ADVANTUS® | MUTUAL FUNDS

Advantus Dynamic Managed Volatility Fund
Advantus Managed Volatility Equity Fund

Fourth Quarter 2017

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Market Update

Throughout the final quarter of 2017, the three major Central Banks--the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of Japan (BOJ)--continued to telegraph their monetary policy decisions well in advance. The Fed stuck to the rate hike schedule expected by the market, raising its target rate to 1.25 percent at its December meeting. The Fed also began its effort to unwind its balance sheet, as it had announced in June. The ECB and BOJ maintained the status quo through the fourth quarter, leaving their respective short-term rates and asset purchase programs unchanged. Recall that the ECB had previously announced it would scale back its asset purchase program from €80 billion per month to €60 billion, and it reaffirmed that plan at its final meeting of 2017.

On the fiscal policy front, the Republican-controlled federal government passed a broad reform of the U.S. tax code, the Tax Cuts and Jobs Act. Interestingly, initial market reaction was muted. President Trump signed the bill into law on December 22, and from then to year-end, the S&P 500® Index limped across the finish line, losing 0.38 percent over that period. The Russell 2000 Index and NASDAQ Composite Index fared similarly. It seems that the market had fully priced in this policy progress. Independent analysis of the contents of the bill suggests that the large corporate tax cut (from 35 percent to 21 percent), and small tax cut for individuals below the highest tax bracket (the standard deduction will go from $6,350 to $12,000 for individuals; double those figures for married couples) will spur modest short-term economic growth. Worryingly, widely-accepted projections call for the already bloated federal debt to become worse under this new tax plan.

The final quarter of 2017 was another extremely calm one in domestic equity markets. The realized volatilities* of the S&P 500® Index, NASDAQ Composite Index, and Russell 2000 Index for the quarter came in at 5.56 percent, 10.07 percent, and 10.11 percent, respectively. Historically, these rank as 98th, 98th, and 75th percentile values of low volatility. In the case of the NASDAQ Composite Index, only one calendar quarter since 1985 had a lower realized volatility, the first quarter of 2017. Interestingly, on a total return basis, the S&P 500® Index did not have a down month in 2017, which has never happened in the dividend-inclusive history going back to 1988.

Dynamic Managed Volatility Strategy

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

Managed Volatility Equity Strategy

The Fund entered the quarter at 92 percent effective equity allocation. Over the course of the quarter, the fund averaged 93 percent effective equity allocation. It closed out the quarter at 95 percent effective equity allocation.

Outlook

As mