



**IronBridge Small Cap Fund      IBSCX**

a series of IronBridge Funds, Inc.

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*Supplement dated November 17, 2017 to the Statement of Additional Information dated October 30, 2017*

At a special shareholder meeting held on November 14, 2017, shareholders of the Fund approved an investment advisory agreement between RMB Capital Management, LLC (the “Adviser”) and IronBridge Funds, Inc. (the “Company”), on behalf of the Fund (the “Advisory Agreement”). The Fund, its investment objective, and its principal investment strategies, risks and restrictions did not change as a result of the Advisory Agreement’s approval. The Advisory Agreement contains substantially similar terms with respect to the services provided by the Adviser, and an identical contractual fee as the previously effective investment advisory agreement between the Adviser and the Company.

The Advisory Agreement, effective November 14, 2017, has an initial term of two years and is required to be approved annually thereafter by the Board or by a vote of a majority of the Fund’s outstanding voting securities (as defined in the Investment Company Act of 1940, as amended). Each annual renewal must also be approved by the separate vote of the Company’s independent directors, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement is terminable without penalty, on 60 days’ written notice by the Board, by vote of a majority of a Fund’s outstanding voting securities or by the Adviser, and will terminate automatically in the event of its assignment. Under the terms of the Advisory Agreement, the Adviser supervises the management of the Fund’s investments and business affairs, subject to the supervision of the Board.

As a result of the approval, information within the Statement of Additional Information is amended to reflect the new Advisory Agreement, as described above.

\* \* \* \* \*

**Please retain this supplement for future reference.**

This Statement of Additional Information (“SAI”) is not a prospectus and should be read in conjunction with the applicable Prospectus of IronBridge Funds, Inc. (the “Company”) dated October 30, 2017. Each of the IronBridge Small Cap Fund (“Small Cap Fund”), IronBridge SMID Cap Fund (“SMID Cap Fund”), and IronBridge Large Cap Fund (“Large Cap Fund”) is a series of the Company. The Small Cap Fund, SMID Cap Fund and Large Cap Fund are sometimes collectively referred to as the “Funds” or “IronBridge Funds” and each as a “Fund” or an “IronBridge Fund”. A copy of the applicable Prospectus is available without charge upon request to the address or toll-free telephone number below, or you can visit the Company’s website at [www.ironbridgefunds.net](http://www.ironbridgefunds.net).



<b><u>Fund Name</u></b>	<b><u>Ticker Symbol</u></b>
<b>IronBridge Small Cap Fund</b>	IBSCX
<b>IronBridge SMID Cap Fund</b>	IBSMX
<b>IronBridge Large Cap Fund</b>	IBLCX

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**This Statement of Additional Information is dated October 30, 2017.**

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You should rely only on the information contained in this SAI and the applicable Prospectus dated October 30, 2017. The Company has not authorized others to provide additional information. This SAI is not an offer to sell securities in any state or jurisdiction where the offering cannot legally be made.

## **FUND ORGANIZATION**

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The Company is an open-end management investment company, commonly referred to as a mutual fund. The Company was organized as a Maryland corporation on February 26, 2010.

Each Fund is a diversified series of the Company. The Company may offer separate series or classes of shares representing interests in separate portfolios of securities. Currently, the Company offers three separate series, all of which are discussed in this SAI. The Board of Directors of the Company (the “Board”) has established one class of shares of common stock with respect to each series of the Company as shown below.

The Company is authorized to issue 1,000,000,000 \$.01 par value shares of common stock in series and classes. The number of shares authorized for each of the Company’s series is set forth in the table below:

<b>Fund</b>	<b>Number of Authorized Shares</b>
IronBridge Small Cap Fund	75,000,000
IronBridge SMID Cap Fund	150,000,000
IronBridge Large Cap Fund	50,000,000

The assets belonging to each series are held separately by the custodian, U.S. Bank, N.A., and if the Company issues additional series, each additional series will be held separately. In effect, each series will be a separate fund. However, there is a risk, generally considered remote, that one series of the Company could be liable for the liabilities of one or more other series of the Company.

Each share of common stock, irrespective of series or class, is entitled to one vote on all questions, except that certain matters must be voted on separately by the series affected, and matters affecting only one series are voted upon only by that series. Fractional shares of common stock, irrespective of series, have proportional voting rights. Shares have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Directors can elect all of the Directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person or persons to the Board. Each share of common stock is entitled to participate in dividends and capital gains distributions as determined by the Board. Each share of common stock is entitled to the residual assets of the respective series in the event of liquidation. Shares have no preemption, conversion or subscription rights.

## **FUND POLICIES: FUNDAMENTAL AND NON-FUNDAMENTAL**

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The investment objective of each of the Small Cap Fund, SMID Cap Fund and Large Cap Fund is capital appreciation. These investment objectives may not be changed without shareholder approval. Each Fund is diversified.

The following is a complete list of the Funds’ fundamental investment limitations which cannot be changed without shareholder approval, which requires the approval of a majority of a Fund’s outstanding voting securities. As used herein, a “majority of a Fund’s outstanding voting securities” means the lesser of (i) 67% of the shares of common stock of the Fund represented at a meeting at which more than 50% of the outstanding shares are present, or (ii) more than 50% of the outstanding shares of common stock of the Fund.

A Fund:

1. May not with respect to 75% of its total assets, purchase the securities of any issuer (except securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) if, as a

result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer.

2. May (i) borrow money from banks and (ii) make other investments or engage in other transactions permissible under the Investment Company Act of 1940, as amended (the "1940 Act"), which may involve a borrowing, provided that the combination of (i) and (ii) shall not exceed 33-1/3% of the value of the Fund's total assets (including the amount borrowed), less the Fund's liabilities (other than borrowings). The Fund may also borrow money from other IronBridge Funds\* or other persons to the extent permitted by applicable law.
3. May not issue senior securities, except as permitted under the 1940 Act.
4. May not act as an underwriter of another issuer's securities, except to the extent the Fund may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), in connection with the purchase and sale of portfolio securities.
5. May not purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this limitation shall not prevent the Fund from purchasing or selling options, futures contracts, or other derivative instruments or from investing in securities or other instruments backed by physical commodities).
6. May not make loans if, as a result, more than 33-1/3% of the Fund's total assets would be lent to other persons, except through (i) purchases of debt securities or other debt instruments or (ii) engaging in repurchase agreements.
7. May not purchase the securities of any issuer if, as a result, more than 25% of the Fund's total assets would be invested in the securities of issuers, the principal business activities of which are in the same industry.
8. May not purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this limitation shall not prohibit the Fund from purchasing or selling securities or other instruments backed by real estate or of issuers engaged in real estate activities).
9. May, notwithstanding any other fundamental investment policy or restriction, invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objective, policies and restrictions as the Fund\*\*.

\*The Funds do not now, nor do they intend to, borrow from any other IronBridge Fund.

\*\*The Funds do not now, nor do they intend to, invest all of a Fund's assets in the securities of any one other open-end investment company.

With the exception of the investment restriction set out in item 2 above, if a percentage restriction is adhered to at the time of investment, a later increase in percentage resulting from a change in market value of the investment or the total assets will not constitute a violation of that restriction.

The following are the Funds' non-fundamental operating policies which may be changed by the Board without shareholder approval.

A Fund may not:

1. Sell securities short, unless the Fund owns or has the right to obtain securities equivalent in kind and amount to the securities sold short or unless it covers such short sale as required by the current rules and positions of the Securities and Exchange Commission (the "SEC") or its staff, and provided that transactions in options, futures contracts, options on futures contracts, or other derivative instruments are not deemed to constitute selling securities short.

2. Purchase securities on margin, except that the Fund may obtain such short-term credits as are necessary for the clearance of transactions, and provided that margin deposits in connection with futures contracts, options on futures contracts, or other derivative instruments shall not constitute purchasing securities on margin.
3. Invest in illiquid securities if, as a result of such investment, more than 15% of its net assets would be invested in illiquid securities, or such other amounts as may be permitted under the 1940 Act. If illiquid securities exceeded 15% of the value of a Fund's net assets, the Adviser would attempt to reduce the Fund's investment in illiquid securities in an orderly fashion.
4. Purchase securities of other investment companies except in compliance with the 1940 Act.
5. Engage in futures or options on futures transactions, except in accordance with Rule 4.5 under the Commodity Exchange Act.
6. Borrow money, except (i) from banks or (ii) through reverse repurchase agreements or mortgage dollar rolls, and the Fund will not purchase securities when bank borrowings exceed 5% of its total assets.
7. Make any loans other than loans of portfolio securities, except through (i) purchases of debt securities or other debt instruments, or (ii) engaging in repurchase agreements.
8. Make any change in its investment policy of investing a minimum percentage of its net assets in the investments suggested by the Fund's name without first providing shareholders of the Fund with at least 60 days' notice.

Unless noted otherwise, if a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in market value of the investment or the total assets will not constitute a violation of that restriction.

## **INVESTMENT POLICIES AND TECHNIQUES**

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The following information supplements the discussion of the Funds' investment objectives, policies and techniques that are described in the Prospectus.

### **Illiquid Securities**

A Fund may invest in illiquid securities (i.e., securities that are not readily marketable). For purposes of this restriction, illiquid securities include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities which may only be resold pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and repurchase agreements with maturities in excess of seven days. However, a Fund will not acquire illiquid securities if, as a result, such securities would comprise more than 15% of the value of the Fund's net assets. Rule 144A securities will be treated as illiquid securities, subject to the liquidity guidelines. The Board or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of this 15% limitation. The Board has delegated to RMB Capital Management, LLC, each Fund's investment adviser (the "Adviser"), the day-to-day determination of the liquidity of any security, although it has retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Board has directed the Adviser to look to such factors as (i) the frequency of trades and quotes for a security, (ii) the number of dealers willing to purchase or sell a security and the number of potential purchasers of a security, (iii) the willingness of dealers to undertake to make a market in a security, (iv) the nature of the market for the trading of a security (including, without limitation, the institutional private resale market, the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer), (v) the likelihood that the marketability of a security will be maintained throughout the anticipated period of time that the security will be held by the Company and (vi) other relevant factors.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, a 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 a security and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, a Fund might obtain a less favorable price than that which prevailed when it decided to sell. Restricted securities will be priced at fair value as determined in good faith by the Board. If, through the appreciation of restricted securities or the depreciation of unrestricted securities, a Fund should be in a position where more than 15% of the value of its net assets are invested in illiquid securities, including restricted securities which are not readily marketable, the Fund will take such steps as are deemed advisable, if any, to protect liquidity.

### **Short-Term Fixed Income Securities**

A Fund may invest up to 100% of its total assets in such instruments in limited circumstances, to retain the flexibility to respond promptly to changes in market, economic or political conditions or in the case of unusually large cash inflows or redemptions. When a Fund takes such a position, the Fund may not achieve its investment objective. Short-term fixed income securities are defined to include without limitation, the following:

1. U.S. government securities, including bills, notes and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities. U.S. government agency securities include securities issued by: (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration and the Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks and the Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), whose securities are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, whose securities are supported only by its credit. While the U.S. government provides financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. government, its agencies and instrumentalities do not guarantee the market value of their securities and consequently the value of such securities may fluctuate.
2. Certificates of Deposit issued against funds deposited in a bank or savings and loan association. Such certificates are for a definite period of time, earn a specified rate of return and are normally negotiable. If such certificates of deposit are non-negotiable, they will be considered illiquid securities and be subject to the Fund’s restriction on investments in illiquid securities. Pursuant to the certificate of deposit, the issuer agrees to pay the amount deposited plus interest to the bearer of the certificate on the date specified thereon. Under current law applicable to the Federal Deposit Insurance Corporation (“FDIC”), the maximum insurance payable as to any one certificate of deposit is \$250,000. Therefore, certificates of deposit purchased by a Fund may not be fully insured if they exceed that amount.
3. Bankers’ acceptances which are short-term credit instruments used to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then “accepted” by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date. The acceptance may then be held by the accepting bank as an asset or it may be sold in the secondary market at the going rate of interest for a specific maturity.
4. Repurchase agreements which involve purchases of debt securities. In such an action, at the time the Fund purchases the security, it simultaneously agrees to resell and redeliver the security to the seller, who also simultaneously agrees to buy back the security at a fixed price and time. This assures a predetermined yield for the Fund during its holding period since the resale price is



always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for a Fund to invest temporarily available cash. A Fund may enter into repurchase agreements only with respect to obligations of the U.S. government, its agencies or instrumentalities, certificates of deposit, or bankers acceptances in which the Fund may invest. Repurchase agreements may be considered loans to the seller, collateralized by the underlying securities. The risk to a Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date. In the event of default, the repurchase agreement provides that the affected Fund is entitled to sell the underlying collateral. However, if the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, a Fund could incur a loss of both principal and interest. The Adviser monitors the value of the collateral at the time the transaction is entered into and at all times during the term of the repurchase agreement. The Adviser does so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to a Fund. If the seller were to be subject to a federal bankruptcy proceeding, the ability of a Fund to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

5. Bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest. There may be penalties for the early withdrawal of such time deposits, in which case the yields of these investments will be reduced.
6. Commercial paper consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations. Master demand notes are direct lending arrangements between a Fund and a corporation. There is no secondary market for the notes. However, they are redeemable by a Fund at any time. The Adviser will consider the financial condition of the corporation (e.g., earning power, cash flow and liquidity ratios) and will continuously monitor the corporation's ability to meet all of its financial obligations, because a Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the two highest categories by a major rating agency or unrated commercial paper which is, in the opinion of the Adviser, of comparable quality.

