# Emerging Markets Debt Fund
# Summary & Outlook

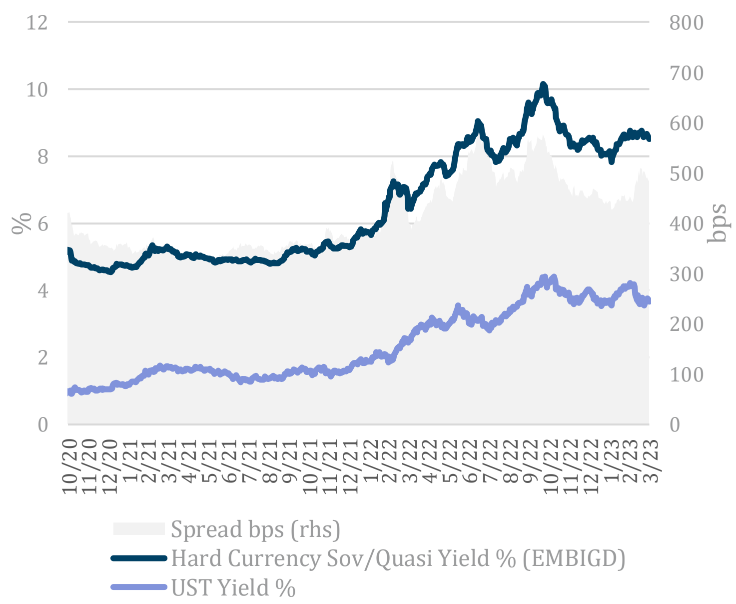
## Market Overview

Following a strong start to the year, financial assets faced pressure following events in the developed market banking sector, which trimmed year-to-date gains. While emerging markets (EM) bond flows were positive for the quarter (surpassing $2.1 billion, driven primarily by hard currency strategic investor flows), the asset class suffered from poor market technical conditions and an increase in risk aversion led by concerns about the health of the U.S. banking sector. On the bright side, we believe these concerns should drive the end of the monetary tightening cycle and the overall global macro backdrop should remain supportive of EM debt fundamentals.

Over the quarter, EM currencies weakened versus the U.S. dollar at the index level, although there was a wide dispersion of performance across countries. Within dollar-denominated sovereign debt, troubled credits in the higher-yielding, lower-rated debt segment drove the majority of underperformance. Investment-grade debt, on the other hand, got a boost from falling U.S. Treasury bond yields. Broadly speaking, dollar-denominated corporate debt outperformed sovereign debt, while both trailed local currency sovereign debt, which saw yields fall.

In this environment, the credit spread of the J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBIGD) widened by 40 basis points (bps) to 484 bps during the quarter. The benchmark's positive return of 1.86% during the period was predominantly driven by falling interest rates.

### EMD Hard Currency Spreads Widened Over Q1 2023




As of March 31, 2023. Source: U.S. Treasury, J.P. Morgan, and Bloomberg.

## Performance

During the first quarter of 2023, the William Blair Emerging Markets Debt Fund (Class I) returned 1.86%, matching its benchmark (the J.P. Morgan EMBIGD). (Returns are in U.S. dollar terms, net of fees).

Since inception on May 25, 2021, the fund has returned -9.31% annualized, trailing its benchmark by 5 bps annualized. Returns are in U.S. dollars, net of fees.

The fund's overweight position in high-yield credits led most of the underperformance since high-yield credits underperformed high-grade credits during the reporting period.

### Top/Bottom 3 Contributors/Detractors

| | Positive | Negative |
|---|---|---|
| High Beta | El Salvador<br>Sri Lanka<br>Bolivia | Tunisia<br>Ghana<br>Mozambique |
| Medium Beta | Brazil<br>Dominican Republic<br>Mongolia | South Africa<br>Colombia<br>Oman |
| Low Beta | Malaysia<br>Paraguay<br>Indonesia | Saudi Arabia<br>Chile<br>Qatar |

## Performance

### High Beta

In the high-beta bucket, the top contributors to relative performance were overweight positions in El Salvador, Sri Lanka, and Bolivia. Conversely, the top detractors from relative performance were overweight positions in Tunisia, Ghana, and Mozambique.

In El Salvador, our overweight contributed to relative performance as the country's bonds outperformed the broader market following the repayment of the 2023 maturity. Historically, El Salvador has had a very high willingness to pay its debts, but willingness to pay was put into question when Nayib Bukele was elected president. Bukele has been unpredictable, and this weighed on the credit. Finances in El Salvador are limited as the country currently does not have market access. However, the government has been creative in utilizing domestic institutions for financing and the economy continues to perform solidly, which increases the probability of El Salvador repaying the remaining maturities due in 2025 and 2027.

In Sri Lanka, our overweight position was helpful when the International Monetary Fund (IMF) approved a four-year $3 billion Extended Fund Facility Arrangement, and a $330 million tranche was subsequently disbursed. After securing IMF budget support, Sri Lanka is now engaging with creditors to undergo comprehensive debt restructuring.

In Bolivia, our underweight position added to relative performance. Bolivian bonds have been some of the worst year-to-date performers, largely due to an unsustainable policy mix and dwindling international reserves. International reserves in Bolivia peaked in 2014 and have slowly run down over the last decade. High fiscal deficits and a pegged foreign exchange rate have led to shortages of dollars and long queues outside the central bank. It is unclear whether Bolivia will be able to remain current on its debt.

Our overweight position in Tunisia was the largest detractor from performance in the high-beta bucket. Tunisian bonds underperformed on concerns about the country's relationship with development partners deteriorating and potentially standing in the way of Tunisia's financial program being approved by the IMF.

Our overweight positions in Ghana and Mozambique also detracted from performance as these countries' bonds moved lower in the first quarter of 2023. In Ghana, this move followed limited progress in engagement with external creditors. In Mozambique, the absence of further development of liquefied natural gas (LNG) facilities and signs of some fiscal slippage weighed on bonds.

### Medium Beta

Within the medium-beta bucket, the top contributors were positions in Brazil, Dominican Republic, and Mongolia. Conversely, positions in South Africa, Colombia, and Oman detracted from relative performance in the quarter.

In Brazil and the Dominican Republic our use of local currency debt contributed to outperformance based on rate and currency exposure.

In Mongolia, our focus on shorter-duration debt and a quasi-sovereign bond contributed to relative performance through security selection. Export activity also improved in the first quarter of 2023. With China as Mongolia's largest trading partner, we believe the Mongolian economy will likely benefit from the economic recovery in China this year.

The use of local currency debt in South Africa detracted from performance in the quarter as currency weakness weighed on local bond returns.

In Colombia, we remain neutral versus the benchmark, but underperformance was largely driven by our corporate exposure.

In Bahrain and Oman, our underweight positions detracted from relative performance as bond-price volatility was contained versus the broader market. Although oil prices dropped during the quarter, both countries have implemented significant fiscal consolidation to offset their sensitivity to this move. However, we believe that valuations are too tight and reflective of future ratings upgrades that are not likely to materialize in the near term.

### Low Beta

In the low-beta bucket, Malaysia, Paraguay, and Indonesia contributed to relative performance. Conversely, Saudi Arabia, Chile, and Qatar detracted from relative performance.

In Malaysia, our position in a short-duration, quasi-sovereign bond that was fully repaid by the government helped generate positive performance. The Malaysian Ministry of Finance announced a revised 2023 budget in February that forecasted lower economic growth and continued fiscal consolidation.

Paraguay was a top contributor to performance in the first quarter, largely due to us adding to the position as Paraguay sold off. Paraguay is one of the higher-yielding low-beta countries in our universe and has strong macroeconomic indicators despite a low level of development. Paraguay's bonds have historically bounced back quickly after sell-offs as its low ratio of debt to gross domestic product (GDP) provides considerable fiscal flexibility.

## Performance

In the Indonesia, outperformance was driven by our use of local currency debt which outperformed on rate and currency strength.

In Saudi Arabia, our underweight cash position detracted from relative performance as Saudi bonds outperformed on the back of a ratings upgrade and continued efforts to diversify the economy away from oil. This story has a lot of positive momentum, and we believe it should ensure that the country has a lower beta-to-oil-price volatility going forward.

The use of corporate debt detracted from relative performance in Chile during the quarter as bonds underperformed.

Our underweight position in Qatar detracted from relative performance in the quarter as the bonds outperformed in the quarter.

## Outlook

We believe the overall global macro backdrop should remain supportive of EM debt fundamentals. China's reopening improves prospects for global growth, outweighing concerns about a U.S. economic slowdown. Commodity prices, while below the peaks seen over the past couple of years, remain at levels that benefit exporters. Moreover, strong multilateral and bilateral support has resulted in ample and affordable funding to EM countries, especially to those without access to primary debt markets. Thus, we anticipate favorable economic conditions, stable fiscal and debt dynamics, and supportive external accounts in most regions this year.

We believe a combination of declining food prices, improving global supply-chain dynamics, and softening economic conditions could drive inflation lower. Declining inflation, in turn, should allow for a less aggressive rate-hiking cycle, leading to lower U.S. Treasury yields and reduced risk of a sharp economic contraction.

Importantly, most EM banking systems look better positioned in terms of capital than they were during the Global Financial Crisis, thanks to the implementation of robust macroprudential regulation in recent years. While the banking system displays certain vulnerabilities in some countries, very few of them have broad challenges that would create near-term solvency and financial-stability concerns.

We believe recent developments in the global banking sector will impact EM banks mostly through second-order effects, as direct links to affected institutions are limited. Many EM bank debt issuers are leading local institutions that benefit from granular and well-diversified deposit bases, which support robust liquidity profiles.

We expect outflows from EM debt-dedicated portfolios to stabilize in the near term as investors return to the asset class amid more stable market conditions and improved valuations. High investor cash levels, defensive positioning, and low foreign ownership of local bond markets should add to a more positive technical backdrop.

In addition, the real interest-rate differential versus developed markets has continued to favor EMs, and there are many EM central banks in a position to cut interest rates, which should land additional support for local rates markets.

## Fund Strategy & Positioning

We believe EM debt continues to offer attractive valuations as yield levels remain above long-term averages, with the yield to worst of the J.P. Morgan EMBIGD at 8.47% at the time of writing. Further, high-yield EM debt credit spreads look attractive, trading significantly above historical averages, and they are particularly attractive versus developed market credit.

We believe the distressed debt market offers opportunities given our view of an overestimation of default probabilities and underestimated recovery values in restructuring credit.

We continue to see value in high-beta, high-yield credit and are positioned for high-yield/investment-grade spread compression. We continue to see scope for fundamental differentiation and have a preference for countries with easier access to multilateral and bilateral funding. We see opportunities in the EM frontier, distressed, and corporate credit spaces as well as select opportunities in the EM local currency debt market. In the local markets space, currency valuations and term premiums for local rates also appear attractive. We therefore retain our constructive medium-term view despite near-term risks and high volatility.

We also see selective opportunities in EM corporate credit, where we believe a combination of differentiated fundamental drivers, very favorable supply technical conditions, and attractive absolute valuations could continue to provide ample investment opportunities.

Given near-term growth concerns and intermittent primary markets, we continue to focus on issuers' low refinancing needs and robust balance sheets. We have recently added diversified exposure to our financials positions as U.S. financial contagion seems muted. In Latin America, our positions are diversified across oil and gas; technology, media, and telecommunications (TMT); utilities; and industrials and financials (with a focus on Brazil, Colombia, and Central America). In Central and Eastern Europe, the Middle East, and Africa (CEEMEA), our positions are diversified across financials; oil and gas; TMT, utilities; metals and mining; and real estate (with a focus on the UAE, Eastern Europe, and diversified African countries). In Asia, our positions are diversified across oil and gas; financials; industrials; metals and mining; technology, utilities; and real estate (with a focus on China, India, and Indonesia).

### Select Overweights & Underweights by Beta Bucket

| | Overweight | Underweight |
|---|---|---|
| High Beta | Egypt<br>Argentina<br>Kenya | Nigeria<br>Honduras<br>Bolivia |
| Medium Beta | Mexico<br>Ivory Coast<br>Dominican Republic | Oman<br>Jamaica<br>Bahrain |
| Low Beta | Bermuda<br>Guatemala<br>Paraguay | United Arab Emirates<br>Malaysia<br>Uruguay |

# Positioning

## High Beta

We are overweight Egyptian credit on the belief that external financing needs will be met with support from partners in the Middle East and the IMF. Critically, we believe recent currency adjustments will reduce imbalances and support increased financial inflows.

We are overweight Argentina, but our exposure is primarily in what we believe are more defensive securities and higher-quality provincial paper. We think there is the possibility of a positive regime change following elections in the second half of 2023, but we are concerned about the country's international reserve position. We believe some of our provincial positions should pay down prior to a new government taking office next year.

We traded Kenya around during the quarter but ended the period overweight in the country based on valuations and the potential for fundamental improvement based on fiscal reform by the government.

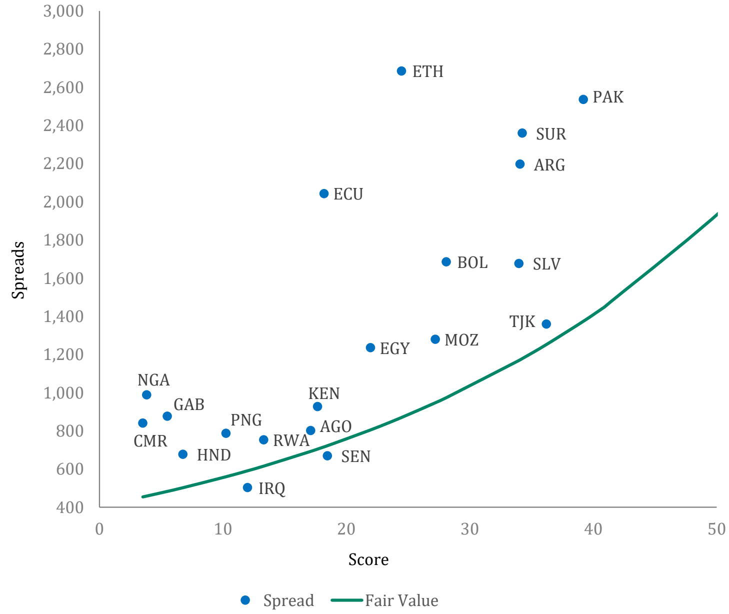
We are underweight Nigeria, primarily on fundamental considerations. Nigeria has low revenue-mobilization capacity, which, in combination with expansive fiscal policies (particularly fuel subsidies), is contributing to a rise in public debt levels (albeit from a low base). Most fiscal gains achieved from high oil prices in 2022 have already been absorbed by low oil output and the costly gasoline subsidy, which would further strain already low government revenue levels.

We do not have a position in Honduras because we are concerned about the direction of policy. President Xiomara Castro has undone much of the positive reforms under the previous administration and has distanced herself from the IMF. We believe Honduras is on a declining trajectory and we are not properly compensated for the risks.

We do not have a position in Bolivia because we are concerned about macroeconomic fundamentals. Bolivia has had an unsustainable policy mix of high fiscal deficits and an inflexible exchange regime. There are currently severe shortages of foreign exchange, and Bolivia faces an uncertain future.

### William Blair Sovereign Risk Model

High Beta Countries – 2023




As of March 31, 2023

Sovereign risk model scores are provided for illustrative purposes only and are not intended as investment advice. Scores stem from the William Blair proprietary sovereign risk model. The model ranks countries according to their performance against various macro-economic and environmental, social, and governance factors. A country's overall score - between 0 (best) and 100 (worst) – follows from their average performance across factors in these two pillars.

# Positioning

## Medium Beta

We are overweight Mexico, largely due to our position in the state-owned oil company (Pemex). Recently, President Andrés Manuel López Obrador (AMLO) attempted to change how elections were governed in Mexico to benefit his party, but institutions within Mexico remained strong as the country's supreme court suspended the implementation of the proposed changes. Elections are scheduled to take place in July 2024. We believe Pemex spreads remain attractive, as they are amongst the widest spreads over the sovereign in the EM debt universe.

We are overweight Cote d'Ivoire on the back of attractive valuations in long-dated euro-denominated bonds and our belief that fundamentals remain relatively supportive.

We have a small overweight in the Dominican Republic via sovereign bonds but have rotated exposure into the belly of the curve as we think there is attractive relative value. The Dominican Republic remains one of the brightest fundamental stories in Latin America, and we think there is some scope for spread compression.

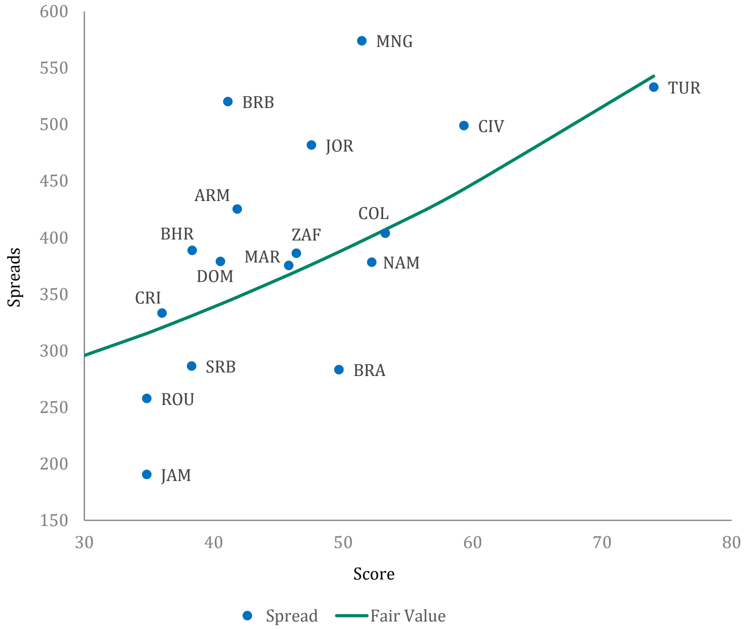
We are underweight Oman predominantly due to tight valuations and heavy investor positioning. Oman has been a strong reform story over the past couple of years, but we believe this is now fairly priced into its bonds. Moreover, the country is still highly dependent on oil, where prices are vulnerable to slowing global growth.

We currently do not have a position in Jamaica, largely due to valuations. Since the government undertook an IMF program many years ago, Jamaica's finances have been solid. However, Jamaican credit spreads are close to all-time tights, so we see little value left.

We are underweight Bahrain predominantly on valuation concerns. Bahrain's sensitivity to lower oil prices is high, and while there has been some successful fiscal reform, debt metrics do not support the tighter spreads, and the potential for supply to come to the bond market is high.

**William Blair Sovereign Risk Model**

Medium Beta Countries – 2023




As of March 31, 2023

# Positioning

## Low Beta

We are overweight Bermuda based on relative value versus other Latin American low-beta credits. Bermuda is on a strong fundamental trajectory and is in a much stronger position institutionally than Chile or Peru.

We are overweight Guatemala largely due to our corporate exposure. We are basically neutral to the benchmark via sovereign debt. Guatemala has solid macro fundamentals but suffers from limited governability due to its small size.

Paraguay was a top performer in the first quarter, largely due to our adding to the position as it sold off. Paraguay is one of the higher-yielding low-beta countries and has strong macroeconomic indicators despite a low level of development. Its bonds historically have bounced back quickly after sell-offs, as its low debt-to-GDP ratio provides considerable fiscal flexibility.

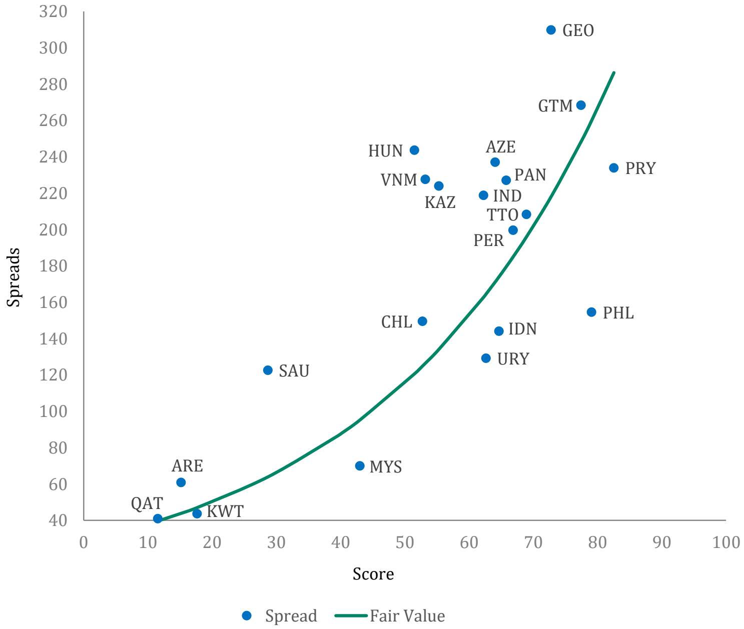
In the UAE, we have been reducing positions in Sharjah and Dubai, where spreads have rallied, because we believe there are better uses of the cash in the lower-beta region. Our positioning in the UAE is now largely concentrated in the stronger Abu Dhabi credit.

We are underweight Malaysia based on what we view as unappealing valuations, typically in the longer-duration sovereign and quasi-sovereign bonds.

We are underweight Uruguay largely due to what we see as poor valuations. Uruguayan fundamentals are strong, but bonds have compressed materially since the COVID-19 pandemic, and we believe this offers limited potential spread tightening.

**William Blair Sovereign Risk Model**

Low Beta Countries – 2023




As of March 31, 2023

# Characteristics — March 31, 2023

### TOP 10 COUNTRIES BY ACTIVE SPREAD DURATION CONTRIBUTION[2,5]

| | Fund |
|---|---|
| Bermuda | 0.12 |
| Mexico | 0.11 |
| Egypt | 0.09 |
| Cote D'Ivoire | 0.09 |
| Argentina | 0.07 |
| Dominican Republic | 0.06 |
| Guatemala | 0.06 |
| Paraguay | 0.05 |
| Kenya | 0.05 |
| Angola | 0.04 |
| **Total Top 10** | **0.74** |

### TOP 10 COUNTRY ALLOCATIONS[5]

| | Fund | Index[1] |
|---|---|---|
| Mexico | 6.2% | 5.3% |
| Indonesia | 6.0% | 5.0% |
| Dominican Republic | 4.4% | 3.0% |
| Turkey | 3.8% | 4.5% |
| Colombia | 3.8% | 2.9% |
| Egypt | 3.4% | 2.3% |
| Brazil | 3.3% | 3.3% |
| Chile | 3.1% | 3.3% |
| China | 3.1% | 4.6% |
| Saudi Arabia | 2.9% | 4.8% |
| **Total Top 10** | **40.0%** | **38.9%** |

### CREDIT QUALITY[3,5]

| | Fund | Index[1] |
|---|---|---|
| AAA | 0.5% | 0.0% |
| AA | 4.5% | 6.3% |
| A | 7.3% | 14.8% |
| BBB | 20.7% | 28.6% |
| BB | 21.8% | 20.4% |
| B | 20.9% | 18.3% |
| CCC | 5.3% | 3.1% |
| D | 0.3% | 0.0% |
| No Rating | 16.0% | 8.5% |
| Cash & Equivalents | 2.7% | -- |

### DURATION DISTRIBUTION[4]

| | Fund | Index[1] |
|---|---|---|
| Less than 1 year | 6.2% | 4.0% |
| 1-3 years | 18.2% | 17.6% |
| 3-5 years | 13.4% | 20.5% |
| 5-7 years | 17.1% | 17.9% |
| 7-10 years | 19.8% | 14.5% |
| 10-15 years | 17.4% | 20.4% |
| 15+ years | 7.9% | 5.1% |

### SECTOR ALLOCATIONS[5]

| | Fund | Index[1] |
|---|---|---|
| Sovereign | 69.0% | 81.6% |
| Corporate | 13.8% | -- |
| Quasi-Sovereign | 13.1% | 18.4% |
| Cash & Equivalents | 2.7% | -- |
| Sub Sovereign | 0.9% | -- |
| Supranational | 0.5% | -- |

[1]The JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified

[2]Active spread duration is the difference between the effective spread duration contribution from a particular security or market segment to a portfolio, and the contribution to the portfolio's benchmark. Effective spread duration is a measure of the sensitivity of a bond's price with respect to sovereign spread movement. It approximately measures the percentage change in a bond's price if spreads change by 100 bps. Active positions reflect the difference between the Fund's and the benchmark's positions.

[3]The credit quality of securities in the portfolio and Index are sourced from Standard & Poor's, Copyright © 2022, S&P Global Market Intelligence (and its affiliates, as applicable). Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact. Credit quality designations range from AAA (highest) to D (lowest). Credit quality ratings on underlying securities are received from S&P and Moody's which are converted to the equivalent S&P major rating category for presentation purposes only.

The portfolio itself has not been rated.

[4]Duration distribution is the portfolio's allocation to different groups of bonds, where those groups are determined by the bonds' effective interest rate duration. Effective interest rate duration is a measure of the sensitivity of a bond's price with respect to a shift in U.S. interest rates. It approximately measures the percentage change in a bond's price if U.S. interest rates change by 100 bps.

[5]Top ten issuers are shown as % of total net assets. Investment type and credit quality diversification are shown as % of total investments which includes cash equivalents. Information about the Fund's holdings should not be considered investment advice. There is no guarantee that the Fund will continue to hold any one particular security or stay invested in any one particular sector. Holdings are subject to change at any time.

## Attribution by Beta Bucket — March 31, 2023

### Top 10 (Positive) Active Cash Positions & Spread Duration Contribution[2]

| | | Weight (%) | | |
|---|---|---|---|---|
| | Beta Bucket | Fund | Benchmark | Active |
| Indonesia | Low | 6.59 | 4.99 | 1.61 |
| Argentina | High | 2.54 | 1.23 | 1.31 |
| Bermuda | Low | 1.24 | — | 1.24 |
| Ghana | High | 2.01 | 0.86 | 1.14 |
| Iraq | High | 1.18 | 0.29 | 0.89 |
| India | Low | 1.52 | 0.68 | 0.84 |
| Mexico | Medium | 5.97 | 5.15 | 0.82 |
| Ecuador | High | 2.13 | 1.37 | 0.76 |
| Mongolia | Medium | 1.16 | 0.40 | 0.76 |
| Angola | High | 2.06 | 1.33 | 0.73 |

| | | Contribution to Spread Duration | | |
|---|---|---|---|---|
| | Beta Bucket | Fund | Benchmark | Active |
| Bermuda | Low | 0.12 | 0.00 | 0.12 |
| Indonesia | Low | 0.52 | 0.40 | 0.12 |
| Ivory Coast | Medium | 0.11 | 0.02 | 0.09 |
| Mexico | Medium | 0.49 | 0.40 | 0.09 |
| Egypt | High | 0.22 | 0.13 | 0.09 |
| Argentina | High | 0.13 | 0.06 | 0.07 |
| Angola | High | 0.14 | 0.08 | 0.07 |
| Romania | Medium | 0.19 | 0.12 | 0.06 |
| Paraguay | Medium | 0.14 | 0.08 | 0.06 |
| Kenya | High | 0.09 | 0.04 | 0.05 |

## Top 10 Holdings Weights — March 31, 2023

### TOP 10 ISSUERS[5]

| | Fund | Index[1] |
|---|---|---|
| Petroleos Mexicanos | 3.7% | 2.1% |
| Jumhuriyat Misr Al-Arabiyah | 3.4% | 2.2% |
| Turkiye Cumhuriyeti | 3.4% | 3.9% |
| Republik Indonesia | 3.2% | 2.7% |
| Al Mamlakah Al Arabiyah As Suudiyah | 3.0% | 3.6% |
| Republica De Colombia | 2.7% | 2.9% |
| Dawlat Qatar | 2.5% | 3.1% |
| Republica Dominicana | 2.5% | 2.9% |
| Republika Ng Pilipinas | 2.3% | 3.4% |
| Magyar Koztarsasag | 2.0% | 2.4% |
| **Total Top 10** | **28.7%** | **29.2%** |

Beta is a quantitative measure of the volatility of an investment relative to the overall market, represented by a comparable benchmark. Beta buckets are based on the team's quantitative and qualitative analysis. Beta buckets are provided for illustrative purposes only and are not intended as investment advice or as projections of future returns.

# Important Disclosures

INVESTMENT PERFORMANCE (as of 03/31/23)

| | QTR | YTD | 1 Y | 3 Y | 5 Y | Since Inception |
|---|---|---|---|---|---|---|
| Class I (SI: 05/25/21) | 1.86% | 1.86% | -7.61% | -- | -- | -9.31% |
| JPMorgan Emerging Markets Bond Index (EMBI) Global Diversified[1] | 1.86% | 1.86% | -6.92% | -- | -- | -9.26% |
| Morningstar Emerging Markets Bond Category[2] | -- | -- | -5.17% | -- | -- | -- |

**Performance cited represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the data quoted. Returns shown assume reinvestment of dividends and capital gains. Investment returns and principal will fluctuate with market and economic conditions, and you may have a gain or loss when you sell shares. For the most current month-end performance information, please call 1-800-742-7272, or visit our Web site at www.williamblairfunds.com. Class I shares are available only to investors who meet certain eligibility requirements.**

EXPENSE RATIOS

| | Gross Expense | Net Expense |
|---|---|---|
| Class I | 1.24% | 0.70% |

Expenses shown are as of the most recent prospectus. The Fund's Adviser has contractually agreed to waive fees and/or reimburse expenses to limit fund operating expenses until 4/30/23.

## Risks

The Fund involves a high level of risk and may not be appropriate for everyone. The Fund's return will vary, and you could lose money by investing in the Fund. Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Derivatives may be subject to certain risks such as leveraging, liquidity, interest rate, credit, counterparty, management and the risk of mispricing or improper valuation. The Fund is non-diversified and may be more susceptible to adverse developments affecting any single issuer held by the Fund.

The JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified tracks the total return of U.S.-dollar denominated debt instruments issued by sovereign and quasi-sovereign entities. The index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.

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***Please carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. This and other information is contained in the Fund's prospectus and summary prospectus, which you may obtain by calling 1-800-742-7272. Read the prospectus and summary prospectus carefully before investing. Investing includes the risk of loss.***

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