coverage of a health care facility or that insurance coverage will be available to a facility.

Single Family and Multi-Family Housing Bonds. Multi-family housing revenue bonds and single family mortgage revenue bonds are state and local housing issues that have been issued to provide financing for various housing projects. Multi-family housing revenue bonds are payable primarily from mortgage loans to housing projects for low to moderate income families. Single-family mortgage revenue bonds are issued for the purpose of acquiring notes secured by mortgages on residences. The ability of housing issuers to make debt service payments on their obligations may be affected by various economic and non-economic factors. Such factors include: occupancy levels, adequate rental income in multi-family projects, the rate of default on mortgage loans underlying single family issues and the ability of mortgage insurers to pay claims. All single-family mortgage revenue bonds and certain multi-family housing revenue bonds are prepayable over the life of the underlying mortgage or mortgage pool. Therefore, the average life of housing obligations cannot be determined. However, the average life of these obligations will ordinarily be less than their stated maturities. Mortgage loans are frequently partially or completely prepaid prior to their final stated maturities.

Power Facility Bonds. The ability of utilities to meet their obligations with respect to bonds they issue is dependent on various factors. These factors include the rates that they may charge their customers, the demand for a utility's services and the cost of providing those services. Utilities are also subject to extensive regulations relating to the rates which they may charge customers. Utilities can experience regulatory, political and consumer resistance to rate increases. Utilities engaged in long-term capital projects are especially sensitive to regulatory lags in granting rate increases. Utilities are additionally subject to increased costs due to governmental environmental regulation and decreased profits due to increasing competition. Any difficulty in obtaining timely and adequate rate increases could adversely affect a utility's results of operations. The portfolio manager cannot predict with certainty the effect of such factors on the ability of issuers to meet their obligations with respect to bonds.

Water and Sewer Revenue Bonds. Water and sewer bonds are generally payable from user fees. The ability of state and local water and sewer authorities to meet their obligations may be affected by a number of factors. Some such factors are the failure of municipalities to utilize fully the facilities constructed by these authorities, declines in revenue from user charges, rising construction and maintenance costs, impact of environmental requirements, the difficulty of obtaining or discovering new supplies of fresh water, the effect of conservation programs, the impact of "no growth" zoning ordinances and the continued availability of federal and state financial assistance and of municipal bond insurance for future bond issues.

University and College Bonds. The ability of universities and colleges to meet their obligations is dependent upon various factors. Some of these factors of which an investor should be aware are the size and diversity of their sources of revenues, enrollment, reputation, management expertise, the availability and restrictions on the use of endowments and other funds and the quality and maintenance costs of campus facilities. Also, in the case of public institutions, the financial condition of the relevant state or other governmental entity and its policies with respect to education may affect an institution's ability to make payments on its own.

Lease Rental Bonds. Lease rental bonds are predominantly issued by governmental authorities that have no taxing power or other means of directly raising revenues. Rather, the authorities are financing vehicles created solely for the construction of buildings or the purchase of equipment that will be used by a state or local government. Thus, the bonds are subject to the ability and willingness of the lessee government to meet its lease rental payments, which include debt service on the bonds. Lease rental bonds are subject to the risk that the lessee government is not legally obligated to budget and appropriate for the rental payments beyond the current fiscal year. These bonds are also subject to the risk of abatement in many states as rents cease in the event that damage, destruction or condemnation of the project prevents its use by the lessee. Also, in the event of default by the lessee government, there may be significant legal and/or practical difficulties involved in the reletting or sale of the project.

Capital Improvement Facility Bonds. Capital improvement bonds are bonds issued to provide funds to assist political subdivisions or agencies of a state through acquisition of the underlying debt of a state or local political subdivision or agency. The risks of an investment in such bonds include the risk of possible prepayment or failure of payment of proceeds on and default of the underlying debt.

Solid Waste Disposal Bonds. Bonds issued for solid waste disposal facilities are generally payable from tipping fees and from revenues that may be earned by the facility on the sale of electrical energy generated in the combustion of waste products. The ability of solid waste disposal facilities to meet their obligations depends upon the continued use of the facility, the successful and efficient operation of the facility and, in the case of waste-to-energy facilities, the continued ability of the facility to generate electricity on a commercial basis. Also, increasing environmental regulation on the federal, state and local level has a significant impact on waste disposal facilities. While regulation requires more waste producers to use waste disposal facilities, it also imposes significant costs on the facilities.

Moral Obligation Bonds. A moral obligation bond is a type of revenue bond issued by a state or municipality pursuant to legislation authorizing the establishment of a reserve fund to pay principal and interest payments if the issuer is unable to meet its obligations. The establishment of such a reserve fund generally requires appropriation by the state legislature, which is not legally required. Accordingly, the establishment of a reserve fund is generally considered a moral commitment but not a legal obligation of the state or municipality that created the issuer.

Pre-Refunded Bonds. Pre-refunded bonds are typically secured by direct obligations of the U.S. government, or in some cases obligations guaranteed by the U.S. government, placed in an escrow account maintained by an independent trustee until maturity or a predetermined redemption date. These obligations are generally non-callable prior to maturity or the predetermined redemption date. In a few isolated instances to date, however, bonds which were thought to be escrowed to maturity have been called for redemption prior to maturity. For credit ratings purposes, pre-refunded bonds are deemed to be unrated. The Subadviser determines the credit quality of pre-refunded bonds based on the quality of the escrowed collateral and such other factors as the Subadviser deems appropriate.

Airport, Port and Highway Revenue Bonds. Certain facility revenue bonds are payable from and secured by the revenue from the ownership and operation of particular facilities, such as airports, highways and port authorities. Airport operating income may be affected by the ability of airlines to meet their obligations under the agreements with airports. Similarly, payment on bonds related to other facilities is dependent on revenues from the projects, such as use fees from ports, tolls on turnpikes and bridges and rents from buildings. Therefore, payment may be adversely affected by reduction in revenues due to such factors and increased cost of maintenance or decreased use of a facility. The portfolio manager cannot predict what effect conditions may have on revenues which are required for payment on these bonds.