Other than commercial paper, short-term fixed income securities must be rated at least "A" or higher by Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's") or Fitch Ratings ("Fitch"). Commercial paper and commercial paper master notes must be rated A-1 or better by S&P, Prime-1 or better by Moody's, or F2 or higher by Fitch. A Fund may also invest in the short-term investment funds of its custodial bank.

### **When-Issued Securities**

The Funds may from time to time purchase securities on a "when-issued" basis. The price of securities purchased on a when-issued basis is fixed at the time the commitment to purchase is made, but delivery and payment for the securities take place at a later date. Normally, the settlement date occurs within 45 days of the purchase. During the period between the purchase and settlement, no payment is made by the Fund to the issuer and no interest is accrued on debt securities nor is dividend income earned on equity securities. When-issued securities involve a risk of loss if the value of the security to be purchased declines prior to the settlement date. While when-issued securities may be sold prior to the settlement date, each Fund intends to purchase such securities with the purpose of actually acquiring them. At the time a Fund makes the commitment to purchase a security on a when-issued basis, it will record the transaction and reflect the value of the security in determining its net asset value.

The Funds will maintain cash, U.S. government securities and liquid securities equal in value to commitments for when-issued securities. Such segregated securities either will mature or, if necessary, be sold on or before the settlement date. When the time comes to pay for when-issued securities, each Fund will meet its obligations from then available cash flow, sale of the securities so segregated as described above, sale of other securities or, although it would not normally expect to do so, from the sale of the when-issued securities themselves (which may have a market value greater or less than a Fund's payment obligation).

## Foreign Securities and Currencies

The Funds may invest directly in securities of non-U.S. companies. Investments in securities of foreign issuers involve risks which are in addition to the usual risks inherent in domestic investments. In many countries there is less publicly available information about issuers than is available in the reports and ratings published about companies in the U.S. Additionally, foreign companies are not subject to uniform accounting, auditing and financial reporting standards as are companies in the U.S. Other risks inherent in foreign investment include: expropriation; confiscatory taxation; capital gains taxes; withholding taxes on dividends and interest; less extensive regulation of foreign brokers, securities markets and issuers; costs incurred in conversions between currencies; the possibility of delays in settlement in foreign securities markets; limitations on the use or transfer of assets (including suspension of the ability to transfer currency from a given country); the difficulty of enforcing obligations in other countries; diplomatic developments; and political or social instability. Foreign economies may differ favorably or unfavorably from the U.S. economy in various respects, and many foreign securities are less liquid and their prices are more volatile than comparable U.S. securities. From time to time, foreign securities may be difficult to liquidate rapidly without adverse price effects. Certain costs attributable to foreign investing, such as custody charges and brokerage costs, are higher than those attributable to domestic investing.

In addition, a Fund may purchase and sell foreign currency on a spot basis and may engage in forward currency contracts, currency options and futures transactions for hedging or any other lawful purpose.

Because most foreign securities are denominated in non-U.S. currencies, the investment performance of a Fund could be affected by changes in foreign currency exchange rates to some extent. The value of a Fund's assets denominated in foreign currencies will increase or decrease in response to fluctuations in the value of those foreign currencies relative to the U.S. dollar. Currency exchange rates can be volatile at times in response to various political and economic conditions.

## Hedging Strategies

*General Description of Hedging Strategies.* A Fund may engage in hedging activities, including options, futures contracts (sometimes referred to as "futures"), options on futures contracts and other strategies and investment types to attempt to hedge the Fund's holdings.

Hedging instruments on securities generally are used to hedge against price movements in one or more particular securities positions that a Fund owns or intends to acquire. Hedging instruments on stock indices, in contrast, generally are used to hedge against price movements in broad equity market sectors in which a Fund has invested or expects to invest. Additionally, hedging instruments on currencies generally are used to hedge against currency fluctuations, particularly for non-US\$ denominated securities. The use of hedging instruments is subject to applicable regulations of the SEC, the several options and futures exchanges upon which they are traded, the Commodity Futures Trading Commission (the "CFTC") and various state regulatory authorities. In addition, a Fund's ability to use hedging instruments will be limited by tax considerations.

The Company is managed by the Adviser who has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" in accordance with Section 4.5 of the regulations under the Commodity Exchange Act (the "CEA") and, therefore, are not subject to registration or regulation as a commodity pool operator under the CEA. The Company has done the same.

As a result, the Company:

(A) will use commodity futures, commodity options contracts or swaps solely for bona fide hedging purposes within the meaning and intent of CFTC Rules and interpretations of the CEA; provided, however, that in addition, with respect to positions in commodity futures, commodity option contracts or swaps which do not come within the meaning and intent of CFTC Rules and interpretations, the Company may otherwise use commodity futures, commodity options or swaps as long as the aggregate initial margin and premiums required to establish such positions will not exceed five percent of the liquidation value of the Company's portfolio, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into; and, provided further, that in the

case of an option that is in-the-money at the time of purchase, the in-the-money amount as defined in CFTC Rule 190.01(x) may be excluded in computing such five percent; or

(B) will operate such that the aggregate net notional value of commodity futures, commodity options contracts, or swaps positions not used solely for bona fide hedging purposes within the meaning and intent of CFTC Rules and interpretations, determined at the time the most recent position was established, does not exceed 100 percent of the liquidation value of the Company's portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into.

The term "notional value" is calculated for each futures position by multiplying the number of contracts by the size of the contract, in contract units (taking into account any multiplier specified in the contract), by the current market price per unit, for each such option position by multiplying the number of contracts by the size of the contract, adjusted by its delta, in contract units (taking into account any multiplier specified in the contract), by the strike price per unit, for each such retail forex transaction, by calculating the value in U.S. Dollars for such transaction, at the time the transaction was established, excluding for this purpose the value in U.S. Dollars of offsetting long and short transactions, if any, and for any cleared swap by the value as determined consistent with the terms of Part 45 of the CFTC's regulations; and the Company may net futures contracts with the same underlying commodity across designated contract markets and foreign boards of trade; and swaps cleared on the same designated clearing organization where appropriate; and

(C) will not be, and has not been, marketing its securities to the public as or in a commodity pool or otherwise as or in a vehicle for trading in the commodity futures, commodity options, or swaps markets.

*Asset Coverage for Futures and Options Positions.* Each Fund will comply with the regulatory requirements of the SEC and the CFTC with respect to coverage of options and futures positions by registered investment companies and, if the guidelines so require, will set aside cash and/or other permissible liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or options position is outstanding, unless replaced with other permissible assets, and will be marked-to-market daily.

*Stock Index Options.* A Fund may (i) purchase stock index options for any purpose; (ii) sell stock index options in order to close out existing positions; and/or (iii) write covered options on stock indexes for hedging purposes. Stock index options are put options and call options on various stock indexes. In most respects, they are identical to listed options on common stocks. The primary difference between stock options and index options occurs when index options are exercised. In the case of stock options, the underlying security, common stock, is delivered. However, upon the exercise of an index option, settlement does not occur by delivery of the securities comprising the index. The option holder who exercises the index option receives an amount of cash if the closing level of the stock index upon which the option is based is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to the difference between the closing price of the stock index and the exercise price of the option expressed in dollars times a specified multiple.

A stock index fluctuates with changes in the market values of the stocks included in the index. For example, some stock index options are based on a broad market index, such as the Standard & Poor's 500 or the Value Line Composite Index or a narrower market index, such as the Standard & Poor's 100. Indexes may also be based on an industry or market segment, such as the NYSE ARCA Oil and Gas Index or the Computer and Business Equipment Index. Options on stock indexes are currently traded on the following exchanges: the Chicago Board of Options Exchange, the New York Stock Exchange, the NYSE MKT LLC, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

A Fund's use of stock index options is subject to certain risks. Successful use by a Fund of options on stock indexes will be subject to the ability of the Adviser to correctly predict movements in the stock market. This requires different skills and techniques than predicting changes in the prices of individual securities. In addition, a Fund's ability to effectively hedge all or a portion of the securities in its portfolio, in anticipation of or during a market decline through transactions in put options on stock indexes, depends on the degree to which price movements in the underlying index correlate with the price movements of the securities held by a Fund. Inasmuch as a Fund's securities will not duplicate the components of an index, the correlation will not be perfect. Consequently, a Fund

will bear the risk that the prices of its securities being hedged will not move in the same amount as the prices of its put options on the stock indexes. It is also possible that there may be a negative correlation between the index and a Fund's securities which would result in a loss on both such securities and the options on stock indexes acquired by the Fund.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. The purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The purchase of stock index options involves the risk that the premium and transaction costs paid by a Fund in purchasing an option will be lost as a result of unanticipated movements in prices of the securities comprising the stock index on which the option is based.

*Certain Considerations Regarding Options.* There is no assurance that a liquid secondary market on an options exchange will exist for any particular option, or at any particular time, and for some options no secondary market on an exchange or elsewhere may exist. If a Fund is unable to close out a call option on securities that it has written before the option is exercised, the Fund may be required to purchase the optioned securities in order to satisfy its obligation under the option to deliver such securities. If a Fund is unable to effect a closing sale transaction with respect to options on securities that it has purchased, it would have to exercise the option in order to realize any profit and would incur transaction costs upon the purchase and sale of the underlying securities.

The writing and purchasing of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Imperfect correlation between the options and securities markets may detract from the effectiveness of attempted hedging. Options transactions may result in significantly higher transaction costs and portfolio turnover for a Fund.

*Futures Contracts.* A Fund may enter into futures contracts (hereinafter referred to as "Futures" or "Futures Contracts"), including index and interest rate Futures as a hedge against movements in the equity and bond markets, in order to establish more definitely the effective return on securities held or intended to be acquired by the Fund or for other purposes permissible under the CEA. A Fund's hedging may include sales of Futures as an offset against the effect of expected declines in stock or bond prices and purchases of Futures as an offset against the effect of expected increases in stock or bond prices. A Fund will not enter into Futures Contracts which are prohibited under the CEA or cause it to lose its exclusion from the definition of a commodity pool operator under CFTC regulations and will, to the extent required by regulatory authorities, enter only into Futures Contracts that are traded on national futures exchanges and are standardized as to maturity date and underlying financial instrument. The principal interest rate Futures exchanges in the United States are the Board of Trade of the City of Chicago and the Chicago Mercantile Exchange. Futures exchanges and trading are regulated under the CEA by the CFTC.

An index Futures Contract is an agreement pursuant to which the parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the index Futures Contract was originally written. An interest rate futures contract provides for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument (e.g., debt security) for a specified price at a designated date, time and place. Transaction costs are incurred when a Futures Contract is bought or sold and margin deposits must be maintained. A Futures Contract may be satisfied by delivery or purchase, as the case may be, of the instrument or by payment of the change in the cash value of the index. More commonly, Futures Contracts are closed out prior to delivery by entering into an offsetting transaction in a matching Futures Contract. Although the value of an index might be a function of the value of certain specified securities, no physical delivery of those securities is made. If the offsetting purchase price is less than the original sale price, a gain will be realized; if it is more, a loss will be realized. Conversely, if the offsetting sale price is more than the original purchase price, a gain will be realized; if it is less, a loss will be realized. The transaction costs must also be included in these calculations. There can be no assurance, however, that a Fund will be able to enter into an offsetting transaction with respect to a particular Futures Contract at a particular time. If a Fund is not able to enter into an offsetting transaction, the Fund will continue to be required to maintain the margin deposits on the Futures Contract.

