Important Information about Closed-End Funds (including Interval Funds) & Unit Investment Trusts

We have prepared this document to help you understand the common characteristics and risks associated with an investment in closed-end funds or unit investment trusts to assist you in making a more informed decision when buying or selling these securities. This document is compiled for your information and is intended to be a conversation starter between you and your Baird Financial Advisor or other appropriate experts, such as your tax or legal advisors. Your Baird Financial Advisor is available to address your questions and discuss the features, characteristics, costs, and risks of any particular security under consideration for your account. Closed-end funds and unit investment trusts are unique investments and involve special risks. They may not be suitable for all clients.

Characteristics of Closed-End Funds

A closed-end fund is a type of investment fund or company that is registered under and subject to the requirements and limitations of the Investment Company Act of 1940, and also regulated by the Securities and Exchange Commission. Unlike mutual funds which continuously offer and redeem their shares on a daily basis at net asset value (NAV), closed-end funds typically raise money by selling a fixed number of shares of common stock in a single, one-time offering, much the way a company issues stock in an initial public offering. Closed-end fund shares are also not redeemable, meaning that investors cannot require closed-end funds to buy back their shares. Closed-end funds shares instead are listed and traded on an exchange.

After its shares are sold in the public offering, the closed-end fund uses the money to buy a portfolio of underlying securities and other investments, and any further growth in the size of the fund depends on the return on its investments rather than on the future sales of new shares. Investment advisors manage the investments of the closed-end fund subject to the oversight of the fund's board of directors. Closed-end fund managers are therefore given a fixed capital structure in which to invest and do not have to deal with daily inflows and outflows of money. However, unlike unit investment trusts which do not make any changes to their initial portfolio of investments, closed-end funds can regularly buy and sell securities in their portfolios.

After its public offering, a closed-end fund lists its common shares on a recognized stock exchange (such as the New York Stock Exchange or NASDAQ), the way an individual stock is, and closed-end fund shares then trade throughout the day at market prices that are based on supply and demand and other market forces. Investors seeking to buy or sell shares of a closed-end fund do so by placing their order with a broker-dealer who executes the order and may charge a commission. The market prices for closed-end fund shares may trade at a discount or premium to their NAV (NAV is the equivalent of the aggregate value of the fund's underlying investments less accrued fees and expenses and other liabilities, divided by the number of outstanding shares).

For many reasons, closed-end fund shares often trade at a discount to their NAV and the market prices of closed- end fund shares often fall below their public offering prices. Investors are therefore cautioned about buying shares of a closed-end fund in its initial public offering.

Closed-end funds often engage in leverage to raise additional capital for purposes of making investments through borrowings and issuances of senior securities (such as preferred stock). Such leverage may present the opportunity to enhance potential returns but also involve the risk of exacerbating losses and depreciation in the value of the underlying securities.

Closed-end funds come in many varieties. They include different types of funds that invest in equity securities such as large-cap, mid-cap, and small-cap stocks, growth stocks, value stocks, dividend-producing stocks, foreign stocks, preferred stocks, convertible securities, stocks of companies in a particular industry or sector, and stocks of companies in a particular country or region. They also include different types of funds that invest in fixed income securities, such as corporate bonds, US Government and agency securities, mortgage-backed and asset-backed securities, collateralized mortgage and collateralized debt obligations, short-term instruments, loan participation interests, high-yield debt, emerging market debt, municipal bonds, state-specific bonds, and taxable municipal bonds.

Closed-end funds can buy back their outstanding shares through a stock repurchase program or tender offer. A few closed-end funds may permit shareholders to redeem shares at specified intervals, such as quarterly. See "Characteristics of Interval Funds" below.

Closed-end funds have their own investment objectives, strategies, and investment portfolios. They also can be subject to different risks, volatility, and fees and expenses. Closed-end funds offer useful information on their websites. Additionally, the Financial Industry Regulatory Authority (FINRA) issued an Investor Alert, "Closed-End Fund Distributions: Where is the Money Coming From?," which provides useful information. Closed-end funds also file regular reports with the SEC. Closed-end fund reports are available from your Baird Financial Advisor or on the SEC's EDGAR database at www.sec.gov.

Characteristics of Interval Funds

Some closed-end funds, known as interval funds, provide a daily NAV and can be purchased on a daily basis in continuous offerings at a price based on the fund's NAV. However, unlike traditional closed-end funds, interval fund shares do not trade on an exchange or other secondary market. Rather, the funds make periodic repurchase offers based on NAV at pre-set intervals, such as quarterly. Most funds limit the percentage of shares of the fund that will be repurchased at each interval from a minimum of 5% to a maximum of 25% of the fund's outstanding shares. Typically, repurchases of more than 5% are subject to the discretion of the fund's board or investment adviser.