Special Tax Bonds. Special tax bonds are payable from and secured by the revenues derived by a municipality from a particular tax. Examples of such special taxes are a tax on the rental of a hotel room, the purchase of food and beverages, the rental of automobiles or the consumption of liquor. Special tax bonds are not secured by the general tax revenues of the municipality, and they do not represent general obligations of the municipality. Therefore, payment on special tax bonds may be adversely affected by a reduction in revenues realized from the underlying special tax. Also, should spending on the particular goods or services that are subject to the special tax decline, the municipality may be under no obligation to increase the rate of the special tax to ensure that sufficient revenues are raised from the shrinking taxable base.

Tax Allocation Bonds. Tax allocation bonds are typically secured by incremental tax revenues collected on property within the areas where redevelopment projects financed by bond proceeds are located. Such payments are expected to be made from projected increases in tax revenues derived from higher assessed values of property resulting from development in the particular project area and not from an increase in tax rates. Special risk considerations include: reduction of, or a less than anticipated increase in, taxable values of property in the project area; successful appeals by property owners of assessed valuations; substantial delinquencies in the payment of property taxes; or imposition of any constitutional or legislative property tax rate decrease.

Tobacco Settlement Revenue Bonds. Tobacco settlement revenue bonds are secured by a state or local government's proportionate share in the Master Settlement Agreement ("MSA"). The MSA is an agreement, reached out of court in November 1998 between the attorneys general of 46 states (Florida, Minnesota, Mississippi and Texas all settled independently) and six other U.S. jurisdictions (including the District of Columbia, Puerto Rico and Guam), and the four largest U.S. tobacco manufacturers at that time (Philip Morris, RJ Reynolds, Brown & Williamson, and Lorillard). Subsequently, smaller tobacco manufacturers signed on to the MSA. The MSA basically provides for payments annually by the manufacturers to the states and jurisdictions in perpetuity, in exchange for releases of all claims against the manufacturers and a pledge of no further litigation. The MSA established a base payment schedule and a formula for adjusting payments each year. Manufacturers pay into a master escrow trust based on their market share, and each state receives a fixed percentage of the payment as set forth in the MSA. Annual payments are highly dependent on annual U.S. cigarette shipments and inflation, as well as several other factors. As a result, payments made by tobacco manufacturers could be reduced if

there is a decrease in tobacco consumption over time. A market share loss by the MSA companies to non-MSA participating manufacturers would also cause a downward adjustment in the payment amounts. A participating manufacturer filing for bankruptcy could cause delays or reductions in bond payments.

Certain tobacco settlement revenue bonds are issued with "turbo" redemption features. Under this turbo structure, all available excess revenues are applied as an early redemption to the designated first turbo maturity until it is completely repaid, and then to the next turbo maturity until paid in full, and so on. The result is that the returned principal creates an average maturity that could be much shorter than the legal final maturity.

Transit Authority Bonds. Mass transit is generally not self-supporting from fare revenues. Therefore, additional financial resources must be made available to ensure operation of mass transit systems as well as the timely payment of debt service. Often such financial resources include federal and state subsidies, lease rentals paid by funds of the state or local government or a pledge of a special tax. If fare revenues or the additional financial resources do not increase appropriately to pay for rising operating expenses, the ability of the issuer to adequately service the debt may be adversely affected.

Convention Facility Bonds. Bonds in the convention facilities category include special limited obligation securities issued to finance convention and sports facilities payable from rental payments and annual governmental appropriations. The governmental agency is not obligated to make payments in any year in which the monies have not been appropriated to make such payments. In addition, these facilities are limited use facilities that may not be used for purposes other than as convention centers or sports facilities.

Correctional Facility Bonds. Bonds in the correctional facilities category include special limited obligation securities issued to construct, rehabilitate and purchase correctional facilities payable from governmental rental payments and/or appropriations. An issuer's ability to pay its lease obligations under these bonds could be adversely affected by a number of factors, including insufficient occupancy rates, unanticipated costs (such as legal claims), or the reduction or discontinuation of legislative appropriations.

Land-Secured or "Dirt" Bonds. Land-secured or "dirt" bonds are issued in connection with special taxing districts that are organized to plan and finance infrastructure development to induce residential, commercial and industrial growth and redevelopment. Obligations under these bonds are generally payable solely from taxes (using methods such as tax assessments, special taxes or tax increment financing) or other revenues attributable to the specific projects financed by the bonds, without recourse to the credit or taxing power of related or overlapping municipalities. The projects to which these bonds relate often are exposed to real estate development-related risks, such as the failure of property development, unavailability of financing, extended vacancies of properties, increased competition, limitations on rents, changes in neighborhood values, lessening demand for properties, and changes in interest rates. These real estate risks may be heightened if a project is subject to foreclosure and, in that event, the Fund, as a holder of the bonds, might be required to pay certain maintenance or operating expenses or taxes relating to the project. In addition, the bonds financing these projects may have more taxpayer concentration risk than general tax-supported bonds. Further, the fees, special taxes, or tax allocations and other revenues that are established to secure such financings generally are limited as to the rate or amount that may be levied or assessed and are not subject to increase pursuant to rate covenants or municipal or corporate guarantees. The bonds could default if a development fails to progress as anticipated or if taxpayers fail to pay the assessments, fees and taxes as provided in the financing plans of the projects.

Municipal Obligations of Other U.S. Territories

Municipal securities include the obligations of the governments of Puerto Rico and other U.S. territories and their political subdivisions (such as the U.S. Virgin Islands and Guam). Payment of interest and preservation of principal is dependent upon the continuing ability of such issuers and/or obligors of territorial, municipal and public authority debt obligations to meet their obligations thereunder. The sources of payment for such obligations and the marketability thereof may be affected by financial and other difficulties experienced by such issuers.