Margin is the amount of funds that must be deposited by a Fund with its custodian in a segregated account in the name of the futures commission merchant in order to initiate Futures trading and to maintain the Fund's open positions in Futures Contracts. A margin deposit is intended to ensure a Fund's performance of the Futures Contract. The margin required for a particular Futures Contract is set by the exchange on which the Futures Contract is traded and may be significantly modified from time to time by the exchange during the term of the Futures Contract. Futures Contracts are customarily purchased and sold on margins that may range upward from less than 5% of the value of the Futures Contract being traded.

If the price of an open Futures Contract changes (by increase in the case of a sale or by decrease in the case of a purchase) so that the loss on the Futures Contract reaches a point at which the margin on deposit does not satisfy margin requirements, the broker will require an increase in the margin. However, if the value of a position increases because of favorable price changes in the Futures Contract so that the margin deposit exceeds the required margin, the broker will pay the excess to a Fund. In computing daily net asset value, a Fund will mark to market the current value of its open Futures Contracts. A Fund expects to earn interest income on its margin deposits.

Because of the low margin deposits required, Futures trading involves an extremely high degree of leverage. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss, as well as gain, to the investor. For example, if at the time of purchase, 10% of the value of the Futures Contract is deposited as margin, a subsequent 10% decrease in the value of the Futures Contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit, if the Futures Contract were closed out. Thus, a purchase or sale of a Futures Contract may result in losses in excess of the amount initially invested in the Futures Contract. However, a Fund would presumably have sustained comparable losses if, instead of the Futures Contract, it had invested in the underlying financial instrument and sold it after the decline.

Most United States Futures exchanges limit the amount of fluctuation permitted in Futures Contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a Futures Contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of Futures Contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. Futures Contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of Futures positions and subjecting some Futures traders to substantial losses.

There can be no assurance that a liquid market will exist at a time when a Fund seeks to close out a Futures position. A Fund would continue to be required to meet margin requirements until the position is closed, possibly resulting in a decline in the Fund's net asset value. In addition, many of the contracts are relatively new instruments without a significant trading history. As a result, there can be no assurance that an active secondary market will develop or continue to exist.

A public market exists in Futures Contracts covering a number of indexes, including, but not limited to, the Standard & Poor's 500 Index, the Standard & Poor's 100 Index, the NASDAQ 100 Index, the Value Line Composite Index and the New York Stock Exchange Composite Index.

*Options on Futures.* A Fund may also purchase or write put and call options on Futures Contracts and enter into closing transactions with respect to such options to terminate an existing position. A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a Futures Contract at a specified exercise price prior to the expiration of the option. Upon exercise of a call option, the holder acquires a long position in the Futures Contract and the writer is assigned the opposite short position. In the case of a put option, the opposite is true. Prior to exercise or expiration, a futures option may be closed out by an offsetting purchase or sale of a futures option of the same series.

A Fund may use options on Futures Contracts in connection with hedging strategies. Generally, these strategies would be employed under the same market and market sector conditions in which a Fund uses put and call options on securities or indexes. The purchase of put options on Futures Contracts is analogous to the purchase of puts on securities or indexes so as to hedge a Fund's securities holdings against the risk of declining market prices.

The writing of a call option or the purchasing of a put option on a Futures Contract constitutes a partial hedge against declining prices of the securities which are deliverable upon exercise of the Futures Contract. If the futures price at expiration of a written call option is below the exercise price, a Fund will retain the full amount of the option premium which provides a partial hedge against any decline that may have occurred in the Fund's holdings of securities. If the futures price when the option is exercised is above the exercise price, however, a Fund will incur a loss, which may be offset, in whole or in part, by the increase in the value of the securities held by the Fund that were being hedged. Writing a put option or purchasing a call option on a Futures Contract serves as a partial hedge against an increase in the value of the securities a Fund intends to acquire.

*Foreign Currency-Related Derivative Strategies - Special Considerations.* A Fund may purchase and sell foreign currency on a spot basis, and may use currency-related derivative instruments such as options on foreign currencies, futures on foreign currencies, options on futures on foreign currencies and forward currency contracts (i.e., an obligation to purchase or sell a specific currency at a specified future date, which may be any fixed number of days from the contract date agreed upon by the parties, at a price set at the time the contract is entered into). A Fund may use these instruments for hedging or any other lawful purpose consistent with its investment objective, including transaction hedging, anticipatory hedging, cross hedging, proxy hedging and position hedging. A Fund's use of currency-related derivative instruments will be directly related to the Fund's current or anticipated portfolio securities, and the Fund may engage in transactions in currency-related derivative instruments as a means to protect against some or all of the effects of adverse changes in foreign currency exchange rates on its portfolio investments. In general, if the currency in which a portfolio investment is denominated appreciates against the U.S. dollar, the dollar value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the portfolio investment expressed in U.S. dollars.

For example, a Fund might use currency-related derivative instruments to "lock in" a U.S. dollar price for a portfolio investment, thereby enabling the Fund to protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the subject foreign currency during the period between the date the security is purchased or sold and the date on which payment is made or received. A Fund also might use currency-related derivative instruments when the Adviser believes that one currency may experience a substantial movement against another currency, including the U.S. dollar, and it may use currency-related derivative instruments to sell or buy the amount of the former foreign currency, approximating the value of some or all of the Fund's portfolio securities denominated in such foreign currency. Alternatively, where appropriate, a Fund may use currency-related derivative instruments to hedge all or part of its foreign currency exposure through the use of a basket of currencies or a proxy currency where such currency or currencies act as an effective proxy for other currencies. The use of this basket hedging technique may be more efficient and economical than using separate currency-related derivative instruments for each currency exposure held by a Fund. Furthermore, currency-related derivative instruments may be used for short hedges — for example, a Fund may sell a forward currency contract to lock in the U.S. dollar equivalent of the proceeds from the anticipated sale of a security denominated in a foreign currency.

In addition, a Fund may use a currency-related derivative instrument to shift exposure to foreign currency fluctuations from one foreign country to another foreign country where it's anticipated that the foreign currency exposure purchased will appreciate relative to the U.S. dollar and thus better protect the Fund against the expected decline in the foreign currency exposure sold. For example, if a Fund owns securities denominated in a foreign currency and it is anticipated that the currency will decline, it might enter into a forward contract to sell an appropriate amount of the first foreign currency, with payment to be made in a second foreign currency that would better protect a Fund against the decline in the first security than would a U.S. dollar exposure. Hedging transactions that use two foreign currencies are sometimes referred to as "cross hedges." The effective use of currency-related derivative instruments by a Fund in a cross hedge is dependent upon a correlation between price movements of the two currency instruments and the underlying security involved, and the use of two currencies magnifies the risk that movements in the price of one instrument may not correlate or may correlate unfavorably with the foreign currency being hedged. Such a lack of correlation might occur due to factors unrelated to the value of the currency instruments used or investments being hedged, such as speculative or other pressures on the markets in which these instruments are traded.

A Fund also might seek to hedge against changes in the value of a particular currency when no hedging instruments on that currency are available or such hedging instruments are more expensive than certain other

hedging instruments. In such cases, a Fund may hedge against price movements in that currency by entering into transactions using currency-related derivative instruments on another foreign currency or a basket of currencies, the values of which are believed to have a high degree of positive correlation to the value of the currency being hedged. The risk that movements in the price of the hedging instrument will not correlate perfectly with movements in the price of the currency being hedged is magnified when this strategy is used.

The use of currency-related derivative instruments by a Fund involves a number of risks. The value of currency-related derivative instruments depends on the value of the underlying currency relative to the U.S. dollar. Because foreign currency transactions occurring in the interbank market might involve substantially larger amounts than those involved in the use of such derivative instruments, a Fund could be disadvantaged by having to deal in the odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots (generally consisting of transactions of greater than \$1 million).

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information generally is representative of very large transactions in the interbank market and thus might not reflect odd-lot transactions where rates might be less favorable. The interbank market in foreign currencies is a global, round-the-clock market. To the extent the U.S. options or futures markets are closed while the markets for the underlying currencies remain open, significant price and rate movements might take place in the underlying markets that cannot be reflected in the markets for the derivative instruments until they re-open.

Settlement of transactions in currency-related derivative instruments might be required to take place within the country issuing the underlying currency. Thus, a Fund might be required to accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay any fees, taxes and charges associated with such delivery assessed in the issuing country.

When a Fund engages in a transaction in a currency-related derivative instrument, it relies on the counterparty to make or take delivery of the underlying currency at the maturity of the contract or otherwise complete the contract. In other words, a Fund will be subject to the risk that a loss may be sustained by the Fund as a result of the failure of the counterparty to comply with the terms of the transaction. The counterparty risk for exchange-traded instruments is generally less than for privately-negotiated or OTC currency instruments, since generally a clearing agency, which is the issuer or counterparty to each instrument, provides a guarantee of performance. For privately-negotiated instruments, there is no similar clearing agency guarantee. In all transactions, a Fund will bear the risk that the counterparty will default, and this could result in a loss of the expected benefit of the transaction and possibly other losses to the Fund. A Fund will enter into transactions in currency-related derivative instruments only with counterparties that are reasonably believed to be capable of performing under the contract.

Permissible foreign currency options will include options traded primarily in the OTC market. Although options on foreign currencies are traded primarily in the OTC market, a Fund normally purchases or sells OTC options on foreign currency only when it is believed that a liquid secondary market will exist for a particular option at any specific time.

When required by SEC guidelines, a Fund will set aside permissible liquid assets in segregated accounts or otherwise cover its potential obligations under currency-related derivative instruments. To the extent a Fund's assets are so set aside, they cannot be sold while the corresponding currency position is open, unless they are replaced with similar assets. As a result, if a large portion of a Fund's assets are so set aside, this could impede portfolio management or the Fund's ability to meet redemption requests or other current obligations.

A Fund's dealing in currency-related derivative instruments will generally be limited to the transactions described above. However, a Fund reserves the right to use currency-related derivative instruments for different purposes and under different circumstances. It also should be realized that use of these instruments does not eliminate, or protect against, price movements in a Fund's securities that are attributable to other (i.e., non-currency related) causes. Moreover, while the use of currency-related derivative instruments may reduce the risk of loss due

to a decline in the value of a hedged currency, at the same time the use of these instruments tends to limit any potential gain which may result from an increase in the value of that currency.

*Federal Income Tax Treatment of Options, Futures and Foreign Currency Transactions.* If a call option written by a Fund expires, the Fund will realize, for federal income tax purposes, a short-term capital gain equal to the option premium received by the Fund. If a call option written by a Fund is exercised, the option premium will be included in the proceeds of the sale, and will thus increase the Fund's capital gain (or decrease its capital loss) on the sale of the security covering the option.

If a Fund writes options other than "qualified covered call options," as defined in Section 1092 of the Internal Revenue Code of 1986, as amended (the "Code"), or purchases puts, any losses on such options transactions, to the extent they do not exceed the unrecognized gains on the securities covering the options, may be subject to deferral until the securities covering the options have been sold.

A Fund's investment in Section 1256 contracts, such as regulated futures contracts, most foreign currency forward contracts traded in the interbank market and options on most stock indices, are subject to special federal income tax rules. All Section 1256 contracts held by a Fund at the end of its taxable year are required to be marked to their market value, and any unrealized gain or loss on those positions will be included in the Fund's income as if each position had been sold for its fair market value at the end of the taxable year. The resulting gain or loss will be combined with any gain or loss realized by a Fund from positions in Section 1256 contracts closed during the taxable year. Provided such positions were held as capital assets and were not part of a "hedging transaction" nor part of a "straddle," 60% of the resulting net gain or loss will be treated as long-term capital gain or loss, and 40% of such net gain or loss will be treated as short-term capital gain or loss, regardless of the period of time the positions were actually held by the Fund.

### **Domestic and Foreign Investment Companies**

The Funds may, from time to time and subject to their investment restrictions, invest in securities of other domestic investment companies. Further, some of the securities in which a Fund invests may be located in countries that may not permit direct investment by outside investors. Investments in such securities may only be permitted through foreign government-approved or -authorized investment vehicles, which may include other investment companies. Investing through such domestic and foreign investment companies or other vehicles may involve frequent or layered fees or expenses (sometimes referred to as "acquired fund fees and expenses" or "AFFE") and may also be subject to limitation under the 1940 Act. Under the 1940 Act, a Fund may invest up to 10% of its assets in shares of investment companies and up to 5% of its assets in any one investment company as long as the investment does not represent more than 3% of the voting stock of the acquired investment company.

### **Depository Receipts**

A Fund may invest in foreign securities by purchasing depository receipts, including American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs") and European Depository Receipts ("EDRs") or other securities convertible into securities of issuers based in foreign countries. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. Generally, ADRs, in registered form, are denominated in U.S. dollars and are designed for use in the U.S. securities markets, while GDRs and EDRs, in bearer form, may be denominated in other currencies and are designed for use in non-U.S. securities markets. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying securities. GDRs and EDRs are receipts with a non-U.S. bank evidencing a similar arrangement. For purposes of the Fund's investment policies, ADRs, GDRs and EDRs are deemed to have the same classification as the underlying securities they represent. Thus, an ADR, GDR or EDR representing ownership of common stock will be treated as common stock.

ADR facilities may be established as either "unsponsored" or "sponsored." While ADRs issued under these two types of facilities are in some respects similar, there are distinctions between them relating to the rights and obligations of ADR holders and the practices of market participants. A depository may establish an unsponsored facility without participation by (or even necessarily the acquiescence of) the issuer of the deposited securities, although typically the depository requests a letter of non-objection from such issuer prior to the establishment of the



facility. Holders of unsponsored ADRs generally bear all the costs of such facilities. The depository usually charges fees upon the deposit and withdrawal of the deposited securities, the conversion of dividends into U.S. dollars, the disposition of non-cash distributions, and the performance of other services. The depository of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited securities or to pass through voting rights to ADR holders in respect of the deposited securities. Sponsored ADR facilities are created in generally the same manner as unsponsored facilities, except that the issuer of the deposited securities enters into a deposit agreement with the depository. The deposit agreement sets out the rights and responsibilities of the issuer, the depository and the ADR holders. With sponsored facilities, the issuer of the deposited securities generally will bear some of the costs relating to the facility (such as dividend payment fees of the depository), although ADR holders continue to bear certain other costs (such as deposit and withdrawal fees). Under the terms of most sponsored arrangements, depositories agree to distribute notices of shareholder meetings and voting instructions, and to provide shareholder communications and other information to the ADR holders at the request of the issuer of the deposited securities.

### **Financial Services risk.**

The financial services sector consists of several different industries that behave differently in different economic and market environments including for example: banking, insurance, and securities brokerage houses. Companies in the financial services sector include: commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, leasing companies, insurance companies and companies providing similar services. Due to the wide variety of companies in the financial services sector, they may react in different ways to changes in economic and market conditions.

Risks of investing in the financial services sector include: (i) Systemic risk: factors outside the control of a particular financial institution – like the failure of another, significant financial institution or material disruptions to the credit markets – may adversely affect the ability of the financial institution to operate normally or may impair its financial condition; (ii) Regulatory actions: financial services companies may suffer setbacks if regulators change the rules under which they operate; (iii) Changes in interest rates: unstable and/or rising interest rates may have a disproportionate effect on companies in the financial services sector; (iv) Non-diversified loan portfolios: financial services companies whose securities the Funds may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect the industry in which they are concentrated; (v) Credit: financial services companies may have exposure to investments or agreements which, under certain circumstances, may lead to losses, for example sub-prime loans; and (vi) Competition: the financial services sector has become increasingly competitive.

*Banking.* Commercial banks (including "money center" regional and community banks), savings and loan associations and holding companies of the foregoing are especially subject to adverse effects of volatile interest rates, concentrations of loans in particular industries or classifications (such as real estate, energy, or sub-prime mortgages), and significant competition. The profitability of these businesses is to a significant degree dependent on the availability and cost of capital funds. Economic conditions in the real estate market may have a particularly strong effect on certain banks and savings associations. Commercial banks and savings associations are subject to extensive federal and, in many instances, state regulation. Neither such extensive regulation nor the federal insurance of deposits ensures the solvency or profitability of companies in this industry, and there is no assurance against losses in securities issued by such companies.

*Insurance.* Insurance companies are particularly subject to government regulation and rate setting, potential anti-trust and tax law changes, and industry-wide pricing and competition cycles. Property and casualty insurance companies also may be affected by weather, terrorism, long-term climate changes, and other catastrophes. Life and health insurance companies may be affected by mortality and morbidity rates, including the effects of epidemics. Individual insurance companies may be exposed to reserve inadequacies, problems in investment portfolios (for example, real estate or "junk" bond holdings) and failures of reinsurance carriers.

*Other Financial Services Companies.* Many of the investment considerations discussed in connection with banks and insurance companies also apply to other financial services companies. These companies are subject to extensive regulation, rapid business changes, and volatile performance dependent on the availability and cost of

capital, prevailing interest rates and significant competition. General economic conditions significantly affect these companies. Credit and other losses resulting from the financial difficulty of borrowers or other third parties have a potentially adverse effect on companies in this industry. Investment banking, securities brokerage and investment advisory companies are particularly subject to government regulation and the risks inherent in securities trading and underwriting activities.

### **Real Estate Companies, Including REITs.**

Real estate securities are issued by companies that have at least 50% of the value of their assets, gross income or net profits attributable to ownership, financing, construction, management or sale of real estate, or to products or services that are related to real estate or the real estate industry. The Fund does not invest directly in real estate. Real estate companies include: real estate investment trusts ("REITs") or other securitized real estate investments, brokers, developers, lenders and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies. REITs pool investors' funds for investment primarily in income-producing real estate or real estate-related loans or interests. A REIT is not taxed on income distributed to shareholders if it complies with various requirements relating to its organization, ownership, assets and income, and with the requirement that it distribute to its shareholders at least 90% of its taxable income (other than net capital gains) each taxable year. REITs generally can be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs invest the majority of their assets directly in real property and derive their income primarily from rents. Equity REITs also can realize capital gains by selling property that has appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both equity REITs and mortgage REITs. To the extent that the management fees paid to a REIT are for the same or similar services as the management fees paid by the Fund, there will be a layering of fees, which would increase expenses and decrease returns. Securities issued by REITs may trade less frequently and be less liquid than common stock issued by other companies.

Real estate securities, including REITs, are subject to risks associated with the direct ownership of real estate including: (i) declines in property values, because of changes in the economy or the surrounding area or because a particular region has become less appealing to tenants; (ii) increases in property taxes, operating expenses, interest rates or competition; (iii) overbuilding; (iv) changes in zoning laws; (v) losses from casualty or condemnation; (vi) declines in the value of real estate, risks related to general and local economic conditions, (vii) uninsured casualties or condemnation losses; (viii) fluctuations in rental income; (ix) changes in neighborhood values; (x) the appeal of properties to tenants; (xi) increases in interest rates, and (xii) access to the credit markets. The Funds also could be subject to such risks by reason of direct ownership as a result of a default on a debt security it may own.

Equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of credit extended. Equity and mortgage REITs are dependent on management skill, may not be diversified and are subject to project financing risks. REITs also are subject to: heavy cash flow dependency, defaults by borrowers, self-liquidation and the possibility of failing to qualify for the favorable federal income tax treatment generally available to REITs under the Internal Revenue Code, and failing to maintain exemption from registration under the 1940 Act. Changes in interest rates also may affect the value of the debt securities in the Fund's portfolio. By investing in REITs indirectly through the Fund, a shareholder will bear not only his or her proportionate share of the expense of the Fund but also, indirectly, similar expenses of the REITs, including compensation of management. Some real estate securities may be rated less than investment grade by rating services. Such securities may be subject to the risks of high-yield, high-risk securities discussed below.

### **Lending of Portfolio Securities**

Each Fund is authorized to lend up to 33 1/3% of its total assets to broker-dealers or institutional investors, but only when the borrower maintains with the Fund's custodian bank collateral either in cash or money market instruments in an amount at least equal to the market value of the securities loaned, plus accrued interest and dividends, determined on a daily basis and adjusted accordingly. However, a Fund does not presently intend to engage in such lending. In determining whether to lend securities to a particular broker-dealer or institutional investor, the portfolio manager will consider, and during the period of the loan will monitor, all relevant facts and circumstances, including the creditworthiness of the borrower. A Fund will retain authority to terminate any loans at

any time. A Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or money market instruments held as collateral to the borrower or placing broker. A Fund will receive reasonable interest on the loan or a flat fee from the borrower and amounts equivalent to any dividends, interest or other distributions on the securities loaned. A Fund will retain record ownership of loaned securities to exercise beneficial rights, such as voting and subscription rights and rights to dividends, interest or other distributions, when retaining such rights is considered to be in the Fund's interest. Dividends received by a Fund on the loaned securities are not treated as "qualified dividends" for tax purposes.

### Repurchase Agreements

A Fund may enter into repurchase agreements with certain banks or non-bank dealers. In a repurchase agreement, a Fund buys a security at one price, and at the time of sale, the seller agrees to repurchase the obligation at a mutually agreed upon time and price (usually within seven days). The repurchase agreement, thereby, determines the yield during the purchaser's holding period, while the seller's obligation to repurchase is secured by the value of the underlying security. The Adviser will monitor, on an ongoing basis, the value of the underlying securities to ensure that the value always equals or exceeds the repurchase price plus accrued interest. Repurchase agreements could involve certain risks in the event of a default or insolvency of the other party to the agreement, including possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. Although no definitive creditworthiness criteria are used, the portfolio manager reviews the creditworthiness of the banks and non-bank dealers with which the Fund enters into repurchase agreements to evaluate those risks. A Fund may, under certain circumstances, deem repurchase agreements collateralized by U.S. government securities to be investments in U.S. government securities.

### Portfolio Turnover

Each Fund's portfolio investments may be sold for a variety of reasons, such as a more favorable investment opportunity, market conditions or other factors. A high rate of portfolio turnover (over 100%) may involve correspondingly greater transaction costs to a Fund and its shareholders. High portfolio turnover may result in the realization of substantial capital gains.

For the past two fiscal year ends, the Funds' portfolio turnover was as follows:

<b>Portfolio Turnover Rate</b>			
<b>Name of Fund</b>	<b>2017</b>	<b>2016</b>	
IronBridge Small Cap Fund	32%	31%	
IronBridge SMID Cap Fund	34%	31%	
IronBridge Large Cap Fund	26%	24%	

## **DIRECTORS AND OFFICERS**

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Under the laws of the State of Maryland, the Board is responsible for managing the Company's business and affairs. The Board also has certain oversight duties required by applicable state and federal law. The Board exercises its duties of oversight through its committees listed below, as well as through regular quarterly meetings and such special meetings as the Board determines should be or are required to be called pursuant to applicable state and federal law. The Board is responsible for approving all significant agreements between the Company and companies that furnish services to the Company. Directors are elected and serve until their successors are elected and qualified. Information about the Directors and officers of the Company, including their business addresses, ages, principal occupations during the past five years, and, in the case of the Directors, other current Directorships of publicly traded companies or funds, are set forth in the table below.

The Board has elected an independent Director as Chairman. The Chairman presides at meetings of the Directors and may call meetings of the Board and any Board committee whenever he deems it necessary. The Chairman may act as a liaison with the Company's management, officers, attorneys and other Directors generally

between meetings. The Chairman may perform such other functions as may be requested by the Board from time to time.

The Board does not have specific required qualifications for Board membership. The Board members believe that the different perspectives, viewpoints, professional experience, education and individual qualities of each Board member represent a diversity of backgrounds, experiences and a variety of complementary skills. Each Board member has significant experience in financial matters, either as a tax and accounting professional or as a professional asset manager (or an executive of an asset management firm). Additionally, each Board member has served in a managerial or officer capacity in his career. In addition to the foregoing and the information in the Directors and Officers table below, the following experience, as well as the qualifications, attributes and skills attendant to such experience, of each respective Board member leads the Board, in light of the Company's business, to the conclusion that each Board member should serve as such.

**Walter H. Clark.** Mr. Clark has a B.A. in Economics from Washington University in St. Louis. He is currently Chief Operating Officer, RMB Capital Management, LLC, a Chicago-based independent investment advisory firm, and the President of RMB Investors Trust, an open-end management investment company. Prior to joining RMB, he was co-Managing Partner of HPO Partners and a Managing Director of Perot Investments, Inc. Previously, he worked for Credit Agricole Alternative Investment Products Group (including several years as Chief Executive and Chief Investment Officers), Credit Agricole Asset Management S.A. (including as a portfolio manager of a private fund), and Credit Agricole Futures, Inc. During his time at Credit Agricole, he served as a director of various Credit Agricole affiliated companies.

**James W. Haugh.** Mr. Haugh has an undergraduate degree in Economics from Princeton University and a J.D. from the University of Michigan Law School. He also engaged in post-graduate study at the University of Chicago Law School in Law and Economics. He has served as a director of IronBridge Funds, Inc. since inception. He is a retired KPMG senior partner. As National Practice Director, Banking (Tax), he had responsibility for delivery of tax services to KPMG's 1500 community, regional, and international financial institution clients. His experience after retiring from KPMG includes serving as a founding member of a financial advisory firm serving high net worth families, as an advisor to a national accounting firm, and as a director of private and public companies and not-for-profit institutions.

**James M. Snyder.** Mr. Snyder has a bachelor's degree in finance from Indiana University and a master's degree in business administration from DePaul University, and has served in various positions with The Northern Trust Company and its affiliates, including Executive Vice President and Vice Chairman and Chief Investment Officer of Northern Trust Global Investments and has earned the right to use the Chartered Financial Analyst (CFA) designation. In addition, Mr. Snyder has been a director of Frontier Funds, Inc., another registered investment company which, prior to July 23, 2010, included the predecessors of the Small Cap Fund and SMID Cap Fund for more than ten years.

**Margaret M. Eisen.** Ms. Eisen has experience with financial, regulatory and investment matters as a result of her position as a managing director with responsibility for multibillion dollar portfolios of equities, both public and private, at two of the largest corporate pension funds in the United States. She also acquired such experience through her position as a managing director of the CFA Institute, which sets standards for measuring competence and integrity in the fields of portfolio management and investment analysis. Ms. Eisen has experience with board functions through her former position as a director of a public operating company and her service as an independent trustee on the boards of other registered investment companies for the past fifteen years.

Furthermore, the Board has determined that Messrs. Clark, Haugh and Snyder and Ms. Eisen possess the requisite attributes, and each has acquired such attributes through his or her educational and professional experiences, to qualify as an audit committee financial expert pursuant to Section 407 of the Sarbanes-Oxley Act and as defined by Item 3 of Form N-CSR.

The Board believes that this leadership structure is appropriate because it allows the Board to exercise informed and independent judgment over matters under its purview, and it allocates areas of responsibility among committees of Directors and the full Board in a manner that enhances effective oversight. The Board believes that having a majority of independent Directors is appropriate and in the best interest of the Funds' shareholders.

Nevertheless, the Board also believes that having an interested person serve on the Board brings corporate and financial viewpoints that are, in the Board's view, crucial elements in its decision-making process. The leadership structure of the Board may be changed at any time and in the discretion of the Board, including in response to changes in circumstances or the characteristics of the Funds.

It is also the Board members' belief that its members' mix of skills and talents will allow the Board, as a whole, to oversee the business of the Company in a manner consistent with the best interests of the Funds' shareholders. When considering potential nominees to fill future vacancies on the Board, and as part of its annual self-evaluation, the Board will review the mix of skills and other relevant experiences of the then-seated Board members. The specific talents that the Board will seek in a candidate depends upon the Board's needs at the time a vacancy occurs.

Walter H. Clark (indicated with an asterisk\*) is an officer of the Adviser and, as a result, is deemed to be an "interested person" of the Company, as defined in the 1940 Act.

The business address of each Director and Officer listed below is One Parkview Plaza, Suite 700, Oakbrook Terrace, Illinois 60181.

### Directors and Officers

Name, Address and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen By Director	Other Directorships Held by Director During the past 5 Years
<b>Independent Directors</b>					
James W. Haugh Year of Birth: 1937	Independent Director and Chairman of the Audit Committee	Indefinite; since May 21, 2010	Financial Consultant and Founder of American Capital LLC (family tax and financial management advisory firm), 1995-present; Advisor on private client and financial institution tax and accounting matters for Wipfli LLP (national accounting firm), 2010-2012. Mr. Haugh is a retired partner of KPMG, an international CPA firm, where he served as National Practice Director, Banking (tax). Member AICPA; Member American Bar Association.	3	First Interstate Banc System, 1996-2014; Clark Holdings (privately owned fund and beverage distribution company), 2012-present.
James M. Snyder Year of Birth: 1947	Independent Director and Chairman of the Board of Directors	Indefinite; since May 21, 2010	Mr. Snyder is a private investor, manages a family foundation and serves on corporate and not for profit Boards. He spent his professional career at the Northern Trust Company, an investment bank, retiring as Executive Vice President, Chief Investment Officer in 2001. Mr. Snyder is a Chartered Financial Analyst (CFA).	3	Frontier Funds, Inc. (with current oversight of 8 funds)
Margaret M. Eisen Year of Birth: 1953	Independent Director	Indefinite; since October 27, 2017	Chief Investment Officer, EAM International LLC (finance and asset management), 2003 – 2013; and Managing Director, CFA Institute, 2005 – 2008	3	Board of Trustees and Chair, RMB Investors Trust, 2013 – present (3 series); Board of Trustees, Columbia Acorn Trust and Wanger Advisors Trust, 2002 – present (11 series).

Name, Address and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen By Director	Other Directorships Held by Director During the past 5 Years
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**Inside (“Interested”) Directors**

Walter H. Clark Year of Birth: 1968	Interested Director	Indefinite; since May 21, 2010	Chief Operating Officer, RMB Capital Management, LLC (the Adviser), 2010-present; Co-Managing Partner, HPO Partners, an asset management company, 2009-2010; Managing Director, Perot Investments, Inc. (a private investment management company), 2004-2009.	3	None
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**Officers**

Walter H. Clark Year of Birth: 1968	President and Chief Executive Officer	Indefinite; since November 1, 2017	Chief Operating Officer, RMB Capital Management, LLC (the Adviser), 2010-present; Co-Managing Partner, HPO Partners, an asset management company, 2009-2010; Managing Director, Perot Investments, Inc. (a private investment management company), 2004-2009.	N/A	N/A
John G. Davis Year of Birth: 1970	Chief Compliance Officer	Indefinite, since May 1, 2011	Chief Compliance Officer -- Mutual Funds, RMB Capital Management, LLC, June 2017-present; Chief Compliance Officer, IronBridge Capital Management, L.P., 2003-June 2017.	N/A	N/A
Maher Harb Year of Birth: 1968	Chief Financial Officer, Treasurer and Secretary	Indefinite, since November 1, 2017	Chief Financial Officer, RMB Capital Management, LLC (the Adviser), since 2008.	N/A	N/A
Frank A. Passantino Year of Birth: 1964	First Vice President, Assistant Secretary and Anti-Money Laundering Compliance Officer	Indefinite, since November 1, 2017	First Vice President of the Adviser since 2016; First Vice President, Burnham Asset Management Corporation (funds’ former investment adviser) 1990-2016; and First Vice President, Burnham Securities, Inc. 1990-2016.	N/A	N/A
Krista Rivers Year of Birth: 1970	Senior Vice President	Indefinite, since November 1, 2017	Senior Vice President, Director of Institutional Client Service of the Adviser, since 2014; and Senior Vice President, Ariel Investments, LLC from 1993-2014.	N/A	N/A

**Risk Oversight**

As a registered investment company, the Company is subject to a variety of risks, including investment-related risks, financial risks, compliance risks and operational risks. As part of its overall activities, the Board reviews the management of the Company’s risks by the Adviser, by the Company’s service providers, as well as by the Company’s Chief Compliance Officer (“CCO”). The responsibility to operate and maintain the Company’s risk management structure on a day-to-day basis is shared by the Adviser (as the Adviser has its own, independent interest in risk management) and the officers of the Company.

The Company recognizes that it is not possible to identify all of the risks that may affect a Fund or to develop processes and controls to eliminate or mitigate their occurrence or effects. The Board discharges risk oversight as part of its overall activities, through the delegation of such oversight to its Audit Committee and officers (including its CCO). In addressing issues regarding the Company’s risk management between meetings of the Board, appropriate representatives of the Adviser communicate with the Board, the CCO (who is directly accountable to the Board) and counsel to the Board. As appropriate, the Board members confer among themselves, with the CCO, the Adviser, other service providers and counsel to the Board, to identify and review risk management issues that may be placed on the Board’s agenda.

The Audit Committee also assists the Board in reviewing with the independent auditors, at various times throughout the year, matters relating to the annual audits and financial accounting and reporting matters. The Board or, if one is created, a pricing committee will review and make recommendations concerning pricing of the Company’s portfolio securities. The Audit Committee, as well as any other committee that the Board may form, will present reports to the Board that may prompt further discussion of issues concerning the oversight of the Company’s risk oversight and management.

The CCO assists the Board in overseeing the significant investment policies of the Funds. The CCO is responsible for monitoring these policies. The Board will receive and consider the CCO’s annual written report, which, among other things, will summarize material compliance issues and any material changes to the compliance program. The Board also receives and considers reports from the CCO throughout the year. As part of its oversight responsibilities, the Board approves various compliance policies and procedures.

### **Committee Structure**

The Board has one standing committee — an Audit Committee. The Audit Committee: oversees the accounting and financial reporting policies and procedures of the Company and each of its series; oversees the Company’s internal control over financial reporting and disclosure controls and procedures; oversees the quality, objectivity and integrity of the Company’s financial statements and the independent audit thereof; monitors the independent auditor’s qualifications, independence and performance; and is responsible for the appointment, compensation and oversight of the Company’s independent auditor. The two independent directors — Messrs. Haugh and Snyder — constitute the Audit Committee. The Audit Committee, in conjunction with the Board as a whole, performs risk oversight functions for the Company as discussed above. The Audit Committee operates under a written charter. The Audit Committee met three times during the 2017 fiscal year.

The Board members may create other committees as the Board deems necessary.

The following table sets forth the dollar range of shares beneficially owned by each director in the Company as of December 31, 2016, stated using the following ranges: none; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; or over \$100,000. Because Ms. Eisen became a Director of the Company as of October 27, 2017, there are no beneficially-owned shares to report for Ms. Eisen as of the date of this SAI.

### **Dollar Range of Equity Securities Beneficially Owned**

Name of Director	Dollar Range of Equity Securities Beneficially Owned in Individual Funds	Dollar Range of Equity Securities Beneficially Owned in the Company
Walter H. Clark <sup>(1)</sup>	Small Cap Fund – \$10,001 - \$50,000 SMID Cap Fund – \$10,001 - \$50,000	\$10,001 - \$50,000
James W. Haugh	Large Cap Fund - \$50,001 - \$100,000	\$50,001 - \$100,000
James M. Snyder	Small Cap Fund – Over \$100,000 SMID Cap Fund – Over \$100,000	Over \$100,000

<sup>(1)</sup> As of May 25, 2017, this Director is deemed an “interested person” as defined in the 1940 Act due to his position as an officer of the Adviser. Prior to May 25, 2017, Mr. Clark was not an interested person.

As of September 30, 2017, officers and directors of the Company, as a group, owned less than 1% of the outstanding shares of each of the Large Cap Fund, the Small Cap Fund and the SMID Cap Fund.

Directors and officers of the Company who are also officers, directors, employees, shareholders or partners of the Adviser, the Distributor or any person directly or indirectly controlling, controlled by or under common control with the foregoing entities, do not receive any remuneration from the Funds for serving as directors or officers. Neither the Company nor any Fund maintains any deferred compensation, pension or retirement plans, and no pension or retirement benefits are accrued as Company or Fund expenses. The following table indicates the compensation that the Company paid to each of Messrs. Clark, Haugh and Snyder for the fiscal year ended June 30, 2017:

Name	Aggregate Compensation From Company	Pension or Retirement Benefits Accrued As Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from the Company
Walter H. Clark	\$24,055	None	N/A	\$24,055
James W. Haugh	\$33,306	None	N/A	\$33,306
James M. Snyder	\$33,306	None	N/A	\$33,306

## **CODE OF ETHICS**

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The Company and the Adviser have each adopted a Code of Ethics under Rule 17j-1 of the 1940 Act that governs all employees and other supervised persons of each such entity. Each Code of Ethics is based upon the principle that directors, partners, officers and employees of the Company, the Adviser and the Distributor have a fiduciary duty to place the interests of Funds' shareholders above their own. The Codes of Ethics address compliance with federal securities laws, gifts and personal trading and reporting.

Each Code of Ethics governs the personal trading activities of all "Access Persons" of, respectively, the Company and the Adviser. Each Code of Ethics permits Access Persons (as defined in the respective Code of Ethics) to buy or sell securities for their own accounts, including securities that may be purchased or held by the Funds, subject to certain restrictions. The Codes of Ethics require Access Persons to preclear most transactions, including with respect to mutual funds advised or subadvised by the Adviser, to disclose all securities holdings on an annual basis and to submit quarterly transaction reports. The Codes of Ethics prohibit Access Persons from purchasing or selling any security that a client account, including the Company, has a pending "buy" or "sell" order in that same security, has purchased or sold within 10 days before or after such Access Person's action or is considering purchasing or selling, and contains restrictions on Access Persons' acquisitions of securities in initial public offering and private placement transactions.



