# PLAN INVESTMENT FUND, INC.

**GOVERNMENT PORTFOLIO (PIFXX)**

**MONEY MARKET PORTFOLIO (PIMXX)**

**Statement of Additional Information**

**April 30, 2024**

**TABLE OF CONTENTS**



This Statement of Additional Information ("SAI") is not a Prospectus and should be read in conjunction with the current Prospectus of Plan Investment Fund, Inc. (the "Fund") relating to the Government Portfolio and the Money Market Portfolio of the Fund (each, a "Portfolio" and collectively, the "Portfolios"), dated April 30, 2024, as it may from time to time be supplemented or revised (the "Prospectus"). No investment in Participation Certificates of the Portfolios should be made without reading the Prospectus. The audited financial statements and notes thereto for the Portfolios, including the report of Cohen & Company, Ltd., the Fund's independent registered public accounting firm, contained in the Fund's Annual Report dated December 31, 2023 are incorporated by reference into this SAI. Copies of the Prospectus and Annual and Semi-Annual Reports of the Fund may be obtained, without charge, by visiting the Fund's website at www.pif.com or by calling the Fund's administrator, BCS Financial Services Corporation (the "Administrator"), at (800) 621-9215.

## GENERAL INFORMATION

Plan Investment Fund, Inc. is a Maryland corporation and was incorporated on August 6, 1985. The Fund is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund offers Participation Certificates in, and consists of, two investment portfolios: Government Portfolio and Money Market Portfolio. The Government Portfolio commenced operations on June 1, 1995. The Money Market Portfolio commenced operations on March 11, 1987. The Government Portfolio and Money Market Portfolio are each a diversified series of the Fund.

## DESCRIPTION OF THE GOVERNMENT PORTFOLIO AND MONEY MARKET PORTFOLIO AND THEIR INVESTMENTS AND RISKS

### Investment Objective

Each Portfolio's investment objective is set forth in the Prospectus. The investment objective of a Portfolio may be changed by the Fund's Board of Trustees (the "Board") without approval of the Portfolio's Participation Certificate holders. While there is no assurance that the Portfolios will achieve their investment objectives, they endeavor to do so by following the strategies and policies described in the Prospectus and this SAI.

### Additional Information on Portfolio Instruments

The following supplements information contained in the Prospectus concerning the Portfolios' principal investment strategies. To the extent an investment policy is discussed in this SAI but not in the Prospectus with respect to a Portfolio, such policy is not a principal investment strategy of the Portfolio. The information below relates only to those Portfolios that are authorized to invest in the instruments or securities described below.

*Negative Interest Rate Scenarios.* Should a negative interest rate scenario ever occur that causes the Government Portfolio to have a negative gross yield, the Portfolio may account for the negative gross yield by either using a floating NAV or a reverse distribution mechanism that seeks to maintain a stable net asset value of the Portfolio by cancelling shareholders' shares in the amount of the negative gross yield. If the Portfolio converts to a floating NAV, any losses the Portfolio experiences due to negative interest rates will be reflected in a declining NAV per share. Under a reverse distribution mechanism, shareholders in the Portfolio would observe a stable share price but a declining number of shares for their investment. This means that such an investor would lose money when the Portfolio cancels shares. In either situation, the Board will need to determine that the approach is in the best interests of the Portfolio and will need to ensure shareholders are provided adequate disclosures around the consequences of the approach chosen by the Board for the Portfolio.

*Banking Industry Obligations.* The assets of a bank or savings institution will be deemed to include the assets of its domestic and foreign branches. Obligations of foreign banks in which a Portfolio may invest include Eurodollar Certificates of Deposit ("ECDs"), which are U.S. dollar-denominated certificates of deposit issued by offices of foreign and domestic banks located outside the United States; Eurodollar Time Deposits ("ETDs"), which are U.S. dollar-denominated deposits in a foreign branch of a U.S. bank or a foreign bank; and Yankee Certificates of Deposit ("Yankee CDs"), which are U.S. dollar-denominated certificates of deposit issued by a U.S. branch of a foreign bank and held in the United States.

*Domestic Issuers.* The Fund considers any issuer organized under the laws of a United States jurisdiction to be a United States issuer, and considers an issuer to be a United States domestic issuer even if it is organized outside of a United States jurisdiction if the underlying credit support for the issuer's security is provided by an entity organized under the laws of a United States jurisdiction.

*Commercial Paper.* Investments in commercial paper will be rated at the time of purchase in the highest rating category by at least two unaffiliated nationally recognized statistical rating organizations ("NRSROs") that rate such security (or its issuer), such as S&P Global Ratings ("S&P") or Moody's Investors Service, Inc. ("Moody's"). Commercial paper includes, "Section 4(a)(2) paper," a term that includes debt obligations issued in reliance on the "private placement" exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"). Section 4(a)(2) paper is restricted as to disposition under the Federal securities laws, and is frequently sold (and resold) to institutional investors through or with the assistance of dealers who make a market in Section 4(a)(2) paper, thereby providing liquidity. Certain transactions in Section 4(a)(2) paper may qualify for the registration exemption provided in Rule 144A under the 1933 Act. Rule 144A under the 1933 Act allows for an institutional trading market for securities otherwise subject to restriction on resale to the general public.

*Environmental, Social and Governance ("ESG") Integration.* Although the Fund does not seek to implement a sustainability objective, strategy or process, BlackRock Advisors, LLC ("BALLC" or the "Investment Advisor") will consider ESG factors as part of the credit research and investment process for the Fund. BALLC views ESG integration as the practice of incorporating financially material ESG data or information into investment processes with the objective of enhancing risk-adjusted returns. All securities purchases by the Fund are selected from approved lists maintained by BALLC. All instruments on an approved list used by BALLC have met the minimal credit risk requirement of Rule 2a-7, if required. In reviewing instruments, BALLC will consider the capacity of the issuer or guarantor to meet its obligations. BALLC considers ESG data within the total data available during its review. This may include third party research as well as considerations of proprietary BALLC research across ESG risks and opportunities regarding an issuer. The ESG characteristics utilized in the Fund's investment processes are not anticipated to evolve over time and one or more characteristics may not be relevant with respect to all issuers that are eligible for investment. Certain of these considerations may affect the Fund's exposure to certain companies or industries. While BlackRock views ESG considerations as having the potential to contribute to the Portfolio's long-term performance, there is no guarantee that such results will be achieved.

*Forward Commitment, When-Issued and Delayed Delivery Securities.* Securities purchased in a forward commitment, when-issued or delayed delivery transaction are purchased for delivery beyond the normal settlement date at a stated price and yield. A Portfolio will generally not pay for such securities or start earning interest on them until they are received. In such a transaction, the purchase or sale will be recorded on the date a Portfolio enters into the commitment, and the value of the security will thereafter be reflected in the calculation of the Portfolio's NAV. The value of the security on the delivery date may be more or less than its purchase price. The Portfolio will bear the risk of a decline in the value of the security in these transactions and may not benefit from appreciation in the value of the security during the commitment period. The Portfolios will only enter into when-issued or delayed delivery (delayed settlement) transactions that will settle within 35 days of the trade date, and the Portfolios intend to physically settle all such transactions.

A Portfolio's liquidity and ability to manage its portfolio might be affected when it designates cash or portfolio securities to cover such purchase commitments. When a Portfolio engages in these transactions, it relies on the seller to consummate the trade, and there can be no assurance that the security will be delivered. Failure of the seller to deliver the security may result in the Portfolio incurring a loss or missing an opportunity to obtain a price considered to be advantageous. The Portfolios do not intend to engage in these transactions for speculative purposes, but only with the intention of acquiring the securities in furtherance of the Portfolio's investment objective. However, the Portfolios reserve the right to dispose of a forward commitment prior to settlement if the Investment Advisor deems it appropriate to do so.

Regulations adopted by global prudential regulators that are now in effect require certain bank-regulated counterparties and certain of their affiliates to include in certain financial contracts, including many agreements with respect to when-issued, TBA and forward commitment transactions, terms that delay or restrict the rights of counterparties, such as a Portfolio, to terminate such agreements, foreclose upon collateral, exercise other default rights or restrict transfers of credit support in the event that the counterparty and/or its affiliates are subject to certain types of resolution or insolvency proceedings. It is possible that these new requirements, as well as potential additional government regulation and other developments in the market, could adversely affect a Portfolio's ability to terminate existing agreements with respect to these transactions or to realize amounts to be received under such agreements.

*U.S. Government Obligations.* Examples of the types of U.S. Government obligations that may be held by the Portfolios include: U.S. Treasury Bills, Treasury Notes, Treasury Bonds, and the obligations of the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association ("Ginnie Mae"), Federal National Mortgage Association ("Fannie Mae"), Federal Financing Bank, General Services Administration, The Co-Operative Central Bank , Federal Home Loan Banks, Federal Home Loan Mortgage Corporation ("Freddie Mac"), Farm Credit System and Tennessee Valley Authority. The Portfolios may also invest in mortgage-related securities issued or guaranteed by U.S. Government agencies and instrumentalities, including such obligations of Ginnie Mae, Fannie Mae and Freddie Mac.

To the extent consistent with their respective investment objectives, the Portfolios may invest in a variety of U.S. Treasury obligations and obligations issued by or guaranteed by the U.S. Government or its agencies, instrumentalities or U.S. Government sponsored enterprises. Not all U.S. Government obligations carry the same credit support. No assurance can be given that the U.S. Government would provide financial support to its agencies, instrumentalities or U.S. Government sponsored enterprises if it were not obligated to do so by law. There is no assurance that these commitments will be undertaken or complied with in the future.

*Repurchase Agreements.* The Portfolios may enter into repurchase agreements. In a repurchase agreement, a Portfolio purchases securities from counterparties, such as banks and broker-dealers, which must be deemed creditworthy by the Investment Adviser, subject to the seller's agreement to repurchase them at an agreed upon time and price. The securities subject to a repurchase agreement may bear maturities exceeding 13 months, provided the repurchase agreement itself matures in 13 months or less. The seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement at not less than the repurchase price (including accrued interest and any accrued premium). The repurchase price under the repurchase agreements described in the Prospectus generally equals the price paid by that Fund plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement).

The repurchase agreements of the Government Portfolio are collateralized by U.S. Government securities the market value of which, on a daily basis, including accrued interest, if any, is at least equal to 100% of the purchase price plus accrued interest under the repurchase agreements. The repurchase agreements of the Money Market Portfolio are fully collateralized by cash, obligations issued by the U.S. Government or its agencies and instrumentalities, and obligations rated in the highest category by at least two nationally recognized statistical rating organizations ("NRSROs"), or if unrated, determined to be of comparable quality by the Investment Advisor pursuant to standards approved by the Board. The collateral of the Money Market Portfolio is not limited to the foregoing and may include, for example, obligations rated in any category by NRSROs or include classes of collateralized mortgage obligations issued by agencies and instrumentalities of the U.S. Government, such as interest only and principal only, residual interests, planned amortization classes certificates and targeted amortization classes certificates and may also include securities that the Money Market Portfolio could not hold directly without the repurchase obligation. The ratings by NRSROs represent their respective opinions as to the quality of the obligations they undertake to rate. Ratings, however, are general and are not absolute standards of quality. Consequently, obligations with the same rating, maturity, and interest rate may have different market prices. Appendix A to this SAI contains a description of the relevant rating symbols used by NRSROs for commercial paper that may be purchased by each Fund. Irrespective of the type of collateral underlying the repurchase agreement, the Investment Advisor must determine that a repurchase obligation with a particular counterparty involves minimal credit risk to the Portfolio and otherwise satisfies the credit quality standards applicable to the acquisition of an instrument issued by such counterparty in compliance with Rule 2a-7 under the 1940 Act. These standards require an independent review by the Portfolio's Investment Advisor of the operating history and financial condition of the sellers to evaluate their creditworthiness and the risk of their becoming involved in bankruptcy proceedings or otherwise impairing the quality of the repurchase agreement during its contemplated term. The Investment Advisor will monitor the creditworthiness of the seller during the life of a repurchase agreement.

Securities subject to repurchase agreements will be held by the Portfolios' custodian or sub-custodian, The Bank of New York Mellon ("BNY Mellon"), or in the Federal Reserve/Treasury book-entry system. Repurchase agreements are considered to be loans by the Portfolios under the 1940 Act, and for tax purposes generally. It is not clear whether for other purposes a court would consider the securities purchased by the Portfolio subject to a repurchase agreement as being owned by the Portfolio or as being collateral for a loan by a Portfolio to the seller.

Repurchase agreements pose certain risks for a Portfolio that utilizes them. Such risks are not unique to the Portfolio but are inherent in repurchase agreements. The Portfolios seek to minimize such risks but because of the inherent legal uncertainties involved in repurchase agreements, such risks cannot be eliminated. Lower quality collateral and collateral with longer maturities may be subject to greater price fluctuations than higher quality collateral and collateral with shorter maturities. If the seller defaults in its obligation to repurchase the underlying instrument, which in effect constitutes collateral for the seller's obligation, at the price and time fixed in the repurchase agreement, the Portfolios might incur a loss if the value of the collateral declines and might incur disposition costs in connection with liquidating the collateral. In addition, lower quality collateral may be more difficult to liquidate than higher quality collateral. If bankruptcy proceedings are commenced with respect to the seller, realization upon the collateral by the Portfolios may be delayed or limited.

The Portfolios will perfect their security interest in the collateral securing the repurchase agreements in accordance with U.S. Treasury Regulations and the applicable commercial transaction law of the state in which such collateral is located. If, in the event of bankruptcy or insolvency proceedings concerning the seller of the securities, a court holds that the Portfolio does not have a perfected security interest in the securities, the Portfolio may be required to return the securities to the seller's estate and be treated as an unsecured creditor of the seller. As an unsecured creditor, a Portfolio would be at risk of losing some or all of the principal and income involved in the transaction. To minimize this risk, the Investment Advisor analyzes the creditworthiness of the obligor, in this case the seller of the securities. However, because of the legal uncertainties, this risk, like others associated with repurchase agreements, cannot be eliminated.