Puerto Rico. Municipal securities of issuers located in the Commonwealth of Puerto Rico may be affected by political, social and economic conditions in Puerto Rico. Puerto Rico's economy has been in a recession since late 2006, which has contributed to a steep increase in unemployment rates, funding shortfalls of state employees' retirement systems, a budget deficit resulting from a structural imbalance, and reduced government revenues. In May 2017, Puerto Rico made a filing in the U.S. District Court in Puerto Rico to commence a debt restructuring process similar to that of a traditional municipal bankruptcy. Puerto Rico had previously defaulted on certain agency debt payments and the Governor had warned of its inability to meet additional pending obligations, including under general obligation bonds.

The debt restructuring process commenced by Puerto Rico is under a federal law for insolvent U.S. territories, called Promesa. Puerto Rico's case is the first ever heard under Promesa for which there is no existing body of court precedent. Accordingly, Puerto Rico's debt restructuring process could take significantly longer than recent municipal bankruptcy proceedings adjudicated pursuant to Chapter 9 of the U.S. Bankruptcy Code.

It is not clear whether a debt restructuring process will ultimately be approved or, if so, the extent to which it will apply to Puerto Rico municipal securities sold by an issuer other than the Commonwealth. A debt restructuring could reduce the principal amount due, the interest rate, the maturity and other terms of Puerto Rico municipal securities. These changes, as well as the delay imposed by the debt restructuring process itself, could adversely affect the value of Puerto Rico municipal securities. The court filing made by Puerto Rico could also have a negative impact on the value of Puerto Rico municipal securities that are not subject to the debt restructuring process. In addition, Puerto Rico municipal securities

remain subject to all of the other risks applicable to fixed income securities, including the risk of non-payment. To the extent that the Fund holds any Puerto Rico municipal securities, the Fund may lose some or all of the value of those investments.

These challenges and uncertainties have been exacerbated by Hurricane Maria, which directly hit Puerto Rico on September 20, 2017, causing significant damage to the island's infrastructure (including water, power and telecommunications) and to governmental, personal and business property. Moody's Analytics has estimated that the island suffered tens of billions of dollars in hurricane-related damages. It is unknown what impact this disaster will have on the ongoing efforts to restructure Puerto Rico's debt. Additionally, the COVID-19 pandemic has also caused unprecedented damage to Puerto Rico's economy. Because of Puerto Rico's close ties to the United States' mainland economy, a downturn in the U.S. economy indirectly affects Puerto Rico. These indirect impacts stem from the slowdown of the overall U.S. economy and the threat of a prolonged recession that will affect many industries, including retail, manufacturing, oil and gas, tourism, gaming and lodging, transportation, healthcare, and education, to name a few. Government revenue collections have been materially adversely affected by reductions in overall economic activity as a result of mobility restrictions and business closures, and delays in the receipt of income taxes as a result of the postponement of tax return filing dates.

The following is a brief summary of certain factors affecting Puerto Rico's economy and does not purport to be a complete description of such factors.

The dominant sectors of the Puerto Rico economy are manufacturing and services. The manufacturing sector has undergone fundamental changes over the years as a result of increased emphasis on higher wage, high technology industries, such as pharmaceuticals, biotechnology, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The services sector, including finance, insurance, real estate, wholesale and retail trade, transportation, communications and public utilities and other services, also plays a major role in the economy. It ranks second only to manufacturing in contribution to the gross domestic product and leads all sectors in providing employment.

Most external factors that affect the Puerto Rico economy are determined by the policies and performance of the United States. These external factors include exports, direct investment, the amount of federal transfer payments, the level of interest rates, the rate of inflation, and tourist expenditures.

Guam. General obligations and/or revenue bonds of issuers located in Guam may be affected by political, social and economic conditions in Guam. The following is a brief summary of factors affecting the economy of Guam and does not purport to be a complete description of such factors.

Guam, the westernmost territory of the U.S., is located 3,800 miles to the west-southwest of Honolulu, Hawaii and approximately 1,550 miles south-southeast of Tokyo, Japan. The population of Guam was estimated to be 169,663 in July 2020. Guam's unemployment rate was at 17.3% as of June 2020.

Guam's economy depends in large measure on tourism and the U.S. military presence, each of which is subject to uncertainties as a result of global economic, social and political events. Tourism, particularly from Japan, which has been a source of a majority of visitors to Guam, represents the primary source of income for Guam's economy. A weak economy, war, severe weather, epidemic outbreaks or the threat of terrorist activity, among other influences that are beyond Guam's control, can adversely affect its tourism industry. Guam is also exposed to periodic typhoons, tropical storms, super typhoons and earthquakes, such as the March 2011 earthquake and tsunami that occurred in Japan and caused a decline in tourism for a period of time. The U.S. military presence also affects economic activity on Guam in various ways and recently has been a positive contributor to the economy. The U.S. Department of Defense plans to relocate certain military forces from Okinawa, Japan to Guam in the future. Nevertheless, economic, geopolitical, and other influences which are beyond Guam's control could cause the U.S. military to reduce its existing presence on Guam or forgo any planned enhancements to its presence on Guam. Any reduction in tourism or the U.S. military presence could adversely affect Guam's economy. The Government of Guam has declared a public health emergency in response to the COVID-19 pandemic. The ultimate financial effect of the pandemic on Guam's economy is uncertain.

United States Virgin Islands. General obligations and/or revenue bonds of issuers located in the U.S. Virgin Islands may be affected by political, social and economic conditions in the U.S. Virgin Islands. The territory has experienced high levels of debt, increasing pension obligations and a declining population. The credit rating of certain bonds issued by the territory are rated below investment grade due to a perceived increased possibility that the territory may be forced to restructure its debts to address its financial problems.

In September 2017, the territory was hit by two hurricanes within the span of two weeks. Together, the hurricanes caused significant damage to the most populated islands, including to their infrastructure, hospitals, homes and other structures.