Interval funds are considered to be illiquid, given that their shares cannot be sold through an exchange or otherwise in a secondary trading market and can only be sold at certain intervals. Interval funds are required to offer to repurchase shares at set periods or intervals at the fund's NAV on a specified date. Although investors are not required to accept the interval repurchase offers, it is important to note that investors may only sell their shares during those periodic repurchase offers and do not have any other sale or redemption opportunities. Also, investors interested in selling shares back to the fund in response to a repurchase offer must be mindful of applicable deadlines in which to notify the fund that they wish to sell shares. The actual repurchases are usually made days later.

While interval funds are classified as closed-end funds, they possess hybrid characteristics of both closed-end and open-end funds. There is no limit to the amount of illiquid investments interval funds can hold, which allows them to purchase exotic or alternative investments, such as private equity funds, hedge funds, investments in non-public companies, restricted securities, loans, real estate and other potentially high-yield investments. Interval funds allow individual investors access to investment types that are typically limited only to hedge funds and other institutional investors, but the investment types carry special or elevated risks. It is important to read and understand the investment strategies and underlying investments made by interval funds.

Interval funds may offer high distribution rates, but such distribution rates are not the same as total returns because some of the distributions may be a return of capital and not all dividend or interest income or capital gain.

Interval funds are permitted to deduct a redemption fee from the repurchase proceeds, not to exceed 2% of the proceeds. An interval fund may charge other fees such as a management fee, service fee, annual fee, additional front-end sales charges, and broker commissions. Interval funds tend to higher ongoing operating expenses than other closed-end funds or mutual funds. While interval funds provide greater access to otherwise inaccessible investment options, they carry their own risks, including limited liquidity and distinctive fee structure. FINRA has issued an investor alert addressing considerations and risks of interval funds available at: https://www.finra.org/investors/insights/interval-funds

Characteristics of Unit Investment Trusts

Like a closed-end fund, a unit investment trust ("UIT") is a type of investment fund or company that is registered under the Investment Company Act of 1940, subject to the requirements and limitations of such act and the rules thereunder and regulated by the Securities and Exchange Commission. Some closed-end funds are structured as UITs; however, often there are significant differences between closed-end funds and UITs.

UITs are designed as grantor trusts which are created by a trust sponsor who enters into agreement with a trustee. A unit investment trust is a professionally selected pooled investment vehicle in which a portfolio of securities is selected by the sponsor and deposited into the trust for a specified period of time. Units or interests in the UIT are sold to investors to cover the purchase of the fixed portfolio of securities, which units or interests represent ownership in the UIT or its portfolio of securities. Grantor trusts and regulated investment companies (RICs) are two ways in which to organize a UIT for tax purposes. A RIC is a corporation in which the investors are deemed to be owners of shares of the UIT; a grantor trust gives investors proportional ownership in the underlying securities and other assets of the UIT.

The portfolio of a UIT is designed to follow an investment objective over a specified time period (often ranging from 13 months to five years or longer), although there is no guarantee that the objective will be met. UITs can have many different investment objectives and strategies, including portfolios of U.S stocks or fixed income securities, a balanced portfolio of equity and fixed income securities, a portfolio of tax-exempt municipal bonds and portfolios that focus on a particular market capitalization range, sector, region, style or strategy.

To raise money to fund its purchases of a portfolio of securities in accordance with its stated investment objective, a UIT will conduct a public offering of units or interests in the trust. A UIT that intends to purchase a portfolio of bonds and other fixed income securities will generally make a one-time offering of a fixed number of units or interests. The public offering period is often up to 90 days for a UIT structured as a grantor trust or up to one year for a UIT structured as a RIC. A prospectus describing the UIT, including its investment objective, risks, sales charges, organizational costs and operating expenses, is prepared and made available or delivered to investors. Investors typically pay a sales charge in connection with their investment in a UIT. A significant portion of the sales charge is paid to the broker-dealer that was responsible for selling the UIT to its clients.

UITs are passively managed and follow a “buy and hold” strategy, meaning that UITs buy a fixed portfolio of securities and hold on to that portfolio until their termination date at which time the portfolio is liquidated with the net proceeds paid to investors. Some UITs may sell or replace a security if questions arise concerning the financial viability of the issuer or the security’s creditworthiness. However, securities may not be sold to take advantage of market fluctuations or changes in anticipated rates of appreciation or depreciation. As mentioned earlier, a UIT is held for a predetermined time. UITs with portfolios of common stocks and other equity securities will typically have maturities ranging from 13 months to 5 years, and UITs with portfolios of bonds and other fixed income securities can have maturities ranging from 5 to 30 years. Because UITs do not engage in any meaningful trading activity with regard to their defined portfolios, they can be tax-efficient investment vehicles.

UITs have organizational costs and ongoing operating expenses that are paid out of their assets. UITs do not have a board of directors, officers or employees or an investment adviser. UITs are often offered in successive series, with a new series created at the time that a prior series terminated, which allows investors to buy a new series with the same objective or strategy but with a new portfolio of securities.

A UIT typically issues units that, like mutual fund shares, are redeemable at the investor’s request, at their approximate net asset value or “NAV.” In some cases, a creation or development fee or deferred sales charge may apply. Some UIT sponsors may maintain a secondary market, which allows owners of UIT units to sell them back to the sponsor and allows other investors to buy UIT units from the sponsor during the life of the UIT.

Please note that some UITs offered at Baird are so-called private label UITs which are created for and sold exclusively to Baird clients. These UITs will typically use portfolios and strategies designed of Baird’s AQA Portfolio Management group and are issued or sponsored by First Trust. Baird earns special compensation based on sales of private label UITs and thus has a financial incentive to offer and recommend them.

Characteristics of "Buffered UITs"

Buffered Unit Investment Trusts ("Buffered UITs") (also sometimes referred to as Target Outcome UITs) are a type of UIT that use derivatives contracts, typically Flexible Exchange Options, to provide a predetermined range of return outcomes based on the price performance of an underlying market at the trust termination. This product differs from other UIT types in that it typically caps the upside potential of your index linked performance in exchange for downside protection in the form of a "buffer," which provides a level of protection in the event of a loss of value in the underlying index. It is important to note that the downside protection offered is only a partial buffer against losses at maturity and investors could lose some of their initial investment.

Buffered UITs may appeal to investors who seek market exposure and are willing to forgo some potential upside in exchange for a buffer on the downside. Should the market increase significantly, investors in buffered UITs may miss out on upside potential due to the cap. It's important to understand the various downside protections and upside limitations prior to choosing this type of product. Any buffer included in the trust's structure provides only the limited downside protection against loss and applies only if the security is held to maturity. Investors will lose some of their principal investment if the reference asset declines by more than the stated buffered amount.
Even when held until the termination date, there is no guarantee that the buffered UIT will achieve its stated return objective.

Buffered UITs are complex securities that are not suitable for all investors. Investors should carefully read the product prospectus, which is available through your financial advisor, in order to more fully understand the product's unique risks, tax consequences, structure, operations, fees, and expenses.

Understanding the Risks

Risk is inherent in any investment product or strategy. Certain of the common risks and other important considerations associated with investment in closed-end funds, interval funds, and UITs are highlighted below. You are strongly encouraged to review the prospectuses or other disclosure documents associated with any product for a more fulsome discussion of additional risks and other important considerations before making any invest decision. Additional information regarding investment risks and other important consideration is also available at:
https://www.bairdwealth.com/retailinvestor

Risk factors pertaining to closed-end funds, interval funds and UITs vary from fund to fund or trust to trust. Following is a brief summary of the risks commonly associated with closed-end funds, interval funds and UITs. Each fund or UIT, however, will have its own risks based on its investment objective and strategies.

- **Market Risk.** The market value of closed-end fund or interval fund shares and UIT units largely depends on the value of the portfolio securities held by the fund or trust. The value of portfolio securities will fluctuate—at times significantly—based on a variety of factors, including market conditions and movements in the securities markets generally, macroeconomic events, interest rate changes, governmental policies and regulations, industry or sector developments and matters particularly affecting issuers of the portfolio securities or their peers. Declines in the value of a portfolio's securities will cause the value of closed-end shares or UIT units to decrease. The value of shares of a closed-end fund or units of a UIT may be worth less than the original investment from time to time, including at the time of sale or redemption or, in the case of a UIT at the termination date. UITs are not actively managed so they will not sell securities in anticipation of or response to market fluctuations.

- **Valuation Risk.** Shares of a closed-end fund may trade above (a premium) or below (a discount) the NAV of the fund. At times, discounts could widen or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted funds will appreciate to their NAV.

- **Liquidity Risk.** Unlike mutual funds, shares of a closed-end fund or interval fund are not redeemable by investors on a daily basis at their

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NAV. Holders of closed-end fund shares seeking to sell or trim their position need to do so by selling shares on the applicable exchange. No assurance can be given that an active trading market will develop or be maintained in a closed-end fund. At times, with lower trading volumes it may be difficult to sell closed-end fund shares at attractive prices. Interval funds cannot be purchased or sold on an exchange or other secondary market and cannot be redeemed except when the fund makes periodic repurchase offers which occur only during certain intervals (such as quarterly) and even then, there will be limitations on the percentage of shares that will be purchased in each repurchase offer and redemption or repurchase fees may apply. UITs are generally redeemable on any day in which the New York Stock Exchange is open, but it possible that remaining creation or development fee or deferred sales charge may apply.

- **Leverage Risk**. Closed-end funds and interval funds commonly use leverage to enhance performance. Leverage may lead to increased volatility of a fund's NAV and the market price of its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares as a result of changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.

- **Management/Securities Selection Risk.** The performance of a closed-end fund, interval fund or UIT depends on the investment objective and strategies of the fund and the investment decisions made by the fund's investment adviser or UIT sponsor. At times, an investment objective and strategies for a fund or UIT may be out of favor or may underperform its benchmark of the securities markets generally. In addition, the investment adviser or UIT sponsor may make decisions with respect to particular investments that may perform in ways that were not desired or intended. While the UIT does not have an investment advisor, the performance of the UIT depends on the investment objective and strategies of the trust and the defined portfolio selected by the sponsor. Because UITs are not actively managed and their portfolios of securities are generally static, the performance of a UIT will depend predominantly on the returns of the securities initially selected for the portfolio.

- **Passive Management Risk**. UITs pursue a buy-and-hold strategy. They purchase a defined portfolio of securities that is professionally selected but generally not actively managed. Except under limited circumstances, UITs do not make changes to their portfolio of securities. UITs typically do not take action or make investment decisions in response to or in anticipation of market declines or other events or developments that are likely to affect the portfolio, even if such actions or decisions may be warranted.

- **Illiquid Securities Risk.** Closed-end funds, interval funds and UITs are legally permitted to invest a greater percentage of their assets in illiquid securities than are mutual funds. Interval funds, in particular, often invest in more exotic or alternative investments, such as private equity, hedge funds, investments in private companies loans and real estate. Illiquid securities may be difficult to value or sell. Holdings of illiquid securities could cause the prices of shares of a closed-end fund or interval fund or units of a UIT to be volatile and to decline. In the case of interval funds, their holdings of illiquid securities result in only periodic redemption opportunities.

- **Distribution Risk.** Some closed-end funds and interval funds seek to make regular, stable distributions, but no assurance can be given that such funds will be able to do so. Also, distributions will be taxable to investors as ordinary income, qualified dividend income, capital gains and, in some cases, return of capital. Many closed-end funds and interval funds make distributions that at times are unpredictable.

- **Equity Securities Risk.** Closed-end funds, interval funds and UITs that invest in common stocks and other equity securities are subject to market risk, which is the risk that equity securities will fluctuate in value for many different reasons.

777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

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Equity securities typically decline in value with declines in the stock markets generally but may decline for other reasons such as general economic conditions, consumer confidence, inflation, the interest rate environment, monetary and fiscal policies, government regulation and the like. Equity securities will also decline in value due to adverse conditions, developments or events involving the industry or sector in which the issuer operates or specifically involving the issuer. Funds or UITs that focus on a particular industry or sector are likely to experience greater market risk and price volatility. Additionally, closed-end funds or UITs that focus on companies of certain market capitalizations or on growth or value style investing may be subject to greater market risk.

- **Fixed Income Securities Risk.** Closed-end funds, interval funds and UITs that invest in bonds and other fixed income securities are subject to interest rate risk and credit risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the bonds and/or other income-related instruments in a fund's portfolio will decline in value because of increases in market interest rates. The prices of longer-maturity securities tend to fluctuate more than those of shorter-term securities. Credit risk is the risk that the issuer of a bond may default or be delinquent in payments of interest or principal. Fixed income securities that are rated below investment grade quality, often referred to as "high-yield" bonds, are predominately speculative with respect to the issuer's capacity to pay interest and repay principal when due and, therefore, involve a greater risk of default. Closed-end funds and UITs that invest in bonds are also subject to call or reinvestment risk, which is the risk that if a bond is called or matures the fund or trust (or holders thereof) may not be able to reinvest those proceeds in securities that generate the same yield as the bond that was retired. Mortgage-backed securities are subject to prepayment or extension risk, which is the risk that the homeowners prepay or extend their mortgage payments. Closed-end funds, interval funds and UITs may invest in specific types of fixed-income securities, such as municipal bonds, high-yield bonds, mortgage- backed securities, preferred stock, senior loans and bonds of a certain duration. These specialized closed-end funds, interval funds and UITs are subject to special risks associated with those types of fixed-income securities.

- **Concentration Risk.** A fund or UIT that invests a substantial portion of its assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.

- **Energy MLPs.** Some closed-end funds, interval funds or UITs invest primarily in MLPs and other companies in the energy sector. Funds or UITs that invest in energy MLPs, and other energy companies are subject to the risks associated with companies that operate within the energy sector and in particular the oil and gas industries. Such risks include non-diversification and concentration risk, geopolitical events or developments and macroeconomic conditions, prevailing interest rates, changes in the demand for and supply of oil, gas and other energy-related products, changes in tax laws that affect MLPs, changes in regulations, regulatory fees and regulatory enforcement activity, the impact of environmental laws, increased production and operating costs, the effect on prices from competing energy products, changes in technology and the availability of alternative energy sources, risks of significant regulatory fines and litigation as a result of leaks, spills, explosions and accidents, and uncertainty from an outbreak or escalation of hostilities and acts of terrorism.

- **Business Development Companies.** Some closed-end funds or interval funds may be business development companies or BDCs. A BDC is operated for the purpose of making equity and debt investments in small and developing businesses, as well as financially troubled businesses. The BDC must make available significant managerial assistance to certain of its portfolio companies. Investments made by BDCs tend to be risky and speculative. The portfolio companies in which BDCs invest may have limited financial resources and may be unable to meet their obligations on the debt securities held by the BDCs, causing them to default. Portfolio companies may have shorter operating histories, narrower product lines and smaller market shares, rendering them potentially more vulnerable to competition, changing market conditions and economic downturns and causing them to have less predictable operating results. BDCs thus are exposed to significant credit risk when they make loans to, or hold debt securities issued by, portfolio companies. BDCs commonly use leverage (i.e., borrow money) to make investments in portfolio companies through credit facilities and the issuance of debt or preferred securities. While leverage may enhance returns as the value of assets held by the BDCs increases, leverage may worsen or exacerbate the effect on a BDC's net asset value or stock price if the value of its assets deteriorates.

- **Foreign Investment Risk.** Closed-end funds and UITs that invest in foreign securities may involve a high degree of risk. Funds invested in foreign securities are subject to such risks as currency risk and exchange- rate risk, governmental regulation, policy and taxation, and political, social and economic instability in the applicable foreign countries. These risks are more pronounced in emerging growth countries.

- **UIT Investments in Closed-End Funds**. Some UIT invest in shares of common stock issued by closed-end funds in furtherance of their investment objectives and strategies. Closed-end funds are subject to market and valuation risk, as well as the risks associated with types of securities in which the closed-end funds invest. Many closed-end funds use leverage, options and other derivatives to enhance their returns. Leverage increases the fund's volatility and may exacerbate the fund's price declines and losses. A UIT that invests in closed-end funds indirectly pays the operating expenses of those funds. As a result, an investor in a UIT may be indirectly bearing two layers of fees: the expenses charges by the UIT and the expenses charged by the closed-end funds in which the UIT invests.

- **Tax Considerations.** Closed-end funds or UITs may make distributions to their shareholders of dividends, interest income and/or capital gains from their holdings and transactions in portfolio securities, which may be taxable to shareholders. Closed-end funds and UITs that hold fixed-income securities or dividend-paying stocks typically make distributions of their interest income and dividends on a regular (monthly or quarterly, for example) basis. Certain closed-end funds and UITs may hold municipal or other securities that provide income that is tax-free. Owners of closed-end funds and UITs will recognize capital gain or loss upon their redemption or sale of shares of units. UITs are generally regarded as tax-efficient because there is limited trading by UITs in their portfolio. However, at the end of the term of a UIT the portfolio securities are sold, and the proceeds are distributed to shareholders who must report those distributions on their tax returns. Owners of UITs may elect to receive in-kind distributions or to roll over their investment into another UIT, but those elections are taxable. Please consult the prospectus for the closed-end fund or UIT and your tax adviser for information and advice about the tax consequences of investing in a closed-end fund or UIT.

More Information

Before investing in closed-end funds or united investment trusts, you should discuss the merits and risks of the investment with your Baird Financial Advisor to make sure it is consistent with your investment objectives, financial needs, liquidity expectations and risk profile.

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Milwaukee, Wisconsin 53202

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