Also, in the event of commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before repurchase of the securities under a repurchase agreement, a Portfolio may encounter delay and incur costs before being able to sell the securities. Such a delay may involve loss of interest or a decline in the value of the securities or other collateral, in which case a Portfolio may not recover the full amount it paid for the securities and would retain the status of an unsecured creditor of the seller (i.e., the position the Portfolio would normally be in if it were to hold, pursuant to its investment policies, other unsecured debt of the defaulting seller) with respect to the amount of the shortfall. A Portfolio may enter into repurchase agreements that involve securities that would be subject to a court "stay" in the event of the seller's bankruptcy or insolvency. A "stay" will prevent a Portfolio from selling the securities it holds under a repurchase agreement until permitted by a court. In these situations a Portfolio will be subject to greater risk that the value of the securities will decline before they are sold, and that the Fund will experience a loss.

Apart from the risks associated with bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the security, whether or not the seller is bankrupt or insolvent. However, if the market value of the securities subject to the repurchase agreement becomes less than the repurchase price (including accrued interest), the Portfolio will direct the seller of the securities to deliver additional securities so that the market value of all securities subject to the repurchase agreement equals or exceeds the repurchase price. It is possible that, with respect to certain repurchase agreements, a trustee for a bankrupt or insolvent seller could be able to demand the return of any additional securities that were previously delivered to the Portfolio for this purpose, and a Portfolio could incur a loss for this reason.

Regulations adopted by global prudential regulators that are now in effect require certain bank-regulated counterparties and certain of their affiliates to include in certain financial contracts, including many repurchase agreements and purchase and sale contracts, terms that delay or restrict the rights of counterparties, such as a Portfolio, to terminate such agreements, take foreclosure action, exercise other default rights or restrict transfers of credit support in the event that the counterparty and/or its affiliates are subject to certain types of resolution or insolvency proceedings. It is possible that these new requirements, as well as potential additional government regulation and other developments in the market, could adversely affect a Portfolio's ability to terminate existing repurchase agreements and purchase and sale contracts or to realize amounts to be received under such agreements.

*Reverse Repurchase Agreements.* They Money Market Portfolio may enter into reverse repurchase agreements. In a reverse repurchase agreement a Portfolio sells a security and simultaneously commits to repurchase that security at a future date from the buyer. In effect, the Portfolio is temporarily borrowing money at an agreed upon interest rate from the purchaser of the security, and the security sold represents collateral for the loan.

The Money Market Portfolio's investment of the proceeds of a reverse repurchase agreement involves the speculative factor known as leverage. A Portfolio may enter into a reverse repurchase agreement only if the interest income from investment of the proceeds is greater than the interest expense of the transaction and the proceeds are invested for a period no longer than the term of the agreement. The Investment Advisor will evaluate the creditworthiness of the other party in determining whether the Money Market Portfolio will enter into a reverse repurchase agreement. The use of reverse repurchase agreements involves certain risks. For example, the securities acquired by the Portfolio with the proceeds of such an agreement may decline in value, although the Portfolio is obligated to repurchase the securities sold to the counterparty at the agreed upon price. In addition, the market value of the securities sold by a Portfolio may decline below the repurchase price to which the Portfolio remains committed.

Reverse repurchase agreements are considered to be borrowings under the 1940 Act and may be entered into only for temporary or emergency purposes. The Money Market Portfolio's investments in reverse repurchase agreements is subject to the Portfolio's fundamental investment limitation on borrowing as set forth under the section entitled "Investment and Borrowing Limitations" in this SAI.

*Variable Amount Master Demand Notes.* With respect to the variable amount master demand notes ("VAMD Notes") described in the Prospectus, the Investment Advisor will consider the earning power, cash flows and other liquidity ratios of the issuers of such notes and will continuously monitor their financial status to meet payment on demand. In determining average weighted portfolio maturity, VAMD Notes will be deemed to have a maturity equal to the longer of the period remaining to the next interest rate adjustment or the demand notice period.

*Mortgage-Related and Other Asset-Backed Securities.* Mortgage-related securities include fixed and adjustable-rate mortgage pass-through certificates, which provide the holder with a share of the interest and principal payments on a pool of mortgages, ordinarily backed by residential properties. There are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-related securities and among the securities that they issue. Pass-through certificates guaranteed by Ginnie Mae (such certificates are also known as "Ginnie Maes") are guaranteed as to the timely payment of principal and interest by Ginnie Mae, whose guarantee is backed by the full faith and credit of the United States. Ginnie Mae is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. Ginnie Mae certificates also are supported by the authority of Ginnie Mae to borrow funds from the U.S. Treasury Department to make payments under its guarantee. Mortgage-related securities issued by Fannie Mae include Fannie Mae guaranteed mortgage pass-through certificates (also known as "Fannie Maes"), which are guaranteed as to timely payment of principal and interest by Fannie Mae. They are not backed by or entitled to the full faith and credit of the United States, but are supported by the right of Fannie Mae to borrow from the U.S. Treasury Department.

Fannie Mae was established as a federal agency in 1938 and in 1968 was chartered by Congress as a private shareholder-owned company. Mortgage-related securities issued by Freddie Mac include Freddie Mac mortgage participation certificates (also known as "Freddie Macs" or "PCs"). Freddie Mac is a stockholder-owned corporation chartered by Congress in 1970. Freddie Macs are not guaranteed by the United States or by any Federal Home Loan Banks and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by Freddie Mac. Freddie Mac guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. While Freddie Mac generally does not guarantee timely payment of principal, Freddie Mac may remit the amount due on account of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable. On September 6, 2008, the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of both Fannie Mae and Freddie Mac.

The Money Market Portfolio only may invest in classes of collateralized mortgage obligations ("CMOs") deemed to have a remaining maturity of 13 months or less in accordance with the requirements of Rule 2a-7 under the 1940 Act. Each class of a CMO, which frequently elects to be taxed as a real estate mortgage investment conduit ("REMIC"), represents a direct ownership interest in, and the right to receive a specified portion of, the cash flow consisting of interest and principal on a pool of residential mortgage loans or mortgage pass-through securities ("Mortgage Assets"). CMOs are issued in multiple classes, each with a specified fixed or floating interest rate and a final distribution date. The relative payment rights of the various CMO classes may be structured in many ways. In most cases, however, payments of principal are applied to the CMO classes in the order of their respective stated maturities, so that no principal payments will be made on a CMO class until all other classes having an earlier stated maturity date are paid in full. These multiple class securities may be issued or guaranteed by U.S. Government agencies or instrumentalities, including Ginnie Mae, Fannie Mae and Freddie Mac, or issued by trusts formed by private originators of, or investors in, mortgage loans. Classes in CMOs which the Money Market Portfolio may hold are known as "regular" interests. The Portfolio may also hold "residual" interests, which in general are junior to and significantly more volatile than "regular interests." The residual in a CMO structure generally represents the interest in any excess cash flow or tax liability remaining after making required payments of principal of and interest on the CMOs, as well as the related administrative expenses of the issuer. The market for CMOs may be more illiquid than that of other securities. The Money Market Portfolio currently intends to hold CMOs only as collateral for repurchase agreements.

Classes of CMOs include interest only ("IOs"), principal only ("POs"), planned amortization classes ("PACs") and targeted amortization classes ("TACs"). IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages the cash flow from which has been separated into interest and principal components. IOs (interest only securities) receive the interest portion of the cash flow while POs (principal only securities) receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the investment is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slow, the life of the PO is lengthened and the yield to maturity is reduced.

PACs are parallel pay REMIC pass-through or participation certificates ("REMIC Certificates"), which generally require that specified amounts of principal be applied on each payment date to one or more classes of REMIC Certificates (the "PAC Certificates"), even though all other principal payments and prepayments of the mortgage assets are then required to be applied to one or more other classes of the Certificates. The scheduled principal payments for the PAC Certificates generally have the highest priority on each payment date after interest due has been paid to all classes entitled to receive interest currently. Shortfalls, if any, are added to the amount payable on the next payment date. The PAC Certificate payment schedule is taken into account in calculating the final distribution date of each class of PAC. In order to create PAC tranches, one or more tranches generally must be created that absorb most of the volatility in the underlying mortgage assets. These tranches (often called "supports" or "companion" tranches) tend to have market prices and yields that are more volatile than the PAC classes.

TACs are similar to PACs in that they require that specified amounts of principal be applied on each payment date to one or more classes of REMIC Certificates. A PAC's payment schedule, however, remains in effect as long as prepayment rates on the underlying mortgages do not exceed certain ranges. In contrast, a TAC provides investors with protection, to a certain level, against either faster than expected or slower than expected prepayment rates, but not both. TACs thus provide more cash flow stability than a regular sequential paying class, but less than a PAC. TACs also tend to have market prices and yields that are more volatile than PACs.

The Money Market Portfolio may also invest in non-mortgage asset-backed securities (e.g., backed by installment sales contracts, credit card receivables or other assets). Asset-backed securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in an underlying pool of assets, or as debt instruments, which are also known as collateralized obligations, and are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. The credit quality of these securities depends primarily upon the quality of the underlying assets and the level of credit support and/or enhancement provided. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made.

The yield characteristics of certain mortgage-related and asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to a mortgage-related or asset-backed security subject to such a prepayment feature will have the effect of shortening the maturity of the security. If a Portfolio has purchased such a mortgage-related or asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid. Conversely, an increase in interest rates may result in lengthening the anticipated maturity of such a security because expected prepayments are reduced. A prepayment rate that is faster than expected will reduce the yield to maturity of such a security, while a prepayment rate that is slower than expected may have the opposite effect of increasing yield to maturity.

In general, the assets supporting non-mortgage asset-backed securities are of shorter maturity than the assets supporting mortgage-related securities. Like other fixed-income securities, when interest rates rise the value of an asset-backed security generally will decline; however, when interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities, and, as noted above, changes in market rates of interest may accelerate or retard prepayments and thus affect maturities. These characteristics may result in a higher level of price volatility for asset-backed securities with prepayment features under certain market conditions. In addition, while the trading market for short-term mortgages and asset-backed securities is ordinarily quite liquid, in times of financial stress the trading market for these securities sometimes becomes restricted.

*Variable and Floating Rate Instruments.* Each Portfolio may purchase variable and floating rate instruments. Variable and floating rate instruments are subject to the credit quality standards described in the Prospectus. In some cases, the Portfolios may require that the obligation to pay the principal of the instrument be backed by a letter of credit or guarantee. Such instruments may carry stated maturities in excess of 397 days provided that the maturity-shortening provisions stated in Rule 2a-7 are satisfied. Although a particular variable or floating rate demand instrument may not be actively traded in a secondary market, in some cases, a Portfolio may be entitled to principal on demand and may be able to resell such notes in the dealer market. Variable and floating rate instruments held by a Portfolio generally may have maturities of more than 397 days provided: (i) they are subject to a demand feature entitling the Portfolio to the payment of principal and interest within 397 days of exercise, unless the instrument is issued or guaranteed by the U.S. Government or its agencies and/or instrumentalities, and (ii) the rate of interest on such instruments is adjusted at periodic intervals which may extend up to 397 days.

In determining a Portfolio's weighted average portfolio maturity and whether a long-term variable rate demand instrument has a remaining maturity of 397 days or less, the instrument will be deemed by a Portfolio to have a maturity equal to the longer of the period remaining until its next interest rate adjustment or the period remaining until the principal amount can be recovered through demand. In determining a Portfolio's weighted average portfolio maturity and whether a long-term floating rate demand instrument has a remaining maturity of 397 days or less, the instrument will be deemed by a Portfolio to have a maturity equal to the period remaining until the principal amount can be recovered through demand. In addition, a variable or floating rate instrument issued or guaranteed by the U.S. Government or its agencies and/or instrumentalities will be deemed by a Portfolio to have a maturity equal to the period remaining until its next interest rate adjustment (in the case of a variable rate instrument) or one day (in the case of a floating rate instrument). Although a particular variable or floating rate demand instrument may not be actively traded in a secondary market, in some cases, a Portfolio may be entitled to principal on demand and may be able to resell such notes in the dealer market.

*Reference Rate Replacement Risk*. A Portfolio may be exposed to financial instruments that recently transitioned from, or continue to be tied to, the London Interbank Offered Rate ("LIBOR"). The United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, has ceased publishing all LIBOR settings. In April 2023, however, the FCA announced that some USD LIBOR settings will continue to be published under a synthetic methodology until September 30, 2024 for certain legacy contracts. The Secured Overnight Financing Rate ("SOFR") is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities in the repurchase agreement ("repo") market and has been used increasingly on a voluntary basis in new instruments and transactions. Under U.S. regulations that implement a statutory fallback mechanism to replace LIBOR, benchmark rates based on SOFR have replaced LIBOR in certain financial contracts. Neither the effect of the LIBOR transition process nor its ultimate success can yet be known. Not all existing LIBOR-based instruments may have alternative rate-setting provisions and there remains uncertainty regarding the willingness and ability of issuers to add alternative rate-setting provisions in certain existing instruments. Parties to contracts, securities or other instruments using LIBOR may disagree on transition rates or the application of transition regulation, potentially resulting in uncertainty of performance and the possibility of litigation. A Portfolio may have instruments linked to other interbank offered rates that may also cease to be published in the future.

*Negative Interest Rate Instruments*. Certain countries may experience negative interest rates on deposits, and debt instruments have traded at negative yields. A negative interest rate policy is an unconventional central bank monetary policy tool where nominal target interest rates are set with a negative value (i.e., below zero percent) intended to help incentivize growth. Negative interest rates may become more prevalent among non-U.S. issuers, and potentially within the U.S. These market conditions may increase a Portfolio's exposures to interest rate risk. To the extent a Portfolio has a bank deposit or holds a debt instrument with a negative interest rate to maturity, the Portfolio would generate a negative return on that investment. While negative yields can be expected to reduce demand for fixed-income investments trading at a negative interest rate, investors may be willing to continue to purchase such investments for a number of reasons including, but not limited to, price insensitivity, arbitrage opportunities across fixed-income markets or rules-based investment strategies. If negative interest rates become more prevalent in the market, it is expected that investors will seek to reallocate assets to other income-producing assets such as investment grade and high-yield debt instruments, or equity investments that pay a dividend. This increased demand for higher yielding assets may cause the price of such instruments to rise while triggering a corresponding decrease in yield and the value of debt instruments over time.

*Loan Participations.* Loan participations are interests in loans which are administered by the lending bank or agent for a syndicate of lending banks, and sold by the lending bank or syndicate member. A Portfolio may purchase interests in loan participations for which the underlying loan is issued by borrowers in whose obligations the Portfolio is permitted to invest. Such loan participations may have a demand provision that permits the Portfolio to require repayment within seven days. However, participations may not have such a demand provision and may not be otherwise marketable. Because the intermediary bank does not guarantee a loan participation in any way, a loan participation is subject to the credit risk generally associated with the underlying corporate borrower. In the event of the bankruptcy or insolvency of the borrower, a loan participation may be subject to certain defenses that can be asserted by such borrower as a result of improper conduct by the intermediary bank. In addition, in the event the underlying corporate borrower defaults, a Portfolio may be subject to delays, expenses and risks that are greater than those that would have been involved if the Portfolio had purchased a direct obligation (such as commercial paper) of the borrower. Under the terms of a loan participation, the purchasing Portfolio may be regarded as a creditor of the intermediary bank so that the Portfolio may also be subject to the risk that the issuing bank may become insolvent.

*Municipal Securities.* Municipal securities include debt obligations issued by governmental entities to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the payment of general operating expenses and the extension of loans to public institutions and facilities ("Municipal Obligations"). Private activity bonds that are issued by or on behalf of public authorities to finance various privately-operated facilities are included within the term Municipal Obligations if, in the opinion of counsel to the issuer, the interest paid thereon is exempt from regular federal income tax.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for interest on Municipal Obligations. Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on Municipal Obligations to be subject, directly or indirectly, to federal income taxation or may cause interest on Municipal Obligations that are presently exempt from state and local taxation to be subject to state or local income taxation, or the value of such Municipal Obligations to be subject to state or local intangible personal property tax, or may otherwise prevent a Portfolio from realizing the full current benefit of the tax-exempt status of such securities. Any such change could also affect the market price of such securities, and thus the value of an investment in a Portfolio. The Fund cannot predict what legislation or regulations, if any, may be proposed in Congress or promulgated by the U.S. Treasury Department or by various states as regards the federal, state or local income tax exemption of interest on such obligations or the impact of such legislative and regulatory activity on such exemption.

The two principal classifications of Municipal Obligations which may be held by the Portfolio are "general obligation" securities and "revenue" securities. General obligation securities are secured by the issuer's pledge of its full faith, credit, and taxing power for the payment of principal and interest. Revenue securities are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as the user of the facility being financed. Revenue securities include private activity bonds which are not payable from the unrestricted revenues of the municipal issuer. Consequently, the credit quality of private activity bonds is usually directly related to the credit standing of the corporate user of the facility involved.

Investments in Municipal Obligations may also include "moral obligation" bonds, which are normally issued by special purpose public authorities. If the issuer of moral obligation bonds is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

There are, of course, variations in the quality of Municipal Obligations, both within a particular classification and between classifications, and the yields on Municipal Obligations are dependent on a variety of factors, including general money market conditions, the financial condition of the issuer, the size of a particular offering, the maturity of the obligation and the rating of the issue. The ratings of Moody's and S&P represent their opinions as to the quality of Municipal Obligations. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and Municipal Obligations with the same maturity, interest rate and ratings may have different yields while Municipal Obligations of the same maturity and interest rate with different ratings may have the same yield. Subsequent to being purchased, an issue of Municipal Obligations may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the Portfolio. The Investment Advisor will consider such an event in determining whether the Portfolio should continue to hold the obligation.

An issuer's obligations under its Municipal Obligations are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors generally, such as the federal Bankruptcy Code, and laws, if any, which may be enacted by federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or upon the ability of municipalities to levy taxes. The power or ability of an issuer to meet its obligations for the payment of interest on and principal of its Municipal Obligations may be materially adversely affected by litigation or other conditions.

Among other types of Municipal Obligations that a Portfolio may purchase are short-term general obligation notes, tax anticipation notes, bond anticipation notes, revenue anticipation notes, tax-exempt commercial paper, construction loan notes and other forms of short-term loans. Such instruments are issued with a short-term maturity in anticipation of the receipt of tax funds, the proceeds of bond placements or other revenues. In addition, a Portfolio may invest in other types of instruments, including general obligation and private activity bonds, provided they have remaining maturities of 13 months or less at the time of purchase.

A Portfolio may hold derivatives which may be in the form of tender option bonds, participations, beneficial interests in a trust, partnership interests or other forms. A number of different structures have been used. For example, interests in long-term fixed-rate Municipal Obligations, held by a bank as trustee or custodian, are coupled with tender option, demand and other features when they are created. Together, these features entitle the holder of the interest to tender (or put) the underlying Municipal Obligation to a third party at periodic intervals and to receive the principal amount thereof. In some cases, Municipal Obligations are represented by custodial receipts evidencing rights to receive specific future interest payments, principal payments, or both, on the underlying municipal securities held by the custodian. Under such arrangements, the holder of the custodial receipt has the option to tender the underlying municipal security at its face value to the sponsor (usually a bank or broker dealer or other financial institution), which is paid periodic fees equal to the difference between the bond's fixed coupon rate and the rate that would cause the bond, coupled with the tender option, to trade at par on the date of a rate adjustment. Derivatives, such as participation interests and custodial receipts, for Municipal Obligations give the holder the right to receive payment of principal subject to the conditions described above. The Investment Advisor will not independently review the underlying proceedings related to the creation of any derivatives or the bases for such opinion.

Before purchasing a derivative for a Portfolio, the Investment Advisor must conclude that the security and the supporting short-term obligation involve minimal credit risks and are eligible securities under the Fund's Rule 2a-7 procedures. In evaluating the creditworthiness of the entity obligated to purchase the security, the Investment Advisor will review periodically the entity's relevant financial information.

*Stand-By Commitments.* Under a stand-by commitment, a dealer would agree to purchase at a Portfolio's option specified Municipal Obligations at their amortized cost value to the Portfolio plus accrued interest, if any. (Stand-by commitments acquired by a Portfolio may also be referred to as "put" options.) Stand-by commitments for Municipal Obligations may be exercisable by a Portfolio at any time before the maturity of the underlying Municipal Obligations and may be sold, transferred, or assigned only with the instruments involved. A Portfolio's right to exercise stand-by commitments will be unconditional and unqualified.

*Temporary Defensive Positions.* As a result of unusual conditions, each Portfolio may depart from its principal investment strategies and adopt temporary defensive positions. Each Portfolio may hold increased amounts of uninvested cash during such periods. Uninvested cash reserves will not earn income.

**Additional Risk Information**

*Recent Market Events.* Some countries, including the U.S., have adopted and/or are considering the adoption of more protectionist trade policies, a move away from the tighter financial industry regulations that followed the 2008 financial crisis, and/or substantially reducing corporate taxes. Equity and debt markets may react strongly to these changes or expectations thereof, which could increase volatility, especially if the market's expectations are not borne out. A rise in protectionist trade policies, and the possibility of changes to some international trade agreements, could affect the economies of many countries in ways that cannot necessarily be foreseen at the present time.

Political and diplomatic events within the United States, including a contentious domestic political environment, changes in political party control of one or more branches of the U.S. government, the U.S. government's inability at times to agree on a long-term budget and deficit reduction plan, the threat of a U.S. government shutdown, and disagreements over, or threats not to increase, the U.S. government's borrowing limit (or "debt ceiling"), as well as political and diplomatic events abroad, may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. A downgrade of the ratings of U.S. government debt obligations, or concerns about the U.S. government's credit quality in general, could have a substantial negative effect on the U.S. and global economies. For example, concerns about the U.S. government's credit quality may cause increased volatility in the stock and bond markets, higher interest rates, reduced prices and liquidity of U.S. Treasury securities, and/or increased costs of various kinds of debt. Moreover, although the U.S. government has honored its credit obligations, there remains a possibility that the United States could default on its obligations. The consequences of such an unprecedented event are impossible to predict, but it is likely that a default by the United States would be highly disruptive to the U.S. and global securities markets and could significantly impair the value of the Fund's investments.

Governments and regulators may take actions that affect the regulation of the Portfolios or the instruments in which the Portfolios invest, or the issuers of such instruments, in ways that are unforeseeable. Future legislation or regulation or other governmental actions could limit or preclude the Portfolios' abilities to achieve their investment objectives or otherwise adversely impact an investment in the Portfolios. Additionally, from time to time, uncertainty regarding the status of negotiations in the U.S. government to increase the statutory debt ceiling could impact the creditworthiness of the United States and could impact the liquidity of the U.S. Government securities markets and ultimately the Portfolios.

In addition, geopolitical and other risks, including environmental and public health, may add to instability in world economies and markets generally. Economies and financial markets throughout the world are becoming increasingly interconnected. As a result, whether or not a Portfolio invests in securities of issuers located in or with significant exposure to countries experiencing economic, political and/or financial difficulties, the value and liquidity of the Portfolio's investments may be negatively affected by such events.

The coronavirus disease 2019 (COVID-19) pandemic resulted in, and may continue to result in, significant global economic and societal disruption and market volatility due to disruptions in market access, resource availability, facilities operations, export controls and supply chain disruption, among others. The impacts, as well as the uncertainty over impacts to come, of COVID-19 – and any other infectious illness outbreaks, epidemics and pandemics that may arise in the future – could negatively affect global economies and markets in ways that cannot necessarily be foreseen. The disruptions caused by public health crises could prevent a Portfolio from executing advantageous investment decisions in a timely manner and negatively impact the Portfolio's ability to achieve its investment objective. Any such event(s) could have a significant adverse impact on the value and risk profile of the Portfolio.

During the 2008 financial crisis, and again during the COVID-19 pandemic, the U.S. Government and the U.S. Federal Reserve Board (the "Fed"), as well as certain foreign governments and central banks, took steps to support financial markets, including by keeping interest rates at historically low levels and by purchasing large quantities of securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities on the open market ("Quantitative Easing"). The Fed and certain foreign central banks subsequently increased the Federal Funds and equivalent foreign rates and also tapered their Quantitative Easing programs. These entities may continue to increase rates and taper or end their quantitative easing programs. These or any other monetary policy changes may expose fixed-income and related markets to heightened volatility and may reduce liquidity for certain Portfolio investments, which could cause the value of a Portfolio's investments and share price to decline.

*Cyber Security Risk.* With the increased use of technology and dependence on computer systems to perform necessary business functions, the Portfolios and their service providers may be exposed to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, but are not limited to, infection by computer viruses or other malicious software code, unauthorized access to the service providers' digital systems through hacking, physically accessing systems or data storage facilities, or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access to service providers' digital systems, such as causing denial-of-service attacks on the service providers' systems or websites that render them unavailable to intended users or via "ransomware" that renders the systems inoperable until appropriate actions are taken such as payment of a ransom. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on the service providers' systems.

Cyber-attacks have the potential to interfere with the processing of Participation Certificate holder transactions, impact a Portfolio's ability to calculate its net asset value ("NAV"), cause the release of private Participation Certificate holder information or confidential portfolio information, impede trading, cause reputational damage, and subject a Portfolio or its service providers to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, litigation costs, and/or additional compliance costs. A Portfolio and its service providers may also incur substantial costs for cyber security risk management in order to prevent future cyber security incidents. A Portfolio and its Participation Certificate holders could be negatively impacted as a result of the costs. Similar types of cyber security risks exist for issuers of securities or other instruments in which a fund invests. Cyber-attacks could result in material adverse consequences for such issuers, and may cause a Portfolio's investments therein to lose value.

## INVESTMENT AND BORROWING LIMITATIONS

Below is a complete list of the Portfolios' fundamental investment limitations that may not be changed without the affirmative vote of the holders of a "majority" of the outstanding Participation Certificates of the respective Portfolios (as defined herein under "Miscellaneous").
The Portfolios may not:

1. Borrow money, except from commercial banks for temporary purposes, and then in amounts not in excess of 5% of the total assets of the respective Portfolio at the time of such borrowing; or mortgage, pledge or hypothecate any assets except in connection with any such borrowing and in amounts not in excess of the lesser of the dollar amount borrowed or 5% of the total assets of the respective Portfolio at the time of such borrowing. This borrowing provision applies to Reverse Repurchase Agreements whose proceeds are utilized to provide liquidity to meet redemption requests when liquidation of portfolio securities is considered disadvantageous. At no time shall the level of funds borrowed to meet redemption requests exceed 5% of the total assets of the respective Portfolio; the interest expenses associated with such credit arrangements will be charged to the income of the respective Portfolio; and any new cash flows must be applied to retiring such Portfolio borrowings.

2. Purchase any securities, which would cause 25% or more of the total assets of the respective Portfolio at the time of such purchase to be invested in the securities of issuers conducting their principal business activities in the same general industry. There is no limitation for the Portfolios with respect to investments in U.S. Government obligations or for the Money Market Portfolio in obligations of domestic branches of U.S. banks. (The Fund interprets "domestic branches of U.S. banks" for purposes of this investment limitation to include U.S. branches of foreign banks, if such branches are subject to the same regulation as U.S. banks.)

3. Purchase securities of any issuer, other than those issued or guaranteed by the U.S. Government, Federal agencies and government-sponsored corporations, if immediately after such purchase more than 5% of the total assets of the respective Portfolio would be invested in such issuer; except that up to 100% of the total assets of the Government Portfolio and the Money Market Portfolio may be invested in Repurchase Agreements with maturities not greater than seven days without regard to this 5% limitation.

4. Purchase securities, if immediately after such purchase more than 5% of the total assets of the respective Portfolio would be invested in securities which are illiquid, including Repurchase Agreements with maturities greater than seven days and VAMD Notes with greater than seven days' notice required for sale.

5. Make loans, except that each Portfolio may purchase or hold debt instruments, and may enter into Repurchase Agreements, in accordance with its investment objectives and policies.

6. Purchase securities issued by Health Plans Capital Service Corporation.

7. Purchase or sell commodities or commodity contracts, including futures contracts, or invest in oil, gas or mineral exploration or development programs.

8. Acquire voting securities of any issuer or acquire securities of other investment companies.

9. Purchase or sell real estate. (However, each Portfolio may purchase bonds and commercial paper issued by companies, which invest in real estate or interests therein.)

10. Purchase securities on margin, make short sales of securities or maintain a short position.

11. Act as an underwriter of securities.

12. Issue senior securities, except to the extent that certain investment policies related to Reverse Repurchase Agreements discussed herein and in the Prospectus may be deemed to involve the issuance of senior securities within the meaning of the 1940 Act.

The following non-fundamental investment limitations are applicable to the Government Portfolio only. These limitations can be changed by the Board, but the change will only be effective after prior written notice is provided to the Government Portfolio's Participation Certificate holders.

1. The Portfolio invests, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements collateralized by such obligations.

2. The Portfolio seeks to invest at least 99.5% of its total assets in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements collateralized by such obligations or cash.

*Additional Information Regarding Investment Limitations.* Regarding fundamental investment limitation #6 above, Health Plans Capital Service Corporation was part of Blue Cross Blue Shield Association and served as the Fund's administrator prior to BCS Financial Services Corporation. Health Plans Capital Service Corporation no longer exists.

## PORTFOLIO TRANSACTIONS

Subject to the general oversight of the Board, BALLC is responsible for, makes decisions with respect to, and places orders for all purchases and sales of portfolio securities for the Portfolios. Purchases and sales of securities for each Portfolio usually are principal transactions. The Investment Advisor normally purchases securities on behalf of the Portfolios directly from the issuer or from an underwriter or market maker of the securities. The Portfolios typically do not pay brokerage commissions for such purchases. Purchases from dealers serving as market makers may include the spread between the bid and asked prices. While the Investment Advisor intends to seek the best price and execution for portfolio transactions on an overall basis, the Fund may not necessarily pay the lowest spread or commission available on each transaction.

The Investment Advisor seeks to use dealers it believes to be actively and effectively trading the securities being purchased or sold. The Investment Advisor will not pay a higher spread or commission in recognition of research or other services provided by a dealer. During the Fund's three most recently completed fiscal years none of the brokers utilized to carry out transactions for the Portfolios were affiliated with the Fund.

The Investment Advisor of each Portfolio makes investment decisions for such Portfolio independently from those for the other investment companies advised by the Investment Advisor. It may happen, on occasion, that the same security is held in one or more of such other investment companies. Simultaneous transactions are likely when the same investment advisor advises several investment companies, particularly when a security is suitable for the investment objectives of more than one of such investment companies. When two or more investment companies advised by the Investment Advisor are simultaneously engaged in the purchase or sale of the same security, the transactions are allocated to the respective investment companies, both as to amount and price, in accordance with a method deemed equitable to each investment company by the Investment Advisor. In some cases this system may adversely affect the price paid or received by a Portfolio or the size of the security position obtainable or sold for a Portfolio.

The Portfolios will not execute portfolio transactions through, acquire portfolio securities issued by, make savings deposits in, or enter into Repurchase Agreements or Reverse Repurchase Agreements with, BALLC or any affiliates, officers or employees of BALLC.

On December 31, 2023, the Portfolios owned securities of regular broker dealers or their parents as indicated below.

Government Portfolio

| Broker Dealer | Value of Securities Owned |
|---|---|
| Goldman Sachs & Co. LLC | $230,000,000 |
| TD Securities (USA) LLC | $209,000,000 |
| Scotia Capital (USA), Inc. | $175,000,000 |
| HSBC Securities (USA), Inc. | $100,000,000 |
| BNP Paribas Securities Corp. | $53,000,000 |

Money Market Portfolio

| Broker Dealer | Value of Securities Owned |
|---|---|
| Natixis Securities Americas LLC | $22,500,000 |
| Citigroup Global Markets Inc. | $19,952,793 |
| Credit Agricole Securities (USA) Inc. | $2,600,987 |
| RBC Capital Markets LLC | $2,242,168 |
| Mizuho Securities USA LLC | $2,000,407 |
| Skandinaviska Enskilda Banken AB | $1,500,116 |
| Erste Group Bank AG | $999,408 |
| J.P. Morgan Securities LLC | $497,048 |

During the previous three fiscal years, the Portfolios have paid $0 in brokerage commissions.

**DISCLOSURE OF PORTFOLIO INFORMATION**

The Board has adopted policies and procedures concerning the disclosure of the portfolio holdings of the Fund. The policies and procedures provide that the Portfolios and the Investment Advisor, Administrator, service agent, custodian, transfer agent and distributor will only release information about a Portfolio's holdings under the following circumstances:

- Information which has previously been made public may be freely released.
- Government and/or regulatory entities, such as the SEC or a court of law, may review the portfolio holdings.
- Portfolio holdings may be reviewed by third parties for legitimate business reasons, subject to additional requirements, including approval by the Fund's Chief Compliance Officer ("CCO") or the CCO's designee and a confidentiality agreement that includes an agreement not to use the information obtained for trading purposes.
- The Fund will publicly disclose its portfolio holdings as required in accordance with SEC Forms N-CSR, N-PORT, N-MFP or other applicable SEC forms. In addition, the Fund will disclose its portfolio holdings on its website at www.pif.com at such intervals and to such extent as the Fund shall determine and as required by applicable SEC rules.

Except as set forth above, the policies and procedures do not apply differently to different categories of persons. In considering a request for disclosure of Portfolio holdings information, the CCO or their designee will consider whether the requesting third party has a legitimate purpose for reviewing the portfolio holdings and whether such disclosure poses any material risk. In connection with the review, the CCO or their designee will consider any possible conflicts of interest that may arise in connection with such requested disclosure. The Fund's CCO is required to notify the Board of new third parties approved to receive portfolio holdings information pursuant to the procedures at the next meeting of the Board.

The Fund does not have any policies or procedures with respect to the receipt of compensation or other consideration by the Fund, an investment advisor, or any other party in connection with the disclosure of information about portfolio securities.

*Ongoing Arrangements*. The Fund has ongoing arrangements to provide selective disclosure of Fund portfolio holdings to the following persons or entities:

- The Board and, if necessary, the Fund's counsel
- The Fund's custodian
- The Fund's Administrator and its parent company
- The Fund's independent registered public accounting firm
- The Fund's distributor
- Foreside Fund Officer Services, LLC
- Foreside Management Services, LLC
- Standard & Poor's (S&P)
- Bloomberg, LP

With respect to each such arrangement, the Fund has a legitimate business purpose for the release of portfolio holdings information. The release of the information is subject to approval of the executive officers of the Fund and confidential treatment to prohibit the entity from sharing the information provided with unauthorized persons. The Fund, BALLC, and their affiliates do not receive any compensation or other consideration in connection with such arrangements.

Information concerning the Schedule of Investments of the Government Portfolio and the Money Market Portfolio is available on the Fund's website, at www.pif.com. A complete listing of the Portfolios' holdings as of the end of each month is posted on the website no earlier than 5 business days following the end of such month and remains posted on the website for six months thereafter.

## ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

Under the 1940 Act, the Fund may suspend the right of redemption or postpone the date of payment of redemption proceeds (i) for any period during which the New York Stock Exchange is closed, other than customary weekend and holiday closings, or during which trading on said exchange is restricted (trading shall be deemed restricted as determined by the SEC by rules and regulations), or (ii) for any period during which an emergency exists (an emergency shall be deemed to exist as determined by the SEC by rules and regulations) as a result of which disposal or valuation of portfolio securities is not reasonably practical, or for such other periods as the SEC, or any successor governmental authority, may by order permit for the protection of Participation Certificate holders of the Portfolios. (The Fund may also suspend or postpone the recording of the transfer of its Participation Certificates by the transfer agent upon the occurrence of any of the foregoing conditions.)

If the Board determines that conditions exist which make payment of redemption proceeds wholly in cash unwise or undesirable, the Fund may make payment in securities or other property; investors will incur expenses in disposing of redemption proceeds which are paid in this manner. The Fund has elected to commit itself to pay all redemption proceeds in cash up to the lesser of $250,000 or 1% of the respective Portfolio's NAV for any Participation Certificate holder within a 90-day period pursuant to a notification of election filed with the SEC under, and in accordance with the guidelines set forth in, Rule 18f-1 under the 1940 Act. (See "Net Asset Value" below for an example of when such redemption or form of payment might be appropriate.) Redemptions in-kind are taxable for federal income tax purposes in the same manner as redemptions for cash.

### Transfer Payments

A Participant investing in the Government Portfolio or the Money Market Portfolio may direct that payment upon redemption of Participation Certificates in the Portfolio be used to purchase Participation Certificates of the Government Portfolio or the Money Market Portfolio for another Participant by a transfer of the redeemed Participation Certificates to the second Participant. Such a transfer is made by a redemption and simultaneous purchase in the name of the second Participant. A Participant may not request a transfer from its Government Portfolio or its Money Market Portfolio account in a dollar amount greater than the dollar amount held in such investor's account on the business day prior to the date of such request. Such transfers may be effected at any time prior to 3:00 P.M. (Eastern Time). There is no limit on the number of transfers that a Participant can place in any one day, nor on the total number of such transfers by all Participants per day.

## NET ASSET VALUE

The Fund calculates the NAV per Participation Certificate of each Portfolio by dividing the total value of the assets belonging to each Portfolio, less the value of any liabilities charged to that Portfolio, by the total number of outstanding Participation Certificates of that Portfolio.

*For the Government Portfolio:*

The Government Portfolio intends to operate as a "government money market fund" in accordance with Rule 2a-7 under the 1940 Act ("Rule 2a-7") and uses the amortized cost method of valuation to value its portfolio holdings for purposes of calculating the Portfolio's NAV.

See "Use of Amortized Cost" below for additional information regarding this method.

*For the Money Market Portfolio:*

In calculating its NAV, the Money Market Portfolio values its holdings using readily available market quotations. Portfolio holdings for which market quotations are not readily available are fair valued by the Investment Advisor pursuant to the Board's designation of the Investment Advisor as "valuation designee" with respect to the Money Market Portfolio in accordance with Rule 2a-5 under the 1940 Act. The Investment Advisor, as the Money Market Portfolio's valuation designee, fair values portfolio holdings in accordance with its valuation policies and procedures, generally utilizing last available bid prices or price evaluations provided by an independent pricing service selected by the Investment Advisor. The pricing services may use matrix pricing or valuation models that utilize certain inputs and assumptions to derive values, including transaction data (e.g., recent representative bids and offers), credit quality information, perceived market movements, news, and other relevant information and by other methods, which may include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; general market conditions; and/or other factors and assumptions. Pricing services generally value fixed-income securities assuming orderly transactions of an institutional round lot size, but the Money Market Portfolio may hold or transact in such securities in smaller, odd lot sizes. Odd lots may trade at lower prices than institutional round lots. The Investment Advisor may value short-term debt securities with remaining maturities of 60 days or less on the basis of amortized cost. Generally, trading in U.S. Government securities, short-term debt securities, and money market instruments is substantially completed each day at various times prior to the close of business on the New York Stock Exchange. The values of such securities used in computing the NAV of the Money Market Portfolio's Participation Certificates are determined as of such times.

Fair value represents a good faith approximation of the value of an asset or liability security. The fair value of an asset or liability held by the Money Market Portfolio is the amount the Portfolio might reasonably expect to receive from the current sale of that asset or the cost to extinguish that liability in an arm's-length transaction. When determining the fair value of an investment, the Investment Advisor may use one or more fair value methodologies (depending on certain factors, including the asset type). For example, the investment may be initially priced based on the original cost of the investment. Valuing the Money Market Portfolio's investments using fair value pricing will result in prices that may differ from current market valuations and that may not be the prices at which those investments could have been sold during the period in which the particular fair values were used. The Investment Advisor's role with respect to fair valuation may present certain conflicts of interest given the impact valuations can have on Portfolio performance and the Investment Adviser's asset-based fees.

The Money Market Portfolio has been designated an institutional prime money market fund, which means that the NAV of the Money Market Portfolio's Participation Certificates will "float," fluctuating with changes in the values of the Portfolio's portfolio securities.

**Use of Amortized Cost**

Under the amortized cost valuation method, an investment is valued initially at its cost, which is then adjusted each day by the amount of interest income accrued over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If the amount payable at maturity exceeds the initial cost (a “discount”), then the accrued interest is added to the investment’s cost; if the initial cost exceeds the amount payable at maturity (a “premium”), then the accrued interest is subtracted from the investment’s cost.

In response to SEC guidance that funds may only use the amortized cost method to value a portfolio security with a remaining maturity of 60 days or less when the fund can reasonably conclude, at each time it makes a valuation determination, that the amortized cost price of the portfolio security is approximately the same as the fair value of the security as determined without the use of amortized cost valuation, the Board has adopted certain procedures to perform a comparison between the amortized cost price and the shadow price of a portfolio security for which amortized cost is used to value the security in order to ensure that amortized cost is used to value the security only where it is “approximately the same” as the security’s market based value. If the shadow price of such security is not approximately the same as the amortized cost price, generally the shadow price of the security will be used, unless otherwise permitted under the procedures. This determination is made only on an individual security basis. Shadow prices for individual securities are generally provided by an independent pricing service unless otherwise authorized by the procedures approved by the Board.

Investors should also be aware that although procedures exist which are intended to reduce the volatility of each Portfolio’s NAV per Participation Certificate, the value of the underlying assets of each Portfolio will be affected by general changes in interest rates which will result in increases or decreases in the value of the obligations held by the Portfolios. The market value of the obligations in the Portfolios can be expected to vary inversely to changes in prevailing interest rates. Investors should also recognize that, in periods of declining interest rates, the Portfolios’ yields may tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates, the Portfolios’ yields may tend to be somewhat lower. Also, when interest rates are falling, the inflow of net new money to the Portfolios from the continuous sale of their Participation Certificates will likely be invested in portfolio instruments producing lower yields than the balance of the Portfolios’ holdings, thereby reducing the Portfolios’ current yields. In periods of rising interest rates, the opposite can be expected to occur.

## MANAGEMENT OF THE FUND

### Trustees and Officers

The Trustees and Officers of the Fund, along with certain information concerning each of them, are as follows:

### Interested Trustee

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years (including actual start date regardless of number of years) | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/ Directorships Held by Trustee During Past Five Years |
|---|---|---|---|---|---|
| Susan A. Pickar[1]<br>2 Mid America Plaza<br>Suite 200<br>Oakbrook Terrace, IL<br>Age: 55 | Trustee<br><br>President and Chief Executive Officer | Indefinite, since 2022 | 2014 to Present - Chief Financial Officer and Treasurer, BCS Financial Corporation | Two | None |

[1] Ms. Pickar may be deemed an "interested person" (as that term is defined in the 1940 Act) of the Fund as a result of her position as President and Chief Executive Officer of the Fund.

### Independent Trustees

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years (including actual start date regardless of number of years) | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/ Directorships Held by Trustee During Past Five Years |
|---|---|---|---|---|---|
| Jennifer J. Allen<br>3545 Lakeland Drive<br>Jackson, MS 39232<br>Age: 48 | Trustee | Indefinite, since 2020 | 2019 to Present – Executive Vice President and Chief Financial Officer, and from 2014 to 2019 – Senior Vice President, Provider Partnerships, Blue Cross & Blue Shield of Mississippi | Two | None |
| Noel W. Carden<br>450 Riverchase Parkway E,<br>Birmingham, AL 35244<br>Age: 57 | Trustee | Indefinite, since 2023[1] | 2012 to Present – Senior Vice President and Chief Financial Officer, and from 2009 to 2022 – Vice President and Chief Actuary, Blue Cross and Blue Shield of Alabama | Two | None |

[1] Less than 1 year.

**Independent Trustees Continued**

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years (including actual start date regardless of number of years) | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/ Directorships Held by Trustee During Past Five Years |
|---|---|---|---|---|---|
| Sandra M. Clarke<br>601 12th Street<br>Oakland, CA 94607<br>Age: 55 | Chair<br><br><br>Trustee | 1 year, since 2021<br><br>Indefinite, since 2019 | 2022 to Present – Executive Vice President and Chief Operating Officer, and from 2021 to 2022 – Executive Vice President and Chief Financial Officer, and from 2018 to 2021 – Senior Vice President and Chief Financial Officer, Blue Shield of California | Two | None |
| William A. Coats<br>4800 Deerwood Campus Parkway, Building 100<br>Jacksonville, FL 32246<br>Age: 69 | Trustee | Indefinite, since 2018 | 2011 to Present – Vice President, Treasurer and Chief Investment Officer of GuideWell and Blue Cross and Blue Shield of Florida | Two | None |
| Christina Y. Fisher<br>225 N. Michigan Avenue<br>Chicago, IL 60601<br>Age: 47 | Trustee | Indefinite, since 2023[1] | 2021 to Present – Executive Vice President and Chief Financial Officer, Blue Cross Blue Shield Association 2016 to 2021 – Senior Vice President and Chief Financial Officer, American Hospital Association | Two | None |
| John F. Giblin<br>1 Cameron Hill Circle<br>Chattanooga, TN 37402<br>Age: 67 | Trustee | Indefinite, since 2015 | 2007 to Present – Executive Vice President and Chief Financial Officer, BlueCross BlueShield of Tennessee, Inc. | Two | None |
| Diane G. Gore<br>4000 House Avenue<br>Cheyenne, WY 82001<br>Age: 61 | Trustee | Indefinite, since 2018 | 2019 to Present – President and Chief Executive Officer, and from 2017 to 2019 - Chief Operating Officer, Blue Cross Blue Shield of Wyoming | Two | None |
| Lori C. Hair<br>2501 Faraway Drive<br>Columbia, SC 29223<br>Age: 45 | Trustee | Indefinite, since 2021 | 2021 to Present - Executive Vice President, Chief Financial Officer and Treasurer, and from 2018 to 2021 - Vice President, Corporate Controller and Assistant Treasurer, BlueCross and BlueShield of South Carolina | Two | None |

[1] Less than 1 year.

**Independent Trustees Continued**

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years (including actual start date regardless of number of years) | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/ Directorships Held by Trustee During Past Five Years |
|---|---|---|---|---|---|
| Juan A. Lopez, Jr.<br>1901 Market Street<br>Philadelphia, PA 19103<br>Age: 56 | Trustee | Indefinite, since 2021 | 2021 to Present - Executive Vice President, Chief Financial and Treasurer, and from 2018 to 2021 – Senior Vice President, Finance Shared Services, Independence Blue Cross | Two | None |
| Gina L. Marting<br>818 Keeaumoku Street<br>Honolulu, HI 96814<br>Age: 63 | Trustee | Indefinite, since 2018 | 2020 to Present – Executive Vice President, Chief Financial Officer and Treasurer, and from 2017 to 2020 – Senior Vice President, Chief Financial Officer and Treasurer, Hawaii Medical Service Association | Two | None |
| Mitch W. Perry<br>4705 University Drive<br>Durham, NC 27707<br>Age: 58 | Trustee | Indefinite, since 2021 | 2013 to Present - Senior Vice President and Chief Financial Officer, Blue Cross and Blue Shield of North Carolina | Two | None |
| T. Ralph Woodard, Jr.<br>2500 Elmerton Avenue<br>Harrisburg, PA 17177<br>Age: 58 | Trustee | Indefinite, since 2018 | 2021 to Present – Senior Vice President, Chief Financial Officer and Treasurer, Capital Blue Cross<br><br>2017 to 2021 – Executive Vice President and Chief Financial Officer, Blue Cross of Idaho Health Service, Inc. | Two | None |

**Executive Officers**

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served[1] | Principal Occupation(s) During Past 5 Years (including actual start date regardless of number of years) |
|---|---|---|---|
| Susan A. Pickar<br>2 Mid America Plaza, Suite 200<br>Oakbrook Terrace, IL 60181<br>Age: 55 | President and Chief Executive Officer | Since 2014 | 2014 to Present – Chief Financial Officer and Treasurer, BCS Financial Corporation |
| Anthony S. Bongiorno<br>2 Mid America Plaza, Suite 200<br>Oakbrook Terrace, IL 60181<br>Age: 36 | Assistant Treasurer | Since 2021 | 2023 to Present – Director, Investment Services & Treasury, and from 2020 to 2022 – Director, Investments and Client Relations, and from 2015 to 2020 – Manager, Investments and Client Relations, BCS Financial Corporation |
| Ann F. Frolik<br>2 Mid America Plaza, Suite 200<br>Oakbrook Terrace, IL 60181<br>Age: 58 | Secretary and Anti-Money Laundering Officer | Since 2018 | 2018 to Present – Deputy General Counsel, BCS Financial Corporation |
| Alexander D. Hudson<br>2 Mid America Plaza, Suite 200<br>Oakbrook Terrace, IL 60181<br>Age: 40 | Chief Operating Officer | Since 2015 | 2017 to Present – Vice President, Investment Services and Treasury, BCS Financial Corporation |
| Eimile J. Moore<br>3 Canal Plaza, 3rd Floor<br>Portland, ME 04101<br>Age: 54 | Chief Compliance Officer | Since 2022 | 2011 to Present – Senior Principal Consultant, ACA Group |
| James A. Gallo<br>3 Canal Plaza, 3rd Floor<br>Portland, ME 04101<br>Age: 59 | Treasurer | Since 2022 | 2022 to Present – Senior Principal Consultant, ACA Group<br><br>2010 to 2021 – Senior Director, Fund Services, Bank of New York Mellon |

[1] Term of office is one year.

**Leadership Structure and Board of Trustees**

The business and affairs of the Fund are managed under the direction of the Board. The Board has structured itself in a manner that it believes allows it to perform its oversight function effectively. The Board has established two standing committees, an Audit Committee and a Nominating Committee, which are discussed in greater detail below under "Committees of the Board of Trustees." As of the date of this SAI, there are 13 members serving on the Board (each a "Trustee"), 12 of whom are not an "interested person" (as defined in the 1940 Act) of the Fund (the "Independent Trustees") and 1 of whom may be deemed an "interested person" of the Fund (the "Interested Trustee"). The Chair of the Board, Sandra M. Clarke, is an Independent Trustee. The Chair of the Board presides at meetings of the Board and may preside at meetings of Participation Certificate holders. The Board exercises risk oversight of the Fund through receiving and reviewing compliance reports from, and making inquiries of, the Administrator and the Investment Advisor. These reports are prepared monthly and provided to the Board on a periodic basis. The Board also exercises risk oversight by receiving and reviewing reports at regular Board meetings, including an annual report from the CCO and by making inquiries of and having meetings with the CCO. In light of the general characteristics of the Fund, including the number of series, the nature of the Fund's investments and the historical relationship between the Fund and BALLC, the Board has developed a governance structure that fosters the type of meaningful dialogue between BALLC and the Trustees and results in the cooperation between the two.

The following is a brief discussion of the experiences and qualifications that led to the conclusion, as of the date of this SAI, that each current Board member should serve as a Trustee. The information provided below, and in the table above, is not all-inclusive.

*Interested Trustee*

Susan A. Pickar has held senior and executive financial management positions, including currently serving as Chief Financial Officer and Treasurer of BCS Financial Corporation as shown in the table above.

*Independent Trustees*

Jennifer J. Allen has held senior and executive financial management positions, including currently serving as Executive Vice President and Chief Financial Officer of Blue Cross & Blue Shield of Mississippi as shown in the table above.

Noel W. Carden has held senior and executive financial management positions, including currently serving as Senior Vice President and Chief Financial Officer of Blue Cross and Blue Shield of Alabama as shown in the table above.

Sandra M. Clarke has held senior and executive financial management positions, including currently serving as Executive Vice President and Chief Operating Officer of Blue Shield of California as shown in the table above.

William A. Coats has held senior and executive financial management positions, including currently serving as Vice President, Treasurer and Chief Investment Officer of Guidewell and Blue Cross and Blue Shield of Florida as shown in the table above.

Christina Y. Fisher has held senior and executive financial management positions, including currently serving as Executive Vice President and Chief Financial Officer of Blue Cross Blue Shield Association as shown in the table above.

John F. Giblin has held executive financial management positions, including currently serving as Executive Vice President and Chief Financial Officer of BlueCross BlueShield of Tennessee, Inc. as shown in the table above.

Diane G. Gore has held executive financial management positions, including currently serving as President and Chief Executive Officer of Blue Cross Blue Shield of Wyoming as shown in the table above.

Lori C. Hair has held senior and executive financial management positions, including currently serving as Executive Vice President, Chief Financial Officer and Treasurer of BlueCross and BlueShield of South Carolina as shown in the table above.

Juan A. Lopez, Jr. has held senior and executive financial management positions, including currently serving as Executive Vice President, Chief Financial Officer and Treasurer of Independence Blue Cross as shown in the table above.

Gina L. Marting has held senior and executive financial management positions, including currently serving as Executive Vice President, Chief Financial Officer and Treasurer of Hawaii Medical Service Association as shown in the table above.

Mitch W. Perry has held senior and executive financial management positions, including currently serving as Senior Vice President and Chief Financial Officer Blue Cross and Blue Shield of North Carolina as shown in the table above.

T. Ralph Woodard, Jr. has held senior and executive financial management positions, including currently serving as Senior Vice President, Chief Financial Officer and Treasurer of Capital Blue Cross as shown in the table above.

The Fund has concluded that the interests of the Fund and its Participation Certificate holders are served by having Trustees who have long-term experience as Trustees of the Fund, as well as highly experienced Trustees with shorter Fund tenures, who may bring new perspectives to management of the Fund. The Fund also has concluded that its leadership structure, in which all or most of the Trustees are or have been affiliated with investors or potential investors in the Fund, aligns the interests of the Trustees with the interests of such investors with respect to risk oversight of the Fund and other matters. While the current Trustees all have investment experience and skills and financial management experience and skills, future Trustees may have additional or different experience and skills.

The discussion of the Trustees' experience and qualifications is pursuant to SEC requirements, does not constitute holding out the Board or any Trustee as having any special expertise, and shall not impose any greater responsibility or liability on any such Trustee or the Board of Trustees by reason thereof.

**Committees of the Board of Trustees**

The Board has a standing Audit Committee and a standing Nominating Committee.

**Audit Committee**

The purpose of the Audit Committee is to assist the Board in fulfilling its governance responsibilities by, among other things, taking the following actions:

1. Make recommendations to the Board of Trustees concerning the appointment, retention and compensation of the independent auditors;

2. Inquire whether management has maintained the reliability and integrity of Fund policies and financial reporting and disclosure practices;

3. Inquire whether management has established and maintained processes to assure that an adequate system of internal control is functioning;

4. Inquire whether management has established and maintained processes to assure compliance by the Fund in all material respects with all applicable laws, regulations, policies and codes;

5. Review Fund risk management oversight by discussing with management major risk exposures and management's plans to monitor and control such risk exposures;

6. Inquire about and evaluate the performance and qualifications of financial management and the independent auditors;

7. Address reports from attorneys and auditors of possible breaches of federal or state laws or fiduciary duties that relate to accounting, internal accounting controls or auditing matters;

8. Encourage and foster open communication among management, the independent auditors and the Board of Trustees; and

9. Review significant reports of examinations of the Fund by regulatory agencies relevant to accounting practices and evaluate the adequacy of management's response.

The Audit Committee is responsible for identifying and recommending for approval by the Board the independent auditors to audit the Fund's financial statements, reviewing the auditor's fees, reviewing and approving the scope of the audit and pre-approving certain audit and non-audit services to be provided to the Fund, and in certain cases, non-audit services provided to the Fund's investment advisors and certain affiliated parties. The members of the Audit Committee are Jennifer J. Allen, William A. Coats, John F. Giblin, Lori C. Hair, Juan A. Lopez., Jr. and Mitch W. Perry. The Audit Committee met on two occasions during the Fund's most recent fiscal year. No member of the Audit Committee is an interested person of the Fund.

**Nominating Committee**

The purpose of the Nominating Committee is to gather information and make recommendations to the Board of nominees for election as Trustees of the Fund. The members of the Nominating Committee are Noel W Carden, Sandra M. Clarke, Diane G. Gore, Gina L. Marting, Christina Y. Fisher and T. Ralph Woodard, Jr. The Nominating Committee met on three occasions during the Fund's most recent fiscal year. No member of the Nominating Committee is an interested person of the Fund.

The Nominating Committee will consider Participation Certificate holders' recommendations of potential nominees for election as Trustees. Recommendations of potential nominees for election at a meeting of Participation Certificate holders should be submitted in writing to the Fund at its principal office.

**Ownership of Securities**

As of December 31, 2023, none of the Fund's Trustees had "beneficial ownership" (as such term is defined by Rule 16a-1(a)(2) of the Securities Exchange Act of 1934) of equity securities in the Fund or any registered investment companies overseen by the Trustee within the same family of investment companies as the Fund.

As of March 31, 2024, the Trustees and Officers of the Fund, as a group, did not own more than 1% of the outstanding Participation Certificates of any Portfolio.

As of December 31, 2023, none of the Fund's Trustees who are not interested persons of the Fund or their immediate family members were record owners or "beneficial owners" (as such term is defined by Rule 13d-3 or Rule 16a-1(a)(2) of the Securities Exchange Act of 1934) of securities of an investment advisor or principal underwriter of the Fund or a person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment advisor or principal underwriter of the Fund.

**Compensation Information**

Trustees who are not employed by Blue Cross and/or Blue Shield entities are paid $500 for participation in each regular meeting and $150 for participation in each telephonic meeting. The Fund does not pay any compensation to other Trustees, including the Interested Trustees, or to its Officers for acting in such capacities. For the fiscal year ended December 31, 2023, all Trustees were employed by Blue Cross and/or Blue Shield entities and, as a result, the Fund did not pay any compensation to, or accrue any retirement benefits for, any of its Trustees or Officers during the fiscal year. The Fund reimburses its Trustees for out-of-pocket expenses related to attending meetings. The Trustees and Officers of the Fund in their individual capacities own none, and cannot own any, of the Fund's Participation Certificates.

**Investment Advisor and Service Agent**

The services BALLC provides as investment advisor are described briefly in the Prospectus. BALLC supervises the sales of portfolio securities, and places orders for such transactions. As service agent for the Portfolios, BALLC maintains financial and other books and records, including appropriate journals and ledgers, verifies trade tickets, calculates weighted average maturity, dividends and yields, prepares unaudited financial statements, prepares or assists in the preparation of regulatory filings, computes NAV and the market value of assets of the Portfolios, prepares reports for the Board and performs related administrative services. BALLC agrees to abide by applicable legal requirements in providing these services. BALLC subcontracts certain administrative services to BNY Mellon Investment Servicing (U.S.) Inc.

BALLC is a Delaware limited liability company and an indirect, wholly-owned subsidiary of BlackRock, Inc. BlackRock, Inc., through its subsidiaries and divisions, provides (i) investment management services to individuals and institutional investors through separate account management, non-discretionary advisory programs and commingled investment vehicles; (ii) risk management services, investment accounting and trade processing tools; (iii) transition management services; and (iv) securities lending services.

For the services provided and expenses assumed by it with respect to the Government Portfolio and the Money Market Portfolio, BALLC is entitled to receive an annual fee, computed daily and payable monthly, at the following annual percentages of each Portfolio's net assets:

| Annual Fee | Each Portfolio's Average Annual Net Assets |
|---|---|
| 0.20% | of the first $250 million |
| 0.15% | of the next $250 million |
| 0.12% | of the next $250 million |
| 0.10% | of the next $250 million |
| 0.08% | of amounts in excess of $1 billion |

The tables below provide the fees earned by BALLC, as Investment Advisor and service agent, with respect to the Portfolio indicated for the fiscal years ended December 31. Each table also provides the fees waived and/or operating expenses reimbursed by BALLC, with respect to the Portfolio, pursuant to fee waiver and expense reimbursement agreements as described in more detail below under "Fee Waivers and Expense Reimbursement."

*For the Government Portfolio:*

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| Advisory and Service Agent Fees Earned | $1,818,260 | $1,679,839 | $1,719,522 |
| (Fees Waived and Expenses Reimbursed) | ($1,113,955) | ($1,087,871) | ($1,151,955) |
| Total Fees Paid by Portfolio to BALLC[1] | 704,305 | $591,968 | $567,567 |

*For the Money Market Portfolio:*

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| Advisory and Service Agent Fees Earned | $319,840 | $128,575 | $114,940 |
| (Fees Waived and Expenses Reimbursed) | ($271,939) | ($128,575) | ($114,940) |
| Total Fees Paid by Portfolio to BALLC | $47,901 | $0 | $0 |

[1] Fees paid are shown on a cash basis.

**Custodian and Transfer Agent**

BNY Mellon acts as custodian of the Fund's assets. BNY Mellon earns fees from each Portfolio for serving in this capacity. BNY Mellon has its principal offices at 240 Greenwich Street, New York, New York 10286. As custodian, BNY Mellon, among other things, collects income of and payments to each Portfolio; consents and other authorizations for each Portfolio delivers, releases and exchanges securities held for each Portfolio when necessary; makes payments of cash to, or for the account of, each Portfolio for the purchase of portfolio securities for, the redemption of Participation Certificates, and the payment of interest, dividends, taxes and management fees; and furnishes each Portfolio with various confirmations, summaries and reports. BNY Mellon is authorized to select one or more banks or trust companies to serve as sub-custodian on behalf of the Fund, provided that BNY Mellon remain responsible for the performance of its duties under the Custodian Agreement and hold the Fund harmless for the acts and omissions of any bank or trust company serving as sub-custodian. For the services provided and expenses assumed by BNY Mellon as custodian, BNY Mellon is entitled to receive a fee, computed daily and payable monthly, from each Portfolio at the annual rates below, subject to an annual minimum of $25,000 per Portfolio, excluding global fees, transaction charges and out-of-pocket expenses.

| Annual Fee | Portfolio's Average Annual Gross Assets |
|---|---|
| 0.009% | of the first $500 million |
| 0.008% | of amounts in excess of $500 million |

BNY Mellon Investment Servicing (U.S.) Inc. has been retained to act as transfer agent for the Portfolios. BNY Mellon Investment Servicing (U.S.) Inc. has its principal business address at 301 Bellevue Parkway, Wilmington, Delaware 19809. As transfer agent, BNY Mellon Investment Servicing (U.S.) Inc., among other things, issues and redeems Participation Certificates, processes dividends, prepares various communications to Participation Certificate holders, answers correspondence from Participation Certificate holders, keeps records of the accounts of each Participation Certificate holder and prepares and submits various reports to the Fund. For the services provided and expenses assumed by BNY Mellon Investment Servicing (U.S.) Inc. as transfer agent for the Portfolios, BNY Mellon Investment Servicing (U.S.) Inc. is entitled to receive a fee, computed daily and payable monthly, equal to $15.00 per master account and sub-account per Portfolio per year, and fees will not be prorated. Any part of a month for which services are provided will be billed as a full month, plus $1.00 for each master account purchase or redemption transaction, plus $5.00 for each outgoing wire of Federal funds, provided that the minimum annual fee payable to BNY Mellon shall be $5,000 per Portfolio, excluding out-of-pocket expenses and miscellaneous fees. Additional fees apply to the Money Market Portfolio as a result of having three NAV strikes daily. The additional fee is based on assets in the Money Market Portfolio. When assets are between $0 - $500,000,000, the fee is $30,000 annually. Between $500,000,001 - $1,000,000,000, the fee is $40,000 annually, and assets above $1,000,000,001 are assessed an additional fee of $70,000 annually. In the event of the Board imposing a liquidity fee, an intraday imposition will result in a fee of $50,000 and an end of day or beginning of day imposition will result in a fee of $25,000.

**Distributor**

Foreside Fund Services, LLC (the "Distributor") is the distributor (also known as the principal underwriter) of the Participation Certificates of the Fund. The Distributor is located at Three Canal Plaza, 3rd Floor, Portland, Maine 04101. The Distributor is a registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Distributor is not affiliated with the Fund or any of its service providers, except that Foreside Fund Officer Services, LLC provides compliance services to the Fund as described herein under "Compliance Services" and Foreside Management Services, LLC provides the Fund's principal financial officer as described under "Foreside Management Services, LLC." Each of the Distributor, Foreside Fund Officer Services, LLC and Foreside Management Services, LLC are wholly-owned subsidiaries of Foreside Financial Group, LLC.

Under a Distribution Agreement with the Fund dated as of September 30, 2021 (the "Distribution Agreement"), during the continuous public offering of the Participation Certificates of the Fund, the Distributor shall use commercially reasonable efforts to assist with the distribution and sale of the Fund's Participation Certificates. The Distributor continually distributes Participation Certificates of the Fund on a best-efforts basis. The Distributor has no obligation to sell any specific quantity of Fund Participation Certificates. The Distributor and its Officers have no role in determining the investment policies or which securities are to be purchased or sold by the Fund.

The Distributor does not receive compensation from the Fund for its distribution services. Fees for the Distributor's distribution services to the Fund are paid by the Administrator.

The Distribution Agreement will continue in effect only if such continuance is specifically approved at least annually by the Board of Trustees of the Fund or by vote of a majority of the Fund's outstanding voting securities and, in either case, by a majority of the Trustees who are not parties to the Distribution Agreement or "interested persons" (as defined in the 1940 Act) of any such party. The Distribution Agreement is terminable without penalty by the Fund or the Distributor on 60 days' written notice, and will automatically terminate in the event of its "assignment" (as defined in the 1940 Act).

**Compliance Services**

Under a Fund Chief Compliance Officer Agreement (the "Compliance Agreement") with the Fund and Foreside Fund Officer Services, LLC ("FFOS"), FFOS provides compliance services (the "Compliance Services") to the Fund by making available a senior compliance professional who serves as Chief Compliance Officer to the Fund (previously defined as the "CCO"). FFOS receives a fee from the Fund for the Compliance Services provided, which is paid monthly in arrears. The Compliance Agreement continues in effect until terminated. The Compliance Agreement is terminable with or without cause and without penalty by the Board or by FFOS on 60 days written notice to the other party.

Under the Compliance Agreement, FFOS and certain related parties (such as FFOS's officers and persons who control FFOS) are not liable to the Fund or its Participation Certificate holders for, and are indemnified by the Fund against any and all claims and expenses related to, any act or omission, except for willful misfeasance, bad faith, or gross negligence in the performance of FFOS's duties or by reason of reckless disregard of its obligations and duties under the Compliance Agreement.

**Foreside Management Services, LLC**

Pursuant to a Fund CFO/Treasurer Agreement with the Fund that was executed on June 22, 2015, Foreside Management Services, LLC ("FMS"), an affiliate of the Distributor and FFOS, provides Fund Treasurer and Principal Financial Officer Services to the Fund. FMS is paid an annual fee plus out of pocket expenses for these services, which are paid by the Administrator.

**Administrator**

BCS Financial Services Corporation (previously defined as the "Administrator"), a wholly-owned subsidiary of BCS Financial Corporation, which has its principal office at 2 Mid America Plaza, Suite 200, Oakbrook Terrace, Illinois 60181, serves as the Fund's Administrator. The Administrator is owned by the Licensees. Ms. Pickar, Mr. Bongiorno, Ms. Frolik and Mr. Hudson, Officers of the Fund, are employed by BCS Financial Corporation. As described below, the Fund compensates the Administrator for administrative services provided to the Fund. The Trustees oversee the fees paid by the Fund to service providers, including the Administrator.

Subject to the supervision and control of the Board, the Administrator assists in supervising all aspects of the Fund's operations, other than investment advisory functions, including services performed by the Fund's custodian, service agent, and the Distributor.

Without limiting the generality of the foregoing, the Administrator is required to provide the following services, among others, to the Fund: (i) oversight and coordination of the performance of each of the Fund's service providers; (ii) furnishing the Fund with adequate office facilities, utilities, office equipment and related services; (iii) receiving and processing applications from present and prospective investors in the Fund; (iv) providing general ongoing business management and support services in connection with the Fund's operations; (v) preparing for review by officers of the Fund and its service providers documents to be filed with the SEC and coordinating printing and distribution thereof; (vi) monitoring, and assisting in developing, compliance policies and procedures for the Fund; (vii) monitoring the Fund's expenses; (viii) oversight of the preparation and filing of required tax returns of the Fund and the Portfolios; (ix) maintaining the website of the Fund; and (x) with respect to the Fund and each Portfolio thereof, providing oversight and related support services that are intended to insure the delivery of quality service to all Participation Certificate holders.

For its administrative services, the Administrator is entitled to receive a fee from each Portfolio calculated daily and paid monthly at an annual rate not to exceed 0.05% of the Portfolio's average daily net assets. The tables below provide the fees earned by the Administrator with respect to the Portfolio indicated for the fiscal years ended December 31. Each table also provides the fees waived and/or operating expenses reimbursed by the Administrator, with respect to the Portfolio, pursuant to fee waiver and expense reimbursement agreements as described in more detail below under "Fee Waivers and Expense Reimbursement."

*For the Government Portfolio:*

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Administrative Fees Earned | $745,874 | $659,423 | $684,078 |
| (Fees Waived and Expenses Reimbursed) | ($458,200) | ($433,072) | ($589,540) |
| Total Fees Paid by Portfolio to Administrator[1] | $287,674 | $226,351 | $94,538 |

*For the Money Market Portfolio:*

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Administrative Fees Earned | $79,960 | $32,144 | $28,735 |
| (Fees Waived and Expenses Reimbursed) | ($18,718) | ($74,949) | ($45,927) |
| Total Fees Paid by Portfolio to Administrator | $61,242 | ($42,805) | ($17,192) |

[1] Fees paid are shown on a cash basis.

*Additional Payments by the Administrator*. From time to time, the Administrator and/or its affiliates, may compensate financial intermediaries for services to a Portfolio and its shareholders, including the Shareholder Services Payments described below. The financial intermediary may perform these obligations itself or may arrange for a third party to perform them. These payments are not made pursuant to a distribution plan, and under no circumstances will the Fund or a Portfolio pay an intermediary for transaction or other account services rendered on behalf of Participation Certificate holders. These payments are made from the Administrator's legitimate profits. These payments are not an additional charge to a Portfolio or its Participation Certificate holders and do not change the price paid by for the purchase of a Portfolio's Participation Certificates.

*Shareholder Services Payments.* A Portfolio's Participation Certificates may be owned or held by financial intermediaries for the benefit of their clients that are members and licensees of the Blue Cross Blue Shield Association and certain related organizations as described in the Prospectus ("BCBS Investors"). In these situations, a Portfolio may not maintain accounts in the name of the BCBS Investor, and the financial intermediary may perform some of the functions for these customers' accounts that the transfer agent would have performed if the accounts had been in the customers' names on the Portfolio's books. Such services include sub-accounting services, shareholder servicing and transaction processing services and are sometimes referred to as "recordkeeping," "sub-transfer agency," "sub-accounting," "networking" and/or "administrative" services. These additional payments made by the Administrator are in addition to any transfer agent or administrative fees paid by a Portfolio, as applicable.

As of the date of this SAI, the financial intermediaries and/or their affiliates listed below may be receiving Shareholder Services Payments from the Administrator:

BofA Securities, Inc.

**Fee Waivers and Expense Reimbursement**

BALLC has agreed to reduce the fees otherwise payable to it to the extent necessary to reduce the ordinary operating expenses of each Portfolio so that they do not exceed 0.30 of one percent (0.30%) of the Portfolio's average daily net assets for the year. In addition, (i) BALLC and the Administrator have agreed to waive fees such that the Government Portfolio's ordinary operating expenses do not exceed 0.10 of one percent (0.10%) of average daily net assets for the year; (ii) the Administrator has agreed to waive one basis point of its contractual fees relating to the Money Market Portfolio and BALLC has agreed to waive fees to cap the annual ordinary operating expenses of the Money Market Portfolio at 17.5 basis points for those assets up to $1 billion, 16.0 basis points for those assets between $1 billion and $2 billion, and 15.5 basis points for those assets above $2 billion. BALLC and the Administrator cannot terminate these fee waivers prior to May 1, 2025 without the consent of the Board.

For the Government Portfolio and the Money Market Portfolio, the Administrator has further agreed that if for any day, after giving effect to all other fee waivers and all expenses, including without limitation, any extraordinary expenses, the "portfolio yield" would be less than 0.01%, the Administrator shall waive that portion of its fees for such day so that after giving effect to such waiver and the other fee waivers, the portfolio yield for such day would not be less than 0.01%. The Administrator has agreed that if after giving effect to such waiver and the other fee waivers, the portfolio yield for such day would be less than 0.01%, the Administrator shall waive all of its fees for such day. BALLC has further agreed that if for any day, after giving effect to the other fee waivers and all Administrator fee waivers, the portfolio yield would be less than 0.01%, BALLC shall waive that portion of its fees for such day so that after giving effect to such waiver, and all other fee waivers, the portfolio yield for such day would not be less than 0.01%. BALLC has agreed that, if after giving effect to such waiver, and all other fee waivers, the portfolio yield for such day would be less than 0.01%, BALLC shall waive all of its fees for such day. BALLC and the Administrator cannot terminate this portfolio yield fee waiver prior to May 1, 2025 without the consent of the Board.

BALLC and the Administrator will not recoup any fees that were waived pursuant to these waiver agreements in any subsequent years. In addition, BALLC and the Administrator entered into an agreement which guarantees BALLC a minimum annual advisory fee.

**Expenses**

The Fund's ordinary operating expenses generally consist of fees for legal, accounting and other professional services, fees of BALLC, BNY Mellon, BNY Mellon Investment Servicing (U.S.) Inc., FFOS and the Administrator, costs of Federal and state registrations and related distributions to Participation Certificate holders, certain insurance premiums as well as the costs associated with maintaining corporate existence. Other costs include taxes, brokerage fees, interest and extraordinary expenses. For the year ended December 31, 2023, expense ratios were 0.10% for the Government Portfolio and 0.18% for the Money Market Portfolio. Without the waiver of a portion of the advisory, administrator and service agent fees, the ratio of expenses to average daily net assets would have been 0.21% for the Government Portfolio and 0.36% for the Money Market Portfolio.

## ADDITIONAL INFORMATION CONCERNING FEDERAL INCOME TAXES

The following summarizes certain additional federal income tax considerations generally affecting the Portfolios and holders of Participation Certificates that are not described in the Fund's Prospectus relating to the Portfolios. No attempt is made to present a detailed explanation of the tax treatment of a Portfolio or holders of Participation Certificates or possible legislative changes. The discussion here and in the Prospectus is not intended as a substitute for careful tax planning. Investors are therefore advised to consult their own tax advisor regarding the effects of an investment in the Portfolios on their own tax situation, including the application of state, local and other tax laws to their particular situation.

The Portfolios met the requirements for being a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), in the last taxable year and intend to continue to meet these requirements in future taxable years. In order to so qualify for a taxable year, a Portfolio must distribute at least 90% of its investment company taxable income (determined without regard to the deduction for dividends paid) and 90% of its net tax-exempt income for the year, derive at least 90% of its gross income for the year from certain qualifying sources and comply with certain diversification requirements. A 4% nondeductible excise tax is imposed on regulated investment companies that fail currently to distribute an amount equal to specified percentages of their ordinary taxable income and capital gain net income (excess of capital gains over capital losses). Each Portfolio intends to make sufficient distributions or deemed distributions of its ordinary taxable income and any capital gain net income prior to the end of each calendar year to avoid liability for this excise tax.

If for any taxable year a Portfolio does not qualify for tax treatment as a regulated investment company, all of that Portfolio's taxable income will be subject to tax at regular corporate rates without any deduction for distributions to holders of Participation Certificates of the Portfolio. In such event, dividend distributions to holders of Participation Certificates of the Portfolio would be taxable as ordinary income to the extent of that Portfolio's earnings and profits and would be eligible for the dividends received deduction in the case of corporate shareholders and qualified dividend income treatment in the case of non-corporate shareholders.

Each Portfolio will be required in certain cases to withhold and remit to the U.S. Treasury 24% of all distributions and gross proceeds paid to a Participation Certificate holder which has failed to provide a correct taxpayer identification number in the manner required, is subject to withholding by the Internal Revenue Service, or has failed to certify to the Fund that it is not subject to backup withholding when required to do so or that it is exempt from backup withholding.

Although each Portfolio expects to qualify as a regulated investment company and to be relieved of all or substantially all federal income tax, depending upon the extent of its activities in states and localities in which its offices are maintained, in which its agents or independent contractors are located or in which it is otherwise deemed to be conducting business, a Portfolio may be subject to the tax laws of such states or localities. In addition, in those states and localities that have income tax laws, the treatment of the Portfolios and holders of Participation Certificates under such laws may differ from the treatment under federal income tax laws. Holders of Participation Certificates are advised to consult their tax advisors concerning the application of state and local taxes.

Although each Portfolio does not expect to realize long-term capital gains, net capital gains (i.e., the excess of net long-term capital gains over net short-term capital losses) will be distributed at least annually. A Portfolio will generally have no tax liability with respect to such gains that are distributed, and the distributions will be taxable to holders of Participation Certificates of a Portfolio as long-term capital gains, regardless of how long a holder has held a Portfolio's Participation Certificates. Such distributions will be reported as a capital gain dividend in a written notice furnished by a Portfolio to holders of its Participation Certificates. Any net investment income and any net short-term capital gains earned by a Portfolio will be distributed to holders of its Participation Certificates. Each Portfolio will be taxed on any undistributed investment company taxable income and net capital gains of that Portfolio. To the extent the net investment income and net short-term capital gains of a Portfolio is distributed by the Portfolio (whether in cash or additional Participation Certificates), it will be taxable to holders of Participation Certificates of such Portfolio as ordinary income. Neither Portfolio anticipates that its distributions will be qualified dividend income or eligible for the dividends received deduction.

Certain distributions reported by a Portfolio as section 163(j) interest dividends may be treated as interest income by holders for purposes of the interest expense limitations under Code section 163(j). Such treatment by a holder is generally subject to holding period requirements and other potential limitations, although the holding period requirements are generally not applicable to dividends declared by money market funds and certain other funds that declare dividends daily and pay such dividends on a monthly or more frequent basis. The amount that a Portfolio is eligible to report as a section 163(j) dividend for a tax year is generally limited to the excess of the Portfolio's business interest income over the sum of the Portfolio's (i) business interest expense and (ii) other deductions properly allocable to the Portfolio's business interest income. A Portfolio may choose not to designate section 163(j) interest dividends.

When a holder of Participation Certificates sells, redeems or exchanges their Participation Certificates, it is generally considered a taxable event for the holder. Unless the Participation Certificate holder elects the simplified NAV method of accounting (discussed below), the holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, redemption, or exchange and the holder's basis in the Participation Certificates that were sold, redeemed, or exchanged. The gain or loss will generally be treated as a long-term capital gain or loss if the holder held their Participation Certificates for more than one year. If the holder held their Participation Certificates for one year or less, the gain or loss will generally be treated as a short-term capital gain or loss. However, any loss realized upon a taxable disposition of Participation Certificates held for six months or less will be treated as long-term, rather than short-term, to the extent of any capital gain dividends received (or deemed received) by the Participation Certificate holder with respect to the Participation Certificates. Further, except in the context of the Money Market Portfolio or holders electing to adopt the NAV Method, all or a portion of any loss realized by a holder upon a taxable disposition of Participation Certificates will be disallowed under the wash sale rules if the holder acquires Participation Certificates of the same Portfolio (including through the automatic reinvestment of dividends) or other substantially identical stock or securities during a 61-day period beginning 30 days before and ending 30 days after the date of the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss. Capital losses may be subject to limitations on their use by a holder. Because the Government Portfolio currently seeks to maintain a stable NAV per Participation Certificate, it is unlikely that a holder will have a capital gain or loss when the holder sells, redeems or exchanges their Participation Certificates. Holders of Participation Certificates of the Money Market Portfolio may recognize a taxable gain or loss upon the sale, exchange or redemption of their Participation Certificates. Each holder of Participation Certificates is responsible for any tax liabilities generated by their transactions.

If a holder of Participation Certificates elects to adopt the simplified NAV method of accounting, gain or loss on fund shares is not computed on every sale or redemption. Instead, gain or loss is based on the aggregate value of the holder's Participation Certificates of the Portfolio during the computation period. A holder's gain or loss generally equals (i) the aggregate fair market value of the holder's Participation Certificates at the end of the computation period, (ii) minus the aggregate fair market value of the holder's Participation Certificates at the end of the prior computation period, (iii) minus the holder's "net investment" in the Portfolio for the computation period. A Participation Certificates holder's net investment is the aggregate cost of Participation Certificates purchased during the computation period (including reinvested dividends) minus the aggregate amount received in taxable redemptions of Participation Certificates during the same period. The computation period may be the holder's taxable year or a shorter period, as long as all computation periods contain days from only one taxable year and every day during the taxable year falls within one and only one computation period. Any capital gain or loss realized under the NAV method will be a short-term capital gain or loss. Holders of Participation Certificates should consult their own tax advisor to determine if the NAV method is appropriate for their individual circumstances.

A liquidity fee imposed by the Money Market Portfolio will reduce the amount a Participation Certificate holder receives upon the redemption of their Participation Certificates and will decrease the amount of any capital gain or increase the amount of any capital loss a holder recognizes from such redemption. There is some degree of uncertainty with respect to the federal income tax treatment of liquidity fees received by a money market fund, and such tax treatment may be the subject of future guidance issued by the Internal Revenue Service. If the Money Market Portfolio receives liquidity fees, it will consider the appropriate tax treatment of such fees to the Portfolio at such time.

The foregoing discussion is based on federal income tax laws and regulations which are in effect on the date of this Statement of Additional Information. Such laws and regulations may be changed by legislative or administrative action.

## DIVIDENDS

Net income of each Portfolio for dividend purposes will consist of (i) interest accrued and dividends earned (including both original issue and market discount) less amortization of any premium, (ii) plus or minus all realized short-term gains and losses, if any, attributable to such Portfolio and (iii) minus such Portfolio's pro rata share of the fees payable to, and the general expenses (for example, legal, accounting and Trustee's fees) of, the Fund, prorated on the basis of relative NAV of the Fund's Portfolios applicable to that period.

## PERFORMANCE INFORMATION

### Determination of Yield

From time-to-time, the Fund may quote the Government Portfolio and the Money Market Portfolio "yield" and "effective yield" in communications to Participation Certificate holders that are deemed to be advertising. Both yield figures are based on historical earnings and are not intended to indicate future performance. The "yield" of the Government Portfolio and the Money Market Portfolio refers to the income generated by an investment in the Portfolios over a seven-day period as identified in the communication. This income is then annualized. This means that the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The "effective yield" is calculated similarly but, when annualized, the income earned by the investment is assumed to be reinvested weekly. The "effective yield" will be slightly higher than the "yield" because of the compounding effect of this assumed reinvestment. For the seven-day period ending December 31, 2023, the Money Market Portfolio average yield was 5.39% and the effective yield was 5.54%. For the same period the Government Portfolio average yield was 5.34% and the effective yield was 5.48%.

The yield of the Government Portfolio and the Money Market Portfolio was positively affected by fee waivers. (See "Investment Advisor and Service Agent," "Administrator" and "Fee Waivers and Expense Reimbursement" under "Management of the Fund").

## ADDITIONAL DESCRIPTION CONCERNING VOTING OF PARTICIPATION CERTIFICATES

The Fund's Amended and Restated Articles of Incorporation provide that on any matter submitted to a vote of Participation Certificate holders, all Participation Certificates, irrespective of class, shall be voted in the aggregate and not by class except that (i) as to a matter with respect to which a separate vote of any class is required by the 1940 Act or the General Corporation Law of the State of Maryland, such requirements as to a separate vote by that class shall apply in lieu of the aggregate voting as described above, and (ii) as to a matter which does not affect the interest of a particular class, only Participation Certificate holders of the affected class shall be entitled to vote thereon.

Rule 18f-2 under the 1940 Act provides that any matter required to be submitted by the provisions of the 1940 Act or applicable state law, or otherwise, to the holders of the outstanding voting securities of an investment company such as the Fund shall not be deemed to have been effectively acted upon unless approved by the holders of a "majority" of the outstanding Participation Certificates (as defined herein under "Miscellaneous") of each class affected by such matter. Rule 18f-2 further provides that a class shall be deemed to be affected by a matter unless it is clear that the interests of each class in the matter are identical or that the matter does not affect any interest of such class. However, Rule 18f-2 exempts certain matters from the separate voting requirements of Rule 18f-2.

The chart below sets forth those Participation Certificate holders each of which owned of record or beneficially 5% or more of the outstanding Participation Certificates of a Portfolio as of March 31, 2024.

| Participation Certificate holder | Percent of Participation Certificates Owned of Government Portfolio | Percent of Participation Certificates Owned of Money Market Portfolio |
|---|---|---|
| HTH RE<br>Victoria Hall, 11 Victoria Street<br>Hamilton, HM 11 Bermuda<br>Organized under laws of Bermuda | N/A | 52.62%[A] |
| BCS Financial Corporation<br>2 Mid America Plaza, Suite 200<br>Oakbrook Terrace, IL 60181<br>Organized under laws of Illinois | 0.38%[A] | 44.67%[A] |
| Blue Cross Blue Shield Association<br>225 North Michigan Avenue<br>Chicago, IL 60601<br>Organized under laws of Illinois | 28.65%[A] | N/A |
| Hawaii Medical Service Association<br>818 Keeaumoku Street<br>Honolulu, HI 96814<br>Organized under laws of Hawaii | 18.11%[A] | N/A |
| Independence Blue Cross<br>1901 Market Street<br>Philadelphia, PA 19103<br>Organized under laws of Pennsylvania | 9.33%[A] | N/A |
| BlueCross BlueShield of South Carolina<br>2501 Faraway Drive<br>Columbia, SC 29223<br>Organized under laws of South Carolina | 8.77%[A] | N/A |
| BlueCross BlueShield of Tennessee, Inc.<br>1 Cameron Circle<br>Chattanooga, TN 37402 | 7.01%[A] | N/A |
| Blue Cross and Blue Shield of Kansas<br>1113 SW Topeka, Blvd<br>Topeka, KS 66629<br>Organized under laws of Kansas | 5.60%[A] | N/A |

[A] Participation Certificate holder is the "Beneficial" owner, meaning that the name listed refers to the actual pecuniary, or financial, interest in the security.

Participation Certificate holders owning 25% or more of the outstanding Participation Certificates may be in control and be able to affect the outcome of certain matters presented for a vote of Participation Certificate holders.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cohen & Company, Ltd. ("Cohen"), with offices at 151 North Franklin Street, Suite 575, Chicago, Illinois 60606 has been appointed to serve as the independent registered public accounting firm of the Fund for the year ending December 31, 2024. Cohen provides audit services, tax return preparation and assistance, and consultation in connection with certain SEC filings.

## COUNSEL

Vedder Price, P.C., 222 North LaSalle Street, Suite 2600, Chicago, Illinois 60601 is counsel for the Fund and the Independent Trustees.

## MISCELLANEOUS

Purchase orders for Participation Certificates of each of the Portfolios are accepted by the Fund's Transfer Agent, BNY Mellon Investment Servicing (U.S.) Inc., which is located in King of Prussia, Pennsylvania.

## FINANCIAL STATEMENTS

The audited financial statements and notes thereto for the Portfolios, including the report of Cohen & Company, Ltd., the Fund's independent registered public accounting firm, contained in the Fund's Annual Report dated December 31, 2023 are incorporated by reference into this SAI. Copies of the Prospectus and Annual and Semi-Annual Reports of the Fund may be obtained, without charge, by visiting the Fund's website at www.pif.com or by calling the Fund's administrator, BCS Financial Services Corporation (the "Administrator"), at (800) 621-9215.

## APPENDIX A

## DESCRIPTION OF THE RATINGS OF DEBT OBLIGATIONS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), a Division of S&P Global Inc. and Fitch Ratings ("Fitch") are private services that provide ratings of the credit quality of debt obligations. A description of the ratings assigned by Moody's, S&P and Fitch are provided below. These ratings represent the opinions of these rating services as to the quality of the securities that they undertake to rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Credit ratings are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

This Appendix A contains information obtained from third parties, including ratings from credit ratings agencies. These third parties do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, disclosed here and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content.

**Description of Moody's Global Ratings**

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Long-term ratings are assigned to issuers or obligations with an original maturity of eleven months or more and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment.

**Description of Moody's Global Long-Term Ratings**

Aaa Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

*Note:* Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

**Hybrid Indicator (hyb)**

The hybrid indicator (hyb) is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security.

**Description of Moody's Global Short-Term Ratings**

P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

**Description of Moody's U.S. Municipal Short-Term Obligation Ratings**

The Municipal Investment Grade ("MIG") scale is used to rate U.S. municipal cash flow notes, bond anticipation notes and certain other short-term obligations, which typically mature in three years or less.

MIG 1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG 3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

**Description of Moody's Demand Obligation Ratings**

In the case of variable rate demand obligations ("VRDOs"), Moody's assigns both a long-term rating and a short-term payment obligation rating. The long-term rating addresses the issuer's ability to meet scheduled principal and interest payments. The short-term payment obligation rating addresses the ability of the issuer or the liquidity provider to meet any purchase price payment obligation resulting from optional tenders ("on demand") and/or mandatory tenders of the VRDO. The short-term payment obligation rating uses the Variable Municipal Investment Grade ("VMIG") scale. VMIG ratings with liquidity support use as an input the short-term counterparty risk assessment of the support provider, or the long-term rating of the underlying obligor in the absence of third party liquidity support. Transitions of VMIG ratings with conditional liquidity support differ from transitions of Prime ratings reflecting the risk that external liquidity support will terminate if the issuer's long-term rating drops below investment grade. For VRDOs, Moody's typically assigns a VMIG rating if the frequency of the payment obligation is less than every three years. If the frequency of the payment obligation is less than three years, but the obligation is payable only with remarketing proceeds, the VMIG short-term rating is not assigned and it is denoted as "NR".

VMIG 1 This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections.

VMIG 2 This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections.

VMIG 3 This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections.

SG This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have a sufficiently strong short-term rating or may lack the structural or legal protections.

**Description of S&P's Issue Credit Ratings**

An S&P issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long-term or short-term. Short-term issue credit ratings are generally assigned to those obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days. Short-term issue-credit ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. S&P would typically assign a long-term issue credit rating to an obligation with an original maturity of greater than 365 days. However, the ratings S&P assigns to certain instruments may diverge from these guidelines based on market practices.

Issue credit ratings are based, in varying degrees, on S&P's analysis of the following considerations:

- The likelihood of payment — the capacity and willingness of the obligor to meet its financial commitments on an obligation in accordance with the terms of the obligation;
- The nature of and provisions of the financial obligation, and the promise S&P imputes; and
- The protection afforded by, and relative position of, the financial obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

An issue rating is an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

NR indicates that a rating has not been assigned or is no longer assigned.

**Description of S&P's Long-Term Issue Credit Ratings***

AAA An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.

AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

BB; B; CCC; CC; and C Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.

BB An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC An obligation rated 'CC' is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred, but S&P expects default to be a virtual certainty, regardless of the anticipated time to default.

C An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

D An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

* Ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

**Description of S&P’s Short-Term Issue Credit Ratings**

A-1 A short-term obligation rated ‘A-1’ is rated in the highest category by S&P. The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.

A-2 A short-term obligation rated ‘A-2’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitment on the obligation is satisfactory.

A-3 A short-term obligation rated ‘A-3’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor’s capacity to meet its financial commitments on the obligation.

B A short-term obligation rated ‘B’ is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor’s inadequate capacity to meet its financial commitments.

C A short-term obligation rated ‘C’ is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.

D A short-term obligation rated ‘D’ is in default or in breach of an imputed promise. For non-hybrid capital instruments, the ‘D’ rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to ‘D’ if it is subject to a distressed debt restructuring.

**Description of S&P’s Municipal Short-Term Note Ratings**

An S&P U.S. municipal note rating reflects S&P’s opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P’s analysis will review the following considerations:

- Amortization schedule — the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

- Source of payment — the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

S&P’s municipal short-term note ratings are as follows:

SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

D ‘D’ is assigned upon failure to pay the note when due, completion of a distressed debt restructuring, or the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions.

**Description of Fitch’s Ratings**

Fitch’s credit ratings relating to issuers are an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings relating to securities and obligations of an issuer can include a recovery expectation. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.

Fitch’s credit ratings do not directly address any risk other than credit risk. Credit ratings do not deal with the risk of market value loss due to changes in interest rates, liquidity and/or other market considerations. However, market risk may be considered to the extent that it influences the ability of an issuer to pay or refinance a financial commitment. Ratings nonetheless do not reflect market risk to the extent that they influence the size or other conditionality of the obligation to pay upon a commitment (for example, in the case of payments linked to performance of an index).

In the default components of ratings assigned to individual obligations or instruments, the agency typically rates to the likelihood of non-payment or default in accordance with the terms of that instrument’s documentation. In limited cases, Fitch may include additional considerations (i.e., rate to a higher or lower standard than that implied in the obligation’s documentation). In such cases, the agency will make clear the assumptions underlying the agency’s opinion in the accompanying rating commentary.

Fitch’s credit rating scale for issuers and issues is expressed using the categories ‘AAA’ to ‘BBB’ (investment grade) and ‘BB’ to ‘D’ (speculative grade) with an additional +/- for AA through CCC levels indicating relative differences of probability of default or recovery for issues. The terms “investment grade” and “speculative grade” are market conventions and do not imply any recommendation or endorsement of a specific security for investment purposes. Investment grade categories indicate relatively low to moderate credit risk, while ratings in the speculative categories signal either a higher level of credit risk or that a default has already occurred.

Fitch may also disclose issues relating to a rated issuer that are not and have not been rated. Such issues are also denoted as ‘NR’ on its web page.

**Description of Fitch’s Long-Term Corporate Finance Obligations Ratings**

AAA Highest credit quality. ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Very high credit quality. ‘AA’ ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB Good credit quality. ‘BBB’ ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB Speculative. ‘BB’ ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

B Highly speculative. ‘B’ ratings indicate that material credit risk is present.

CCC Substantial credit risk. ‘CCC’ ratings indicate that substantial credit risk is present.

CC Very high levels of credit risk. ‘CC’ ratings indicate very high levels of credit risk.

C Exceptionally high levels of credit risk. ‘C’ indicates exceptionally high levels of credit risk.

Ratings in the categories of ‘CCC’, ‘CC’ and ‘C’ can also relate to obligations or issuers that are in default. In this case, the rating does not opine on default risk but reflects the recovery expectation only.

Defaulted obligations typically are not assigned ‘RD’ or ‘D’ ratings, but are instead rated in the ‘CCC’ to ‘C’ rating categories, depending on their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

**Description of Fitch’s Short-Term Ratings**

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may be adjusted for loss severity. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as “short term” based on market convention (a long-term rating can also be used to rate an issue with short maturity). Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets.

Fitch’s short-term ratings are as follows:

F1 Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

F2 Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

F3 Fair short-term credit quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B Speculative short-term credit quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C High short-term default risk. Default is a real possibility.

RD Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

D Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.