The following is a brief summary of factors affecting the economy of the U.S. Virgin Islands and does not purport to be a complete description of such factors.

The U.S. Virgin Islands consists of four main islands: St. Croix, St. Thomas, St. John, and Water Island and approximately 70 smaller islands, islets and cays. The total land area is about twice the size of Washington, D.C.

The U.S. Virgin Islands is located 60 miles east of Puerto Rico and 1,075 miles south of Miami, Florida in the Caribbean Sea and the Atlantic Ocean. The population of the U.S. Virgin Islands was estimated to be 104,334 in July 2020.

Tourism, trade, and other services, including manufacturing (rum distilling, watch assembly, pharmaceuticals, and electronics), are the primary economic activities, accounting for a substantial portion of the Virgin Island's gross domestic product and civilian employment. The agricultural sector is small, with most of the islands' food being imported. A weak economy, severe weather, war, epidemic outbreaks or the threat of terrorist activity, among other influences that are beyond the control of the territory, can adversely affect its tourism and other industries. The COVID-19 pandemic and the travel bans instituted by the U.S. and many countries have had a significant effect on the tourism industry in the Virgin Islands.

Non-U.S. Securities

The risks of investing in securities of non-U.S. issuers or issuers with significant exposure to non-U.S. markets may be related, among other things, to (i) differences in size, liquidity and volatility of, and the degree and manner of regulation of, the securities markets of certain non-U.S. markets compared to the securities markets in the U.S.; (ii) economic, political and social factors; and (iii) foreign exchange matters, such as restrictions on the repatriation of capital, fluctuations in exchange rates between the U.S. dollar and the currencies in which the Fund's portfolio securities are quoted or denominated, exchange control regulations and costs associated with currency exchange. The political and economic structures in certain non-U.S. countries, particularly emerging markets, are expected to undergo significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristic of more developed countries.

Unanticipated political or social developments may affect the values of the Fund's investments in such countries. The economies and securities and currency markets of many emerging markets have experienced significant disruption and declines. There can be no assurances that these economic and market disruptions will not continue.

Legal remedies available to investors in certain non-U.S. countries may be less extensive than those available to investors in the U.S. or other non-U.S. countries. Accounting standards in other countries are also not necessarily the same as in the United States. If the accounting standards in another country do not require as much detail as U.S. accounting standards, it may be harder for the portfolio managers to completely and accurately determine a company's financial condition. In addition, the U.S. Government has from time to time in the past imposed restrictions, through penalties and otherwise, on non-U.S. investments by U.S. investors such as the Fund. Also, brokerage commissions and other costs of buying or selling securities often are higher in non-U.S. countries than they are in the U.S. This reduces the amount the Fund can earn on its investments.

The Fund generally holds its non-U.S. securities and cash in non-U.S. banks and securities depositories. Some non-U.S. banks and securities depositories may be recently organized or new to the non-U.S. custody business. In addition, there may be limited or no regulatory oversight over their operations. Also, the laws of certain countries may put limits on the Fund's ability to recover its assets if a non-U.S. bank or depository or issuer of a security or any of their agents goes bankrupt. In addition, it is often more expensive for the Fund to buy, sell and hold securities in certain non-U.S. markets than in the U.S. The increased expense of investing in non-U.S. markets reduces the amount the Fund can earn on its investments and typically results in a higher operating expense ratio for the Fund as compared to investment companies that invest only in the United States.

Securities of some non-U.S. companies have lower liquidity, and their prices are more volatile, than securities of comparable U.S. companies. Certain non-U.S. countries are known to experience long delays between the trade and settlement dates of securities purchased or sold resulting in increased exposure of the Fund to market and foreign exchange fluctuations brought about by such delays, and to the corresponding negative impact on Fund liquidity.

Non-U.S. Dollar Currency Risks

The U.S. dollar value of securities denominated in a Non-U.S. currency will vary with changes in currency exchange rates, which can be volatile. Accordingly, changes in the value of the currency in which the Fund's investments are denominated relative to the U.S. dollar will affect the Fund's net asset value. Exchange rates are generally affected by the forces of supply and demand in the non-U.S. currency markets, the relative merits of investing in different countries and the intervention or failure to intervene of U.S. or non-U.S. governments and central banks. However, currency exchange rates may fluctuate based on factors intrinsic to a country's economy. Some emerging market countries also may have managed currencies, which are not free floating against the U.S. dollar. In addition, emerging markets are subject to the risk of restrictions upon the free conversion of their currencies into other currencies. Any devaluations relative to the U.S. dollar in the currencies in which the Fund's securities are quoted would reduce the Fund's net asset value per share.

Sovereign Government and Supranational Debt Obligations

The Fund may invest in all types of debt securities of governmental issuers in all countries, including emerging markets. These sovereign debt securities may include: debt securities issued or guaranteed by governments, governmental agencies or instrumentalities and political subdivisions located in emerging market countries; debt securities issued by government owned, controlled or sponsored entities located in emerging market countries; interests issued for the purpose of restructuring the investment characteristics of instruments issued by any of the above issuers; Brady Bonds, which are debt securities issued under the framework of the Brady Plan as a means for debtor nations to restructure their outstanding external indebtedness; participations in loans between emerging market governments and financial institutions; or debt securities issued by supranational entities such as the World Bank. A supranational entity is a bank, commission or company established or financially supported by the national governments of one or more countries to promote reconstruction or development. Included among these entities are the Asian Development Bank, the European Union, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, the United

Nations, the World Bank and the European Bank for Reconstruction and Development. Supranational organizations have no taxing authority and are dependent on their members for payments of interest and principal. There is no guarantee that one or more members of a supranational organization will continue to make capital contributions. If such contributions are not made, the organization may be unable to pay interest or repay principal on its debt securities, and the Fund may lose money on such investments. Further, the lending activities of such entities are limited to a percentage of their total capital, reserves and net income.

Sovereign debt is subject to risks in addition to those relating to non-U.S. investments generally. As a sovereign entity, the issuing government may be immune from lawsuits in the event of its failure or refusal to pay the obligations when due. The debtor's willingness or ability to repay in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its non-U.S. currency reserves, the availability of sufficient foreign currency exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders and the political constraints to which the sovereign debtor may be subject. Sovereign debtors may also be dependent on disbursements or assistance from non-U.S. governments or multinational agencies, the country's access to trade and other international credits, and the country's balance of trade. Assistance may be dependent on a country's implementation of austerity measures and reforms, economic performance and/or the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Some sovereign debtors have rescheduled their debt payments, declared moratoria on payments or restructured their debt to effectively eliminate portions of it, and similar occurrences may happen in the future. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part.

Europe — Recent Events

A number of countries in Europe have experienced severe economic and financial difficulties. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts; many other issuers have faced difficulties obtaining credit or refinancing existing obligations; financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit; and financial markets in Europe and elsewhere have experienced extreme volatility and declines in asset values and liquidity. These difficulties may continue, worsen or spread within and outside of Europe. Responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not work, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets and asset valuations around the world.

In addition, the United Kingdom left the European Union on January 31, 2020, commonly referred to as "Brexit." Following a transition period, the United Kingdom's post-Brexit trade agreement with the European Union passed into law in December 2020 and went into effect on January 1, 2021. There is significant market uncertainty regarding Brexit's ramifications. The range and potential implications of possible political, regulatory, economic, and market outcomes cannot be fully known but could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. The United Kingdom has one of the largest economies in Europe and is a major trading partner with the European Union countries and the United States. Brexit may create additional and substantial economic stresses for the United Kingdom, including a contraction of the United Kingdom's economy, decreased trade, capital outflows, devaluation of the British pound, as well as a decrease in business and consumer spending and investment. The negative impact on not only the United Kingdom and other European economies but also the broader global economy could be significant. Moreover, other countries may seek to withdraw from the European Union and/or abandon the euro, the common currency of the European Union. A number of countries in Europe have suffered terror attacks, and additional attacks may occur in the future. Ukraine has experienced ongoing military conflict; this conflict may expand and military attacks could occur elsewhere in Europe. Europe has also been struggling with mass migration from the Middle East and Africa.

The ultimate effects of these events and other socio-political or geopolitical issues are not known but could profoundly affect global economies and markets. Whether or not the Fund invests in securities of issuers located in Europe or with significant exposure to European issuers or countries, these events could negatively affect the value and liquidity of the Fund's investments.

London Interbank Offered Rate ("LIBOR") Replacement and Other Reference Rates Risk

Many debt securities, derivatives, and other financial instruments, including some of the Fund's investments, utilize benchmark or reference rates such as LIBOR, European Interbank Offer Rate ("EURIBOR"), Sterling Overnight Interbank Average Rate ("SONIA"), and other similar types of reference rates for variable interest rate calculations. Instruments in which the Fund invests may pay interest at floating rates based on LIBOR or other similar types of reference rates or may be subject to interest caps or floors based on such reference rates. The Fund and issuers of instruments in which the Fund invests may also obtain financing at floating rates based on such reference rates. The elimination of a reference rate or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for—or value of—any securities or payments linked to those reference rates.

The use of LIBOR came under pressure following manipulation allegations in 2012. Despite increased regulation and other corrective actions since that time, concerns have arisen regarding its viability as a benchmark due largely to reduced activity in the financial markets that it measures. In 2017, the U.K. Financial Conduct Authority announced that it will no longer encourage nor require banks to submit rates for the calculation of LIBOR after 2021. The administrator of LIBOR recently announced a possible delay in the phase out of a majority of the U.S. dollar

LIBOR publications until mid-2023, with the remainder of the LIBOR publications to end at the end of 2021. It is unclear whether LIBOR will continue to exist in its current or a modified form. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. Based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), the U.S. Federal Reserve began publishing a Secured Overnight Funding Rate ("SOFR") that is intended to replace U.S. Dollar LIBOR. Proposals for alternative reference rates for other currencies have also been announced or have already begun publication, such as SONIA in the United Kingdom.

Markets are slowly developing in response to these new rates, and transition planning is at a relatively early stage. Neither the effect of the transition process nor its ultimate success is known. The transition process may lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. The effect of any changes to—or discontinuation of—LIBOR on the Fund will vary depending on, among other things, provisions in individual contracts and whether, how, and when industry participants develop and adopt new reference rates and alternative reference rates for both legacy and new products and instruments. Because the usefulness of LIBOR as a benchmark may deteriorate during the transition period, these effects could materialize prior to the end of 2021.

Other Short-Term Debt

The Fund may invest in all types of money market instruments, including bank obligations, commercial paper and asset-backed securities, structured investments, repurchase agreements and other short-term debt securities. These instruments may be issued or guaranteed by all types of issuers, including U.S. and non-U.S. banks and other private issuers, the U.S. government or any of its agencies or instrumentalities, U.S. states and municipalities, or non-U.S. governments. These securities may pay interest at fixed, floating or adjustable rates, or may be issued at a discount.

Repurchase Agreements

Under the terms of a typical repurchase agreement, the Fund would acquire one or more underlying debt securities from a counterparty (typically a bank or a broker-dealer), subject to the counterparty's obligation to repurchase, and the Fund to resell, the securities at an agreed-upon time and price. The Fund may enter into repurchase agreements where the underlying collateral consists entirely of cash items and/or securities of the U.S. Government, its agencies, its instrumentalities, or U.S. Government sponsored enterprises. Unless otherwise limited in the Fund's Offering Circular, the Fund may also enter into repurchase agreements where the underlying collateral consists of other types of securities, including securities the Fund could not purchase directly. For such repurchase agreements, the underlying securities which serve as collateral may include, but are not limited to, U.S. government securities, municipal securities, corporate debt obligations, asset-backed securities (including collateralized mortgage obligations ("CMOs")), convertible securities and common and preferred stock and may be of below investment grade quality. The repurchase price is typically greater than the purchase price paid by the Fund, thereby determining the Fund's yield. A repurchase agreement is similar to, and may be treated as, a secured loan, where the Fund loans cash to the counterparty and the loan is secured by the underlying securities as collateral. All repurchase agreements entered into by the Fund are required to be collateralized so that at all times during the term of a repurchase agreement, the value of the underlying securities is at least equal to the amount of the repurchase price. Also, the Fund or its custodian is required to have control of the collateral, which the portfolio manager believes will give the Fund a valid, perfected security interest in the collateral.

Repurchase agreements could involve certain risks in the event of default or insolvency of the counterparty, including possible delays or restrictions upon the Fund's ability to dispose of the underlying securities, the risk of a possible decline in the value of the underlying securities during the period in which the Fund seeks to assert its right to them, the risk that there may be a limited market or no market for disposition of such underlying securities, the risk of incurring expenses associated with asserting those rights and the risk of losing all or part of the income from the agreement. The Fund will seek to mitigate these risks but there is no guarantee that such efforts will be successful. If the Fund enters into a repurchase agreement involving securities the Fund could not purchase directly, and the counterparty defaults, the Fund may become the holder of such securities. Repurchase agreements collateralized by securities other than U.S. government securities may be subject to greater risks and are more likely to have a term to maturity of longer than seven days. Repurchase agreements with a maturity of more than seven days are considered to be illiquid.

Repurchase agreements may be entered into or novated with a financial clearinghouse, which would become the Fund's counterparty. The Fund would then become subject to the rules of the clearinghouse, which may limit the Fund's rights and remedies (including recourse to collateral) or delay or restrict the rights and remedies, and expose the Fund to the risks of the clearinghouses' insolvency.

Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreements. A reverse repurchase agreement has the characteristics of a secured borrowing by the Fund and creates leverage in the Fund's portfolio. In a reverse repurchase transaction, the Fund sells a portfolio instrument to another person, such as a financial institution or broker-dealer, in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed-upon time and at a price that is greater than the amount of cash that the Fund received when it sold the instrument, representing the equivalent of an interest payment by the Fund for the use of the cash. During the term of the transaction, the Fund will continue to receive any principal and interest payments (or the equivalent thereof) on the underlying instruments.

The Fund may engage in reverse repurchase agreements as a means of raising cash to satisfy redemption requests or for other temporary or emergency purposes. Unless otherwise limited in the Fund's Offering Circular, the Fund may also engage in reverse repurchase agreements to the

extent permitted by its fundamental investment policies in order to raise additional cash to be invested by the Fund's portfolio manager in other securities or instruments in an effort to increase the Fund's investment returns.

During the term of the transaction, the Fund will remain at risk for any fluctuations in the market value of the instruments subject to the reverse repurchase agreement as if it had not entered into the transaction. When the Fund reinvests the proceeds of a reverse repurchase agreement in other securities, the Fund will also be at risk for any fluctuations in the market value of the securities in which the proceeds are invested. Like other forms of leverage, this makes the value of an investment in the Fund more volatile and increases the Fund's overall investment exposure. In addition, if the Fund's return on its investment of the proceeds of the reverse repurchase agreement does not equal or exceed the implied interest that it is obligated to pay under the reverse repurchase agreement, engaging in the transaction will lower the Fund's return.

When the Fund enters into a reverse repurchase agreement, it is subject to the risk that the buyer under the agreement may file for bankruptcy, become insolvent or otherwise default on its obligations to the Fund. In the event of a default by the counterparty, there may be delays, costs and risks of loss involved in the Fund's exercising its rights under the agreement, or those rights may be limited by other contractual agreements or obligations or by applicable law.

In addition, the Fund may be unable to sell the instruments subject to the reverse repurchase agreement at a time when it would be advantageous to do so, or may be required to liquidate portfolio securities at a time when it would be disadvantageous to do so in order to make payments with respect to its obligations under a reverse repurchase agreement. This could adversely affect the Fund's strategy and result in lower fund returns. At the time the Fund enters into a reverse repurchase agreement, the Fund is required to set aside cash or other appropriate liquid securities in the amount of the Fund's obligation under the reverse repurchase agreement or take certain other actions in accordance with SEC guidelines, which may affect the Fund's liquidity and ability to manage its assets. Although complying with SEC guidelines would have the effect of limiting the amount of fund assets that may be committed to reverse repurchase agreements and other similar transactions at any time, it does not otherwise mitigate the risks of entering into reverse repurchase agreements.

The Fund will not engage in reverse repurchase agreements if its total borrowings exceed 33-1/3% of its total assets.

Risks Associated with Sources of Liquidity or Credit Support

Issuers of obligations may employ various forms of credit and liquidity enhancements, including letters of credit, guarantees, swaps, puts and demand features, and insurance, provided by U.S. or non-U.S. entities such as banks and other financial institutions. Changes in the credit quality of the entities providing the enhancement could affect the value of the securities or the Fund's share price. U.S. banks and certain financial institutions are subject to extensive governmental regulation which may limit both the amounts and types of loans and other financial commitments which may be made and interest rates and fees which may be charged. Non-U.S. banks and financial institutions may be less regulated than their U.S. counterparts and may be subject to additional risks, such as those relating to foreign economic and political developments and foreign governmental restrictions. The profitability of the banking industry is largely dependent upon the availability and cost of capital for the purpose of financing lending operations under prevailing money market conditions. Also, general economic conditions play an important part in the operation of the banking industry, and exposure to credit losses arising from possible financial difficulties of borrowers might affect a bank's ability to meet its obligations under a letter of credit.

Securities Lending

The Fund may lend its portfolio securities, provided that cash or equivalent collateral, equal to at least 100% of the market value of such securities, is continuously maintained by the other party with the Fund. During the pendency of the transaction, the other party will pay the Fund an amount equivalent to any dividends or interest paid on such securities, and the Fund may invest the cash collateral and earn additional income, or it may receive an agreed upon amount of interest income from the other party who has delivered equivalent collateral. These transactions are subject to termination at the option of the Fund or the other party. The Fund may pay administrative and custodial fees in connection with these transactions and may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the other party or placing agent or broker. Although voting rights or rights to consent with respect to the relevant securities generally pass to the other party, the Fund will make arrangements to vote or consent with respect to a material event affecting such securities. SEC guidance currently states that a fund may loan securities equal in value to no more than one third of its total asset value, including collateral received in connection with such transactions (at market value computed at the time of the transaction). The risks in lending portfolio securities include possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. The Fund runs the risk that the counterparty to a loan transaction will default on its obligation and that the value of the collateral received may decline before the Fund can dispose of it. If the Fund receives cash as collateral and invests that cash, the Fund is subject to the risk that the collateral will decline in value before the Fund must return it to the counterparty. Subject to the foregoing, loans of fund securities are effectively borrowings by the Fund and have economic characteristics similar to reverse repurchase agreements. The Fund does not currently intend to engage in securities lending, although it may engage in transactions (such as reverse repurchase agreements) which have similar characteristics.

Structured Instruments

Structured instruments are money market instruments that have been structured to meet the regulatory requirements for investment by money market funds, typically by a bank, broker/dealer or other financial institution. They generally consist of a trust or partnership through which the Fund holds an interest in one or more underlying bonds or other debt obligations coupled with a conditional right to sell ("put") the Fund's interest

in the underlying bonds at par plus accrued interest to a financial institution. With respect to tax-exempt instruments, the instrument is typically structured as a trust or partnership which provides for pass-through tax-exempt income. Structured instruments in which the Fund may invest include: (1) tender option bonds, (2) swap products, in which the trust or partnership swaps the payments due on an underlying bond with a swap counterparty who agrees to pay a floating money market interest rate; and (3) partnerships, which allocate to the partners income, expenses, capital gains and losses in accordance with a governing partnership agreement. Structured instruments may be more volatile, have lower liquidity and may be more difficult to price accurately than less complex securities or more traditional debt securities.

These types of instruments raise certain tax, legal, regulatory and accounting issues which may not be presented by direct investments in debt obligations. There is some risk that certain of these issues could be resolved in a manner that could adversely impact the performance of the Fund.

Temporary Defensive Investing

The Fund may depart from its principal investment strategies in response to adverse market, economic or political conditions by taking temporary defensive positions, including by investing in any type of investment grade, government, corporate and money market instruments and short-term debt securities or holding cash without regard to any percentage limitations. Although the portfolio manager has the ability to take defensive positions, they may choose not to do so for a variety of reasons, even during volatile market conditions.

U.S. Commodity Exchange Act Regulation- Exclusion from Commodity Pool Operator Definition

The Fund is operated by persons who have claimed an exclusion, granted to operators of registered investment companies, like the Fund, from registration as a "commodity pool operator" with respect to the Fund under the U.S. Commodity Exchange Act and, therefore are not subject to registration or regulation with respect to the Fund under the CEA.

U.S. Government Securities

U.S. Government securities include (1) U.S. Treasury bills (maturity of one year or less), U.S. Treasury notes (maturity of one to ten years) and U.S. Treasury bonds (maturities generally greater than ten years); (2) obligations issued or guaranteed by U.S. Government agencies or instrumentalities which are supported by any of the following: (a) the full faith and credit of the U.S. Government (such as certificates issued by the Government National Mortgage Association ("Ginnie Mae")); (b) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Government (such as obligations of the Federal Home Loan Banks); (c) the discretionary authority of the U.S. Government to purchase certain obligations of agencies or instrumentalities (such as securities issued by the Federal National Mortgage Association); or (d) only the credit of the agency or instrumentality (such as securities issued by the Federal Home Loan Mortgage Corporation); and (3) obligations issued by non-governmental entities (like financial institutions) that carry direct guarantees from U.S. government agencies as part of government initiatives in response to a market crisis or otherwise. Agencies and instrumentalities of the U.S. Government include but are not limited to: Farmers Home Administration, Export-Import Bank of the United States, Federal Housing Administration, Federal Land Banks, Federal Financing Bank, Central Bank for Cooperatives, Federal Intermediate Credit Banks, Farm Credit Bank System, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, General Services Administration, Government National Mortgage Association, Student Loan Marketing Association, United States Postal Service, Maritime Administration, Small Business Administration, Tennessee Valley Authority, Washington D.C. Armory Board and any other instrumentality established or sponsored by the U.S. Government.

In the case of obligations not backed by the full faith and credit of the United States, the Fund must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitments. Neither the U.S. Government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. Therefore, the market value of such securities will fluctuate in response to changes in interest rates and other factors. In addition, any downgrade of the credit rating of the securities issued by the U.S. Government may result in a downgrade of securities issued by its agencies or instrumentalities, including government-sponsored entities.

U.S. Treasury Obligations

U.S. Treasury obligations are direct debt obligations issued by the U.S. government. Treasury bills, with maturities normally from 4 weeks to 52 weeks, are typically issued at a discount as they pay interest only upon maturity. Treasury bills are non-callable. Treasury notes have a maturity between two and ten years and typically pay interest semi-annually, while Treasury bonds have a maturity of over ten years and pay interest semi-annually. U.S. Treasury obligations also include STRIPS, TIPS, and FRNs. STRIPS are Treasury obligations with separately traded principal and interest component parts of such obligations that are transferable through the federal book-entry system. The principal and interest components of U.S. Treasury bonds with remaining maturities of longer than ten years are eligible to be traded independently under the STRIPS program. Under the STRIPS program, the principal and interest components are separately issued through depository financial institutions, which then trade the component parts separately. Each interest payment and the principal payment becomes a separate zero-coupon security. STRIPS pay interest only at maturity. The interest component of STRIPS may be more volatile than that of U.S. Treasury bills with comparable maturities. TIPS are Treasury Inflation-Protected Securities, the principal of which increases with inflation and decreases with deflation. The inflation adjustment is based on a two month-lagged value of the non-seasonally adjusted Consumer Price Index for Urban Consumers (CPI-U). TIPS entitle the holder, upon maturity, to the adjusted principal or original principal, whichever is greater, thus providing a deflation floor. TIPS pay interest twice a year, at a fixed rate. The rate is applied to the adjusted principal; so, like the principal, interest payments rise with inflation and fall with deflation. However, because the

interest rate is fixed, TIPS may lose value when market interest rates increase, particularly during periods of low inflation. FRNs are floating rate notes, the interest on which is indexed to the most recent 13-week Treasury bill auction High Rate, which is the highest accepted discount rate in a Treasury bill auction.

Variable and Floating Rate Securities

Variable and floating rate securities provide for a periodic adjustment in the interest rate paid on the obligations. The terms of such obligations provide that interest rates are adjusted periodically based upon an interest rate adjustment index as provided in the respective obligations. The adjustment intervals may be regular, and range from daily up to annually, or may be event-based, such as based on a change in the prime rate.

The Fund may invest in floating rate debt instruments ("floaters") and engage in credit spread trades. The interest rate on a floater is a variable rate which is tied to another interest rate, such as a corporate bond index or U.S. Treasury bill rate. The interest rate on a floater resets periodically, typically every six months. While, because of the interest rate reset feature, floaters may provide the Fund with a certain degree of protection against rising interest rates, the Fund will participate in any declines in interest rates as well. A credit spread trade is an investment position relating to a difference in the prices or interest rates of two bonds or other securities or currencies, where the value of the investment position is determined by movements in the difference between the prices or interest rates, as the case may be, of the respective securities or currencies.

The Fund may also invest in variable amount master demand notes, which permit the indebtedness thereunder to vary in addition to providing for periodic adjustments in the interest rate. The absence of an active secondary market with respect to particular variable and floating rate instruments could make it difficult for the Fund to dispose of a variable or floating rate note if the issuer were to default on its payment obligation or during periods that the Fund is not entitled to exercise its demand rights, and the Fund could, for these or other reasons, suffer a loss with respect to such instruments. In determining average-weighted portfolio maturity, an instrument will be deemed to have a maturity equal to either the period remaining until the next interest rate adjustment or the time the Fund can recover payment of principal as specified in the instrument, depending on the type of instrument involved.

When-Issued Securities and Forward Commitments

Securities may be purchased on a "when-issued" or "to be announced" or "forward delivery" basis. The payment obligation and the interest rate that will be received on the "when-issued" securities are fixed at the time the buyer enters into the commitment although settlement, i.e., delivery of and payment for the securities, takes place at a later date. In a "to be announced" transaction, the Fund commits to purchase securities for which all specific information is not known at the time of the trade.

Securities purchased on a "when-issued" or "forward delivery" basis are subject to changes in value based upon the market's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. The value of these securities experiences appreciation when interest rates decline and depreciation when interest rates rise. Purchasing securities on a "when-issued" or "forward delivery" basis can involve a risk that the yields available in the market on the settlement date may actually be higher or lower than those obtained in the transaction itself. At the time the Fund enters into a "when-issued" or "forward delivery" commitment, the Fund will set aside cash or other appropriate liquid securities with a value at least equal to the Fund's obligation under the commitment. The Fund's liquidity and ability to manage its assets might be affected when it sets aside cash or portfolio securities to cover such commitments.

An increase in the percentage of the Fund's assets committed to the purchase of securities on a "when-issued" basis may increase the volatility of its net asset value.

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Appendix B

Fund Privacy Notice

Introduction

The purpose of this notice is to provide you with information on our use of your personal data in accordance with the Data Protection Act, 2017 (the "DPA").

In this notice, "we", "us" and "our" refers to the fund, the manager and its or their affiliates and/or delegates.

Investor Data

By virtue of making an investment in the fund and your associated interactions with us (including any subscription (whether past, present of future), including the recording of electronic communications or phone calls where applicable) or by virtue of you otherwise providing us with personal information on individuals connected with you as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), you will provide us with certain personal information which constitutes personal data within the meaning of the DPA ("Investor Data"). We may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to you and/or any individuals connected with you as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to your investment activity.

In our use of Investor Data, the fund will be characterised as a "data controller" for the purposes of the DPA. The fund's affiliates and delegates may act as "data processors" for the purposes of the DPA.

Who this Affects

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with Investor Data on individuals connected to you for any reason in relation to your investment with us, this will be relevant for those individuals and you should transmit this document to such individuals or otherwise advise them of its content.

How We May Use Your Personal Data

The fund, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

(i) where this is necessary for the performance of our rights and obligations under the Subscription Agreement and/or the constitutional and operational documents of the fund;

(ii) where this is necessary for compliance with a legal and regulatory obligation to which the fund is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or

(iii) where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Additionally, the manager may use Investor Data, for example to provide its services to the fund or to discharge the legal or regulatory requirements that apply directly to it or in respect of which the fund relies upon the manager but such use of Investor Data by the manager will always be compatible with at least one of the aforementioned purposes for which we process Investor Data.

Should we wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

Why We May Transfer Your Personal Data

In certain circumstances we and/or our authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to your interest in the Fund with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing Investor Data to parties who provide services to the fund and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area).

The Data Protection Measures We Take

Any transfer of Investor Data by us or our duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPA.

We and our duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

We shall notify you of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either you or those data subjects to whom the relevant Investor Data relates.

Getting In Touch

Should you have any queries or wish to discuss your data protection rights with us, please contact the fund's U.S. Service Desk at 1-877-721-1926 or 1-203-703-6002 between 8:30 a.m. and 5:30 p.m. (New York City time) or your Intermediary.

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