IMPORTANT INFORMATION ABOUT LIBOR AND INVESTMENT PRODUCTS TIED TO LIBOR

Since 1986, the London Interbank Offered Rate (LIBOR) has been a primary global benchmark for short-term interest rates charged on many variable rate or floating rate bonds and other fixed income pooled products. However, beginning on December 31, 2021, this forward-looking benchmark will be discontinued in stages, and is expected to be fully phased out by June 30, 2023.

The following USD LIBOR rates will cease after December 31, 2021.

- 1-week
- 2-month

The following USD Libor rates will cease after June 30, 2023.

- Overnight
- 1-month
- 3-month
- 6-month
- 12-month

The investment product categories that may have exposure to LIBOR include, but are not limited to:

- Corporate bonds
- Municipal bonds
- Asset-backed securities
- Mortgage-backed securities
- Floating rate notes
- Preferred securities
- Structured product certificates of deposit (CDs)
- Structured product principal protected notes (PPNs)
- Structured product non-principal protected notes (NPPNs)
- Business development companies (BDCs)
- Certain unit investment trusts (UITs) (such as fixed income)
- Certain real estate investment trusts (REITs) (such as credit-based)
- Certain interval funds (such as credit-based)
- Certain exchange-traded funds (such as senior loan/bank loan, variable rate, or inverse)

- Certain mutual funds (such as senior loan/bank loan, variable rate, or money market)

Why is LIBOR being discontinued?

According to the Intercontinental Exchange Benchmark Administration (ICE), which manages LIBOR, LIBOR rates have become a less reliable benchmark as banks transact business differently than before.

Will there be a replacement for LIBOR?

Many bonds that currently calculate interest based on LIBOR have established or negotiated provisions to fall back to a successor interest rate, such as:

- The Secured Overnight Financing Rate (SOFR)
- The Fed Funds Rate,
- the Prime Rate, or
- Another alternative rate

When LIBOR is phased out, legacy bonds or products that do not have such fallback provisions ("tough legacy contracts") may become fixed rate instruments, as the instrument's last official LIBOR rate may never be reset during the contract's remaining term. These fallback provisions (whether transitioning to a successor rate or becoming a fixed rate security) will be defined in the prospectuses of most LIBOR-based products.

It is imperative to note that with either outcome noted above, (1) the successor rate may be less favorable than LIBOR, and (2) should the instrument convert from a floating rate to a fixed rate investment, the value of the security may be adversely impacted by LIBOR's phase out.

We encourage you to review the prospectus of any fixed income investment with LIBOR exposure before buying to ensure the fallback provisions are acceptable to you. You may also wish to review the prospectus of existing positions in any fixed income investments with your financial professional for the same reasons. While these investments were previously believed to be in line with your investment objective, situation, net worth, income, risk tolerance, and other factors, please contact your financial professional or LPL directly with any questions about remaining in these products due to these forthcoming changes.

Please review the risks outlined below:

- Potentially lower rates.
  - The LIBOR replacement rates may be lower than LIBOR's historical interest rate, thus lowering the investment's total return.
- SOFR is backward-looking.
  - Therefore, you may not know exactly what the interest rate is until the end of the reference rate period.

- LIBOR is unsecured and therefore includes a credit risk premium.
    - Conversely, SOFR is a secured rate base on Treasuries and does not include a credit risk premium.
    - Although most fallback provisions include a credit spread to account for the difference between LIBOR and the replacement rate, this may not match LIBOR.
- Instruments without a fallback provision that are not governed by New York law may become fixed at the initial interest rate, which could be lower than historical LIBOR rates.