ADVANTUS® | MUTUAL FUNDS

Advantus Dynamic Managed Volatility Fund
Advantus Managed Volatility Equity Fund

Third Quarter 2017

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Market Update

The three major Central Banks--the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of Japan (BOJ)--dealt global markets little in the way of surprises this quarter. All three held their respective policy rates at the prevailing values of 1%, 0%, and -0.1%. The Fed announced, as it had previously stated, that it would embark on its balance sheet tapering program in October. Both the ECB and BOJ remained committed to their asset purchase programs through the end of 2017, and left themselves room to continue should economic conditions warrant it.

No material fiscal policy progress came out of Washington in the quarter; Republicans once again tried and failed to repeal the Affordable Care Act. Toward the end of the quarter, the White House released its tax reform plan. At the beginning of the president's term, tax reform was one of the policy areas with the greatest promise, and markets reacted favorably to the plan.

Equity volatility continued to be remarkably low. S&P 500® Index and NASDAQ Composite Index realized volatility* for the quarter came in at 7.1% and 11.3%, respectively. These both rank in just the fifth percentile of those indices' histories. Domestic small-cap stocks were a touch more lively, seeing 11% volatility over the quarter. Still, this value only ranks as 32nd percentile in the Russell 2000 Index's history.

The themes of low equity volatility and prices that only go up are, at this point, boring and repetitive. But, because of the massive monetary intervention of global central banks these past eight years, that is the financial market we have. We believe monetary and fiscal policy will continue to be the driving forces behind the equity markets in the near future.

Dynamic Managed Volatility Strategy

The Fund entered the quarter overweight equity, carrying 77% effective equity allocation. Over the course of the quarter, the Fund averaged 79% effective equity allocation. It closed out the quarter at 81% effective equity allocation.

Managed Volatility Equity Strategy

The Fund entered the quarter at 92% effective equity allocation. Over the course of the quarter, the fund averaged 92% effective equity allocation. It closed out the quarter at 92% effective equity allocation.

Outlook

As mentioned, the Fed will begin to taper its balance sheet in October, starting at $10 billion per month. Each quarter, that amount will increase by $10 billion, until it reaches $50 billion per month. This tapering will increase supply of Treasury and agency/mortgage-backed securities, and such a supply increase will be tantamount to a rate hike. Still, it must be emphasized that the ECB and BOJ are still in quantitative easing mode. Thus, we do not believe the impending Fed action will materially increase mid-term and longer interest rates domestically or internationally. By extension, we still expect muted equity volatility, and for indices to slowly grind upward through the remainder of 2017. We also expect *any* tax policy progress in Washington to be enthusiastically embraced by the equity market.

On a longer time scale--one to three years--we see more downside risk than upside potential in the domestic equity market. The United States unemployment rate is currently about 4.5%, close to the 2000 and 2007 lows leading into those respective recessions. Stock indexes are hovering at or near all-time highs, and fundamental valuations (Price/Earnings ratios, stock market capitalization to gross domestic product, etc.) are similarly elevated. The current bull market is now over eight years old. Interest rates are still near historic lows, which on the surface is supportive of continued equity appreciation. But given current interest rates, and given present central bank action across the globe, they have little ammunition left with which to combat the next financial crisis, when it does eventually arrive. It is also possible that inflation could become more prominent which would force central banks to soak up the liquidity more rapidly and stir up market volatility.

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We are not calling a top in the U.S. equity market; we are emphasizing that, despite years of low volatility, equity risk does still exist and is building. We believe it is prudent to be candid when assessing risk tolerance and diligent to apply risk management. To that end, we will continue to use our volatility metrics to inform the equity allocation of both Funds. We will aim to de-risk when we believe volatility will be high, and aim to re-risk when we believe volatility will be low.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1.855.824.1355 or visiting www.advantusfunds.com. Please read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The Adviser may be unsuccessful in managing volatility and the Funds may experience a high level of volatility in their returns. The securities used in the strategy are subject to price volatility, and the strategy may not result in less volatile returns for the Funds relative to the market as a whole, and they could be more volatile. Investments in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Investment by the Funds in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Derivatives involve special risks including leverage, correlation, counterparty, liquidity, operational, accounting and tax risks.

These risks, in certain cases, may be greater than the risks presented to more traditional investments. The Funds may invest in illiquid securities which involve the risk that the securities will not be able to be sold at the time or prices desired by the Funds, particularly during times of market turmoil. In connection with establishing a short position in an instrument, the Funds are subject to the risk that they may not always be able to borrow the instrument, or to close out a short position at a particular time or at an acceptable price. The market price of an ETF fluctuates based on changes in the ETF's net asset value as well as changes in the supply and demand of its shares in the secondary market. It is also possible that an active secondary market of an ETF's shares may not develop and market trading in the shares of the ETF may be halted under certain circumstances. ETNs are unsecured debt obligations and are subject to the credit risk of their issuers, and will lose value if the issuer goes bankrupt. ETN returns are linked to the performance of designated indices which fluctuate due to market changes as well as economic, legal, political and geographic events. The market price of ETNs fluctuates as their returns fluctuate and as the level of supply and demand for the ETNs change. The Funds may invest in foreign securities which involve political, economic and currency risks, greater volatility and differences in accounting methods.

*Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using 36 monthly returns.

Past performance is not a guarantee of future results.

The S&P 500® Index consists of 500 large cap common stocks which together represent approximately 80% of the total U.S. stock market. It is a float-adjusted market-weighted index (stock price times float-adjusted shares outstanding), with each stock affecting the index in proportion to its market value.

The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The Nasdaq Stock Market. The NASDAQ Composite is calculated under a market capitalization weighted methodology index.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

It is not possible to invest directly in an index.

Price/Earnings ratio is the ratio of the market price of a company's stock to it's earnings per share.

The information contained herein represents the opinion of Advantus Capital Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

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