## **PRINCIPAL SHAREHOLDERS**

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As of September 30, 2017, the following persons owned of record or are known by the Company to own of record or beneficially own 5% or more of the outstanding shares of a Fund:

<b><u>Name and Address</u></b>	<b><u>Fund</u></b>	<b><u>Number of Shares</u></b>	<b><u>Percent of Outstanding Shares</u></b>
NFS LLC FEBO 499 Washington Blvd., Floor 5 Jersey City, NJ 07310-2010*	IronBridge Small Cap Fund	4,924,154	35.05%
Charles Schwab & Co. FBO Benefit of Customers Attn: Mutual Funds 211 Main St. San Francisco, CA 94105-1905*	IronBridge Small Cap Fund	3,649,159	25.98%
Wells Fargo Bank NA FBO PO Box 1533 Minneapolis, MN 55480-1533*	IronBridge Small Cap Fund	1,047,555	7.46%
Bae Systems Pension Funds CIF Trustees Limited 14/16 Caxton St. London SW1H 0QT United Kingdom	IronBridge SMID Cap Fund	5,371,481	22.78%
Charles Schwab & Co. FBO Benefit of Customers Attn: Mutual Funds 211 Main St. San Francisco, CA 94105-1905*	IronBridge SMID Cap Fund	4,249,995	18.02%
NFS LLC FEBO 499 Washington Blvd., Floor 5 Jersey City, NJ 07310-2010*	IronBridge SMID Cap Fund	3,804,277	16.13%
State of Indiana Trustee FBO State of Indiana Def Comp 401K 8515 E Orchard Rd. #2T2 Greenwood Village, CO 80111-5002	IronBridge SMID Cap Fund	3,082,473	13.07%
R. E. Hendricks & K. K. Hendricks JTWROS 690 Wingate Rd. Glen Ellyn, IL 60137-5468	IronBridge Large Cap Fund	1,211,655	51.04%
Charles Schwab & Co. FBO Benefit of Customers Attn: Mutual Funds 211 Main St. San Francisco, CA 94105-1905*	IronBridge Large Cap Fund	489,925	20.64%

<u>Name and Address</u>	<u>Fund</u>	<u>Number of Shares</u>	<u>Percent of Outstanding Shares</u>
R. E. & K. K. Hendricks Gift Trust L. Heinisch & N. E. Cass Trust 646 Highview Ave. Glen Ellyn, IL 60137-5502	IronBridge Large Cap Fund	222,794	9.39%
The Coltman Family Foundation, Inc. PO Box 1301 Bethany Beach, DE 19930-1301	IronBridge Large Cap Fund	124,620	5.25%

- \* The Company believes that this entity, the holder of record of these shares, is not the beneficial owner of such shares.

As of September 30, 2017, NFS LLC and Charles Schwab & Co. (whose addresses and ownership percentages are set forth above) owned a controlling interest in (i.e., more than 25% of the outstanding shares of) the Small Cap Fund. Also as of September 30, 2017, R. E. and K. K. Hendricks (whose address and ownership percentage are set forth above) owned a controlling interest in (i.e., more than 25% of the outstanding shares of) the Large Cap Fund. Shareholders with a controlling interest could affect the outcome of proxy voting or the direction of management of the Company or a Fund.

## **INVESTMENT ADVISER**

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The Adviser is the investment adviser to each of the Funds. A brief description of the Funds' investment advisory agreement is set forth in the Funds' Prospectus under "Investment Management." Richard Burrige, Frederick Paulman, Maher Harb, Walter Clark, and Lisa Tamburini, by virtue of their positions as officers of the Adviser, are considered to be control persons of the Adviser. RMB Capital Holdings, LLC, as owner of the Adviser, is considered to be a control person of the Adviser. Jeffrey Pearsall, as well as Richard Burrige, Frederick Paulman, and Walter Clark, are considered to be indirect control persons of the Adviser as a result of their ownership interest in RMB Capital Holdings, LLC.

The Company, on behalf of the Large Cap Fund and SMID Cap Fund, has entered into an investment advisory agreement with the Adviser (the "Advisory Agreement"), effective October 27, 2017. The Advisory Agreement has an initial term of two years and is required to be approved annually thereafter by the Board or by vote of a majority of each Fund's outstanding voting securities (as defined in the 1940 Act). Each annual renewal must also be approved by the separate vote of the Company's independent directors, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement is terminable without penalty, on 60 days' written notice by the Board, by vote of a majority of a Fund's outstanding voting securities or by the Adviser, and will terminate automatically in the event of its assignment.

Prior to October 27, 2017, the Adviser provided management services pursuant to an interim advisory agreement as entered into by the Company and the Adviser (the "Interim Advisory Agreement"). The Interim Advisory Agreement was unanimously approved by the Board, including each Director who was not an "interested person" as defined by the 1940 Act, on May 25, 2017, and became effective on June 24, 2017, due to a change in investment advisor from IronBridge Capital Management, L.P. ("IronBridge") to the Adviser. Management fees paid by each Fund to the Adviser, and the expense limits agreed to by the Adviser (discussed below), did not change from those of IronBridge as a result of the Adviser being approved. Fees accrued pursuant to the Interim Advisory Agreement for a particular Fund are paid into an escrow account and become payable to the Adviser once the Advisory Agreement is approved for that Fund.

On October 27, 2017, shareholders voted to approve the Advisory Agreement with respect to the Large Cap Fund and SMID Cap Fun. As of the date of this SAI, the Adviser continues to operate pursuant to the Interim Advisory Agreement with respect to the Small Cap Fund. However, it is anticipated that a new agreement with substantially similar terms to the Advisory Agreement will be effective prior to November 21, 2017 (the "New Advisory Agreement"). If the New Advisory Agreement for the Small Cap Fund is not approved within 150 days

following the Interim Agreement Effective Date, the Adviser will no longer provide advisory services to the Small Cap Fund, unless an extension of the 150-day period is permitted by a rule or interpretive position of the SEC staff. The Board in such case will consider other alternatives and make such arrangements for the management of the Small Cap Fund's investments as it deems appropriate and in the best interests of the Small Cap Fund and its shareholders, including (without limitation) the recommendation of one or more other advisers, subject to approval by shareholders, or the liquidation of the Small Cap Fund.

Under the terms of the Advisory Agreement with respect to the Large Cap Fund and SMID Cap Fund, and the Interim Advisory Agreement with respect to the Small Cap Fund, the Adviser supervises the management of each Fund's investments and business affairs, subject to the supervision of the Board. At its expense, the Adviser provides office space and all necessary office facilities, equipment and personnel for servicing the investments of the Large Cap Fund and SMID Cap Fund.

As compensation for its services, the Funds pay to the Adviser a monthly advisory fee at the annual rate based upon the average daily net asset value of each Fund, as set forth below:

<b>Fund</b>	<b>Advisory Fee</b>
Small Cap Fund	1.00%
SMID Cap Fund	0.85%
Large Cap Fund	0.65%

The total dollar amounts of the advisory fees paid by each of the Funds for advisory services during each of the fiscal years ended June 30, 2015, 2016, and 2017 are set forth in the table below.

<b>Fund</b>	<b>Fee Paid in Fiscal 2017*<sup>^</sup></b>	<b>Fee Paid in Fiscal 2016*</b>	<b>Fee Paid in Fiscal 2015*</b>
Small Cap Fund	\$4,200,489	\$4,097,747	\$4,552,156
SMID Cap Fund	\$2,805,671	\$4,949,522	\$6,940,429
Large Cap Fund	\$108,409	\$72,620	\$68,937

\* Reflects the application of the fee waiver and expense cap arrangement discussed below.

<sup>^</sup> Reflects total compensation paid to all investment advisers for each Fund during the fiscal year ended June 30, 2017. For the period from July 1, 2016 to June 23, 2017, IronBridge received \$4,146,177, \$2,757,113, and \$105,605 for advisory services provided for the Small Cap Fund, SMID Cap Fund, and Large Cap Fund, respectively. For the period from June 24, 2017 to June 30, 2017, the Adviser is entitled to receive \$54,312, \$48,558, and \$2,804 for advisory services provided pursuant to the Interim Advisory Agreement for the Small Cap Fund, SMID Cap Fund, and Large Cap Fund, respectively.

Pursuant to a fee waiver and expense cap agreement between the Adviser and the Company, on behalf of the Funds, the Adviser contractually agreed to waive its management fee and/or reimburse the Funds to ensure that the total operating expenses for the Funds do not exceed the percentage of a Fund's average daily net assets set forth below:

<b>Fund</b>	<b>Expense Cap</b>
Small Cap Fund	1.10%
SMID Cap Fund	0.95%
Large Cap Fund	0.80%

The expense cap agreement will continue in effect until November 1, 2018, with successive renewal terms of one year unless terminated by the Adviser or the Company prior to any such renewal.

## PORTFOLIO MANAGERS

### Other Accounts Managed by Portfolio Managers of the Funds

As described in the Prospectus for the Fund under “Investment Management,” each portfolio manager is jointly responsible for the day-to-day management of the respective Fund he manages. Unless otherwise indicated, each portfolio manager jointly manages the day-to-day management of the other accounts set forth in the following table. Except as otherwise noted, the following information is provided as of June 30, 2017:

Portfolio Manager	Other Registered Investment Companies Managed by Portfolio Managers		Other Pooled Investment Vehicles Managed by Portfolio Manager				Other Accounts Managed by Portfolio Managers			
	Number	Total Assets (in millions)	Number	Total Assets (in millions)	Number with Performance-Based Fees	Total Assets of Pooled Investment Vehicles with Performance-Based Fees	Number	Total Assets (in millions)	Number with Performance-Based Fees	Total Assets of Accounts with Performance-Based Fees (in millions)
<b>Small Cap Fund, SMID Cap Fund</b>										
Christopher C. Faber	2	\$88	0	\$0	0	\$0	12	\$155	1	\$77
Jeffrey B. Madden	2	\$88	0	\$0	0	\$0	12	\$155	1	\$77
Thomas Fanter	2	\$88	0	\$0	0	\$0	10	\$152	1	\$77
<b>Large Cap Fund</b>										
Paul Murphy	2	\$88	0	\$0	0	\$0	10	\$152	1	\$77
Charles P. Henness	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
John K. O'Connor	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0

### Potential Conflicts of Interest

The Adviser’s individual portfolio managers advise multiple accounts for numerous clients. In addition to the Funds, these accounts may include other mutual funds, separate accounts and private investment vehicles. The Adviser maintains compliance procedures with respect to areas such as trade allocations, cross trading, insider trading and trade management to prevent potential conflicts in connection with any portfolio manager’s management of any Fund and the management of any other accounts. The Adviser’s Chief Compliance Officer oversees these policies and procedures.

### Compensation of Portfolio Managers

The compensation of the portfolio managers of the Funds is not directly tied to the performance of the Funds. The portfolio managers of the Funds are paid a flat base salary and receive annual bonuses based on individual performance and the success of the firm, rather than the performance of individual accounts. The Adviser’s portfolio managers may own and may be offered an opportunity to purchase or sell equity interests in the Adviser.

### Ownership of Fund Shares by Portfolio Managers

The following table sets forth the dollar range of shares beneficially owned by each portfolio manager in the Company as of June 30, 2017, stated using the following ranges: (A) none; (B) \$1-\$10,000; (C) \$10,001-\$50,000; (D) \$50,001-\$100,000; (E) \$100,001-\$500,000; (F) \$500,001-\$1,000,000; or (G) over \$1,000,000:

## **Dollar Range of Equity Securities Beneficially Owned**

Name of Director	Dollar Range of Equity Securities Beneficially Owned in Individual Funds	Dollar Range of Equity Securities Beneficially Owned in the Company
Christopher C. Faber	Small Cap Fund – Over \$1,000,000 SMID Cap Fund - Over \$1,000,000 Large Cap Fund - Over \$1,000,000	Over \$1,000,000
Jeffrey B. Madden	Small Cap Fund - \$10,001 - \$50,000 SMID Cap Fund - \$500,001 - \$1,000,000	\$500,001 - \$1,000,000
Thomas W. Fanter	Small Cap Fund - \$100,001 - \$500,000 SMID Cap Fund - \$10,001 - \$50,000 Large Cap Fund - \$100,001 - \$500,000	\$100,001 - \$500,000
Paul Murphy	Small Cap Fund - \$100,001 - \$500,000 SMID Cap Fund - \$10,001 - \$50,000 Large Cap Fund - \$100,001 - \$500,000	Over \$1,000,000
Charles P. Henness	Small Cap Fund - \$100,001 - \$500,000 SMID Cap Fund - \$100,001 - \$500,000 Large Cap Fund - \$500,001 - \$1,000,000	\$500,001 - \$1,000,000
John K. O'Connor	Small Cap Fund - \$100,001 - \$500,000 SMID Cap Fund - \$10,001 - \$50,000 Large Cap Fund - \$100,001 - \$500,000	\$100,001 - \$500,000

## **PORTFOLIO HOLDINGS DISCLOSURE POLICY**

The Funds do not provide or permit others to provide information about its portfolio holdings to any third party on a selective basis, except as permitted by the Company’s policy regarding disclosure of portfolio holdings (the “Disclosure Policy”). Pursuant to the Disclosure Policy, the Company and the Adviser may disclose information about the Funds’ portfolio holdings only in the following circumstances:

- Each of the Funds will disclose its portfolio holdings by mailing its annual and semi-annual reports to shareholders approximately two months after the end of the fiscal year and six-month period. In addition, the Company will disclose the portfolio holdings of the Funds as of the end of the first and third fiscal quarters by filing Form N-Q with the SEC, and as of the end of the second and fourth fiscal quarters by filing Form N-CSR with the SEC;
- The Funds’ full portfolio holdings as of quarter-end will be posted on the Company’s website on or after the 15<sup>th</sup> day after quarter-end.
- The Funds’ full portfolio holdings as of quarter-end will be included in a quarterly report provided to certain shareholders of the Funds following posting of the portfolio holdings on the Company’s website.
- The Adviser may disclose Fund portfolio holdings in regulatory filings and to the Company’s service providers (the administrator, fund accountant, custodian, transfer agent, independent accountant, legal counsel and financial printer) in connection with the fulfillment of their duties to the Funds and Company. Such disclosures generally are made to the service providers on a

quarterly basis in connection with the preparation of regulatory filings but may be provided more frequently if necessary.

- The portfolio holdings as of each quarter-end for the Funds may be disclosed to the rating agencies listed below on or after the 15<sup>th</sup> day after quarter-end.

Morningstar, Inc.  
Lipper, Inc.  
Standard & Poor's Ratings Group  
Bloomberg L.P.

Thomson Financial Services  
Vickers Stock Research Corporation  
Capital Bridge, Inc.

- Disclosure of portfolio holdings as of a particular month-end may be made in response to inquiries from consultants or prospective clients no earlier than 10 days after month-end.
- The Funds' top ten holdings as of a quarter-end may be included in Fund fact sheets following posting of the Funds' top ten holdings as of quarter-end on the Company's website.
- The Adviser may also disclose portfolio holdings to Institutional Shareholder Services for proxy voting services.
- The Funds' portfolio holdings may also be disclosed in cases where other legitimate business purposes of the Funds are served by such disclosure provided that, if prior to the public disclosure of such information, (a) the CCO authorizes the disclosure and determines that there are no conflicts of interest between the Funds' shareholders and the Adviser and (b) the recipient is required to maintain the confidentiality of the information either by contract or by law.

The Company is prohibited from entering into any other arrangements to disclose information regarding the Funds' portfolio securities without prior approval of the Board. No compensation or other consideration may be received by the Fund or the Adviser in connection with the disclosure of portfolio holdings in accordance with this policy.

The CCO monitors compliance with the Disclosure Policy and reports any violations to the Board. The Board will review any disclosures of Fund portfolio holdings outside of the permitted disclosures described above on a quarterly basis to ensure that disclosure of information about portfolio holdings is in the best interest of Fund shareholders and to address any conflicts between the interests of the Funds' shareholders and those of the Adviser or any other Fund affiliate.

## **PROXY VOTING POLICIES**

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Proxy Voting Procedures. The Board has adopted Proxy Voting Policies and Procedures ("Procedures") on behalf of the Company. Under the Procedures, the responsibility for voting proxies is delegated to the Adviser, who may further delegate such responsibility to a third party provider of proxy administration services, subject to the oversight of the Board and the Proxy Oversight Group, a committee of senior officers. The Procedures require that the Adviser vote proxies received in a manner consistent with the best interests of each Fund and its shareholders. The Procedures allow the Adviser to engage an independent proxy voting service to assist in the voting of proxies by providing research and administrative services relating to proxy voting. The proxy voting service may also provide recommendations and research for proxy votes; however, the actual votes will be cast by the Adviser. The Procedures require that the Adviser take reasonable steps to ensure that any third party proxy voting service is independent of the Adviser based on relevant facts and circumstances.

The Procedures also provide that the Adviser will make reasonable efforts to recall any loaned securities so that they may be voted according to the Adviser's instructions. In furtherance of this effort, the Funds have, in conjunction with the securities lending agent, developed procedures reasonably designed to recall loaned securities to facilitate the voting of the shares. In addition, the Adviser has developed operating procedures to restrict the

lending of securities held by the Funds that are acquired in an IPO by an issuer with a limited operating history and no identified corporate calendar of shareholder meetings that can be monitored.

The Procedures also require the Adviser to present to the Board: (i) any deviations from the Procedures and any potential conflict of interest that arose in connection with voting a proxy (including how the conflict was resolved) on a quarterly basis; (ii) any deviations from the proxy voting guidelines adopted by the Adviser and the Company (“Adviser’s Proxy Guidelines”); and (iii) at least annually, a record of each proxy voted by the Adviser on behalf of the Funds and recommend changes to the Procedures (if any) based on the Adviser’s experience under the Procedures, evolving industry practices and applicable regulatory developments.

The Proxy Oversight Group may amend the Procedures from time to time and must give prompt notice to the Board of any material changes. If a proxy proposal raises a material conflict between the Adviser’s interests and a Fund’s interests, the Adviser will resolve the conflict by following the policy guidelines or the recommendation of an independent third party.

Information regarding how the Funds vote proxies will be available without charge, either upon request, by calling toll free, 1-877-861-7714, or by accessing the SEC’s website at [www.sec.gov](http://www.sec.gov).

## **FUND TRANSACTIONS AND BROKERAGE**

The Company has adopted a formal Best Execution Policy, pursuant to which the Adviser is responsible for decisions to buy and sell securities for a Fund and for the placement of a Fund’s securities business, the negotiation of the commissions to be paid on such transactions and the allocation of portfolio brokerage and principal business. The Adviser seeks the best execution at the best security price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to the Adviser or the particular Fund. The best price to a Fund means the best net price without regard to the mix between purchase or sale price and commission, if any. Purchases may be made from underwriters, dealers and, on occasion, the issuers. Commissions will be paid on a Fund’s futures and options transactions. The purchase price of portfolio securities purchased from an underwriter or dealer may include underwriting commissions and dealer spreads. A Fund may pay mark-ups on principal transactions. In selecting broker-dealers and in negotiating commissions, the Adviser considers the firm’s reliability, the quality of its execution services on a continuing basis and its financial condition. Brokerage will not be allocated based on the sale of a Fund’s shares. The Funds did not pay any brokerage commissions during the most recent fiscal year to any affiliated brokers.

For the fiscal periods ended June 30, 2015, 2016, and 2017 the Funds paid the brokerage commissions listed in the table below.

<b>Fund</b>	<b>Brokerage Commissions Paid For the fiscal period ended</b>		
	<b>2017</b>	<b>June 30, 2016</b>	<b>2015</b>
<b>Small Cap Fund</b>	\$108,939	\$ 75,981	\$106,351
<b>SMID Cap Fund</b>	\$75,766	\$153,491	\$187,607
<b>Large Cap Fund</b>	\$2,241	\$ 1,705	\$ 3,154

Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) permits an investment adviser, under certain circumstances, to cause an account to pay a broker or dealer who supplies brokerage and research services a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting the transaction. Brokerage and research services include (a) furnishing advice as to the value of securities, the advisability of investing, purchasing or selling securities and the availability of securities or purchasers or sellers of securities; (b) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and (c) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement and custody).

The Adviser considers investment and market information and other research, such as economic, securities and performance measurement research provided by such brokers and the quality and reliability of brokerage services, including execution capability, performance and financial responsibility. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if the Adviser determines in good faith that the amount of such commissions is reasonable in relation to the value of the research information and brokerage services provided by such broker to a Fund. The Adviser believes that the research information received in this manner provides a Fund with benefits by supplementing the research otherwise available to the Fund. The Advisory Agreement provides that such higher commissions will not be paid by a Fund unless (a) the Adviser determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of the Adviser's overall responsibilities with respect to the accounts as to which it exercises investment discretion; (b) such payment is made in compliance with the provisions of Section 28(e), other applicable state and federal laws, and the Advisory Agreement; and (c) in the opinion of the Adviser, the total commissions paid by the Fund will be reasonable in relation to the benefits to the Fund over the long term. The investment advisory fees paid by a Fund under the Advisory Agreement are not reduced as a result of the Adviser's receipt of research services.

The Adviser places portfolio transactions for other advisory accounts that it manages. Research services furnished by firms through which a Fund effects its securities transactions may be used by the Adviser in servicing its accounts. Not all of such services may be used by the Adviser in connection with the Funds. The Adviser believes it is not possible to measure separately the benefits from research services to each of the accounts (including the Funds) managed by the Adviser. Because the volume and nature of the trading activities of the accounts are not uniform, the amount of commissions in excess of those charged by another broker paid by each account for brokerage and research services will vary. However, the Adviser believes such costs to the Funds will not be disproportionate to the benefits received by the Funds on a continuing basis. The Adviser seeks to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or sell securities by a Fund and another advisory account. In some cases, this procedure could have an adverse effect on the price or the amount of securities available to a Fund. In making such allocations between a Fund and other advisory accounts, the main factors considered by the Adviser are the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment and the size of investment commitments generally held.

As of June 30, 2017, IronBridge Small Cap Fund and IronBridge SMID Cap Fund owned the following securities (excluding repurchase agreements) issued by any of the ten broker-dealers with whom the Fund transacted the most business:

<b>Name of Fund</b>	<b>Broker-Dealer</b>	<b>Dollar Value</b>
IronBridge Small Cap Fund	Stifel Financial Corp.	\$1,389,470
IronBridge SMID Cap Fund	Stifel Financial Corp.	\$1,468,187

## **CUSTODIAN**

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As custodian of the Fund's assets, U.S. Bank, N.A., 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212, has custody of all securities and cash of the Funds, delivers and receives payment for securities sold, receives and pays for securities purchased, collects income from investments and performs other duties, all as directed by the officers of the Company.

## **TRANSFER AGENT AND DIVIDEND DISBURSING AGENT**

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U.S. Bancorp Fund Services, LLC, 615 East Michigan Street, Third Floor, Milwaukee, Wisconsin, 53202, an affiliate of U.S. Bank, N.A., acts as transfer agent and dividend-disbursing agent for the Funds (the "Transfer Agent"). The Transfer Agent is compensated based on an annual fee per open account, subject to certain minimum fees.



## **ADMINISTRATOR AND FUND ACCOUNTANT**

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The Transfer Agent (U.S. Bancorp Fund Services, LLC) also provides administrative and fund accounting services to the Funds pursuant to separate Administration and Fund Accounting Agreements. Under these Agreements, the Transfer Agent calculates the daily net asset value of the Funds and provides administrative services (which include clerical, compliance and regulatory services such as filing all required federal income and excise tax returns and state property tax returns, assisting with regulatory filings, preparing financial statements and monitoring expense accruals). For the foregoing services, Transfer Agent receives from the Funds, a fee, computed daily and payable monthly based on the Company's average net assets, plus out-of-pocket expenses. For the fiscal periods ended June 30, 2015, 2016, and 2017 the Funds paid the Transfer Agent aggregate fees for administrative and accounting services as listed below.

<b>Fees Paid to Transfer Agent for Administrative and Fund Accounting Services For the fiscal period ended June 30,</b>			
<b>Fund</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Small Cap Fund</b>	\$106,864	\$ 118,436	\$ 134,344
<b>SMID Cap Fund</b>	\$94,529	\$ 143,716	\$ 197,339
<b>Large Cap Fund</b>	\$57,744	\$ 58,468	\$ 58,398

## **SHAREHOLDER MEETINGS**

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Maryland law permits registered investment companies, such as the Company, to operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the 1940 Act. The Company has adopted the appropriate provisions in its Bylaws and may, at its discretion, not hold an annual meeting in any year in which the election of directors is not required to be acted on by shareholders under the 1940 Act.

The Company's Bylaws also contain procedures for the removal of directors by shareholders of the Company. At any meeting of shareholders, duly called and at which a quorum is present, the shareholders may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

## **DISTRIBUTION OF FUND SHARES**

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The Distributor, Quasar Distributors, LLC, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, is the principal distributor of the Funds' shares. Under a Distribution Agreement between the Company and the Distributor, the Distributor offers the Funds' shares on a continuous, best efforts basis.

The Distribution Agreement related to the Funds will continue in effect only if such continuance is specifically approved at least annually by the Board or by a vote of a majority of a Fund's outstanding securities and, in either event, the continuance is also approved by a majority of the directors who are not "interested persons" (as defined in the 1940 Act) of any party to the Distribution Agreement. The Distribution Agreement is terminable without penalty by the Company on behalf of the Funds on not less than 60 days' written notice when authorized either by a majority vote of a Fund's shareholders or by vote of a majority of the Board, including a majority of the directors who are not "interested persons" (as defined in the 1940 Act) of the Company or upon the occurrence of certain other events outlined in the Distribution Agreement, and will automatically terminate in the event of its "assignment" (as defined in the 1940 Act).

## **PURCHASE, PRICING AND REDEMPTION OF SHARES**

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Shares of the Funds are sold on a continuous basis at each Fund's net asset value. As set forth in the Prospectus under "Valuation of Fund Shares," each Fund's net asset value per share is determined as of the close of trading on the New York Stock Exchange ("NYSE") (generally 4:00 p.m., Eastern Time) on each day the NYSE is open for business. A Fund is not required to calculate its net asset value on days during which the Fund receives no orders to purchase shares and no shares are tendered for redemption. Net asset value is calculated by taking the market value of a Fund's total assets, including interest or dividends accrued, but not yet collected, less all liabilities, and dividing by the total number of shares outstanding. The result, rounded to the nearest cent, is the net asset value per share.

In determining net asset value, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. Otherwise, actual sale or bid prices are used. Common stocks and other equity-type securities are valued at the last trade price on the national securities exchange (other than Nasdaq) on which such securities are primarily traded, and securities traded on Nasdaq are valued using the Nasdaq Official Closing Price. However, securities traded on a national securities exchange or Nasdaq for which there were no transactions on a given day or securities not listed on a national securities exchange or Nasdaq are valued at the most recent bid prices.

Any securities or other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Board or its delegate. The Board may approve the use of pricing services to assist the Funds in the determination of net asset value. Short-term fixed income securities held by the Funds are generally valued on an amortized cost basis.

Most securities that are primarily traded on foreign exchanges generally are valued at the last sale price of such securities on their respective exchange. In certain countries market maker prices, usually the mean between the bid and ask prices, are used. In certain circumstances, such as when a significant event occurs in a foreign market so that the last sale price no longer reflects actual value, the fair value of these securities may be determined using the fair value procedures described above. In valuing assets, prices denominated in foreign currencies are converted to U.S. dollar equivalents at the current exchange rate.

**Purchases In Kind.** Shares of the Funds may be purchased "in kind," subject to the approval of the Adviser and its determination that the securities are acceptable investments for the respective Fund and that they have a value that is readily ascertainable in accordance with the Fund's valuation policies. In an in kind purchase, investors transfer securities to a Fund in exchange for Fund shares. Securities accepted by a Fund in an in kind purchase will be valued at market value. In general, investors transferring securities for shares will be treated, for federal income tax purposes, as if they sold the transferred securities at their fair market value and used the proceeds to purchase shares of the Fund, and the Fund's tax basis in the transferred securities will be equal to their fair market value. However, if a transfer of securities in exchange for shares qualifies as a tax-free transaction under the Code, the investors transferring those securities to a Fund will generally not recognize any gain or loss, for federal income tax purposes, as a result of the transfer. In this event, the Fund's tax basis in the transferred securities may be less than (if the securities have appreciated in value) or greater than (if the securities have depreciated in value) the fair market value of those securities. If a Fund's tax basis in the transferred securities is less than the fair market value of those securities, then the Fund, upon disposition of the securities, may recognize more taxable gain (or less taxable loss) than if its basis in the securities had been equal to fair market value at the time of the transfer; conversely, if a Fund's tax basis in the contributed securities is greater than the fair market value of the securities, then the Fund, upon disposition of the securities, may recognize less taxable gain (or more taxable loss) than if its basis in the securities had been equal to fair market value at the time of the transfer.

**Redemptions In Kind.** The Company has filed an election pursuant to Rule 18f-1 under the 1940 Act which provides that the Funds are obligated to redeem shares solely in cash up to \$250,000 or 1% of the net asset value of the shares of a Fund being redeemed, whichever is less, for any one shareholder within a 90-day period. Any redemption beyond this amount may be made in assets other than cash, such as securities or other property. Securities delivered in payment of redemptions are valued at the same value assigned to them in computing the

Fund's net asset value per share. Shareholders receiving such securities are likely to incur brokerage costs on their subsequent sales of such securities.

## **ANTI-MONEY LAUNDERING PROGRAM**

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The Company has established an Anti-Money Laundering Compliance Program (the "Program") as required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001. In order to ensure compliance with this law, the Company's Program provides for the development of internal practices, procedures and controls, the designation of anti-money laundering compliance officers, an ongoing training program, an independent audit function to determine the effectiveness of the Program and a customer identification program.

Procedures to implement the Program include, but are not limited to, determining that the Funds' transfer agent has established proper anti-money laundering procedures that require it to report suspicious and/or fraudulent activity, verify the identity of new shareholders, check shareholder names against designated government lists, including the Office of Foreign Asset Control, and undertake a complete and thorough review of all new account applications.

## **TAXATION OF THE FUNDS**

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Each Fund intends to qualify annually as a "regulated investment company" under Subchapter M of the Code, and if so qualified will not be liable for federal income taxes to the extent earnings are distributed to shareholders on a timely basis. In the event a Fund fails to qualify as a "regulated investment company," it will be treated as a regular corporation for federal income tax purposes. In this event, that Fund would be subject to federal income taxes on the full amount of its taxable income and gains and any distributions that it makes would not qualify for any dividends paid deduction. This would increase the cost of investing in that Fund for shareholders and would make it more economical for shareholders to invest directly in securities held by that Fund instead of investing indirectly in such securities through the Fund.

Each Fund intends to distribute at least annually to its holders all or substantially all of its investment company taxable income and net capital gain. For federal income tax purposes, distributions from a Fund's investment company taxable income (which includes dividends, interest, the excess of any net short-term capital gains over net long-term capital losses, and net gains from foreign currency transactions), if any, generally are taxable to you as ordinary income whether reinvested or received in cash, unless such distributions are attributable to, and designated by the Fund as, "qualified dividend income" eligible for the reduced rate of tax on long-term capital gains or unless you are exempt from taxation or entitled to a tax deferral. Currently, the maximum rate applicable to long-term capital gains recognized by noncorporate shareholders, and thus to qualified dividend income, is set at 20%.

Generally, "qualified dividend income" includes dividends received during the taxable year from certain domestic corporations and "qualified foreign corporations." Passive foreign investment companies and corporations incorporated in a country that does not have an income tax treaty and an exchange of information program with the U.S. are not qualified foreign corporations. The portion of a distribution that a Fund pays that is attributable to, and designated by the Fund as, qualified dividend income may be treated by the noncorporate shareholders of the Fund as qualified dividend income. If a Fund has income of which more than 95% was qualified dividends, all of the Fund's dividends will be eligible for designation as qualified dividend income. Certain holding period requirements applicable to both a Fund and its shareholders also must be satisfied to obtain qualified dividend treatment.

Distributions of non-qualified dividend income, interest income, other types of ordinary income, and short-term capital gains will be taxed at the ordinary income tax rate applicable to the taxpayer. If a Fund designates distributions paid by the Fund from net capital gains (the excess of net long-term capital gains over short-term capital losses) as "capital gain dividends," then such distributions will be taxable as long-term capital gains whether reinvested or received in cash and regardless of the length of time you have owned your shares. A Fund will inform shareholders of the source and tax status of all distributions promptly after the close of each calendar year.

Interest and dividends received by a Fund may be subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions that would reduce the yield on its securities. Tax conventions between certain countries and the United States may reduce or eliminate these foreign taxes, however, and many foreign countries do not impose taxes on capital gains in respect of investments by foreign investors. If more than 50% of the value of a Fund's total assets at the close of its taxable year consists of securities of foreign corporations, it will be eligible to, and may, file an election with the Internal Revenue Service that would, in effect, pass through to the Fund's shareholders any foreign and U.S. possessions income taxes paid by the Fund. Pursuant to the election, a Fund would treat those taxes as dividends paid to its shareholders and each shareholder would be required to (i) include in gross income, and treat as paid by him, his proportionate share of those taxes, (ii) treat his share of those taxes and of any dividend paid by the Fund that represents income from foreign or U.S. possessions sources as his own income from those sources, and (iii) either deduct the taxes deemed paid by him in computing his taxable income or, alternatively, use the foregoing information in calculating the foreign tax credit against his federal income tax. A Fund will report to its shareholders shortly after each taxable year their respective share of its income from sources within, and taxes paid to, foreign countries and U.S. possessions if it makes this election.

In addition to the regular income tax on distributions from a Fund or redemptions of Fund shares, there is a new tax, referred to as the Medicare contribution tax, on certain income of taxpayers who are individuals, estates or trusts. The tax applies to individuals whose modified adjusted gross income exceeds \$200,000 for individual filers or \$250,000 for joint filers (\$125,000 for a married person filing separately). The tax is imposed at the rate of 3.8% of all or a portion of the taxpayer's "net investment income." Net investment income includes gross income from rents, interest and dividends (other than such income derived in the ordinary course of a trade or business), gains from the sale of property (other than property held in a trade or business) and income derived from a trade or business that is a passive activity (within the meaning of Section 469 of the Code). Accordingly, distributions made by a Fund and gains realized from the redemption of your Fund shares are potentially subject to this additional tax. As this tax depends on your personal income level, you should consult with your own tax advisor regarding the applicability of this tax.

Each Fund maintains its accounts and calculates its income in U.S. dollars. In general and if applicable, gain or loss (i) from the disposition of foreign currencies and forward currency contracts, (ii) from the disposition of foreign-currency-denominated debt securities that are attributable to fluctuations in exchange rates between the date the securities are acquired and their disposition date, and (iii) attributable to fluctuations in exchange rates between the time a Fund accrues interest or other receivables or expenses or other liabilities denominated in a foreign currency and the time the Fund actually collects those receivables or pays those liabilities, will be treated as ordinary income or loss. A foreign-currency-denominated debt security acquired by a Fund may bear interest at a high nominal rate that takes into account expected decreases in the value of the principal amount of the security due to anticipated currency devaluations. In that case, the Fund would be required to include the interest in income as it accrues but generally would realize a currency loss with respect to the principal only when the principal was received (through disposition or upon maturity).

Pursuant to the Code, each Fund will be treated as a separate entity for federal income tax purposes.

Based upon the number of shareholders of a Fund, a Fund could be considered to be a personal holding company (a "PHC") under the Code. A company is considered a PHC if: (1) at least 60% of its income is derived from certain types of passive income (e.g., interest, dividends, rents, and royalties) and (2) at any time during the last half of the taxable year more than 50% in value of its outstanding stock is owned directly, or indirectly, by or for not more than 5 individuals. A company satisfying this test is taxed on its undistributed personal holding company income ("UPHCI"), currently at a rate of 20%. UPHCI is computed by making certain adjustments to taxable income, including a downward adjustment for distributions made to shareholders during the taxable year.

The tax on UPHCI is in addition to any other tax. Under the Code, a regulated investment company that is also a PHC will also be taxed on any undistributed investment company taxable income at the highest corporate rate under the Code. Each Fund intends to distribute sufficient taxable income to its shareholders in any applicable taxable period in which it is treated as a PHC to reduce or eliminate its UPHCI.

This section is not intended to be a full discussion of federal income tax laws and the effect of such laws on an investor. There may be other federal, state, local or foreign tax considerations applicable to a particular investor. Investors are urged to consult their own tax advisers.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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Ernst & Young, LLP, 220 South Sixth Street, Suite 1400, Minneapolis, Minnesota 55402 has been selected as the independent registered public accounting firm for the Funds. Ernst & Young, LLP will audit and report on the Funds' annual financial statements, review certain regulatory reports and the Funds' federal income tax returns, and perform other professional, accounting, auditing, tax and advisory services when engaged to do so by the Funds.

## **FINANCIAL STATEMENTS**

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Audited financial statements for the Small Cap Fund, SMID Cap Fund and Large Cap Fund, including the Schedule of Investments, the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets and the Financial Highlights of each such Fund for the fiscal year ended June 30, 2017, are included in the Funds' Annual Report to shareholders for the fiscal year ended June 30, 2017. The Annual Report also contains the Notes to the Funds' Financial Statements as well as the Report of the Independent Registered Public Accounting Firm retained by the Company, dated August 25, 2017. All such materials are incorporated herein by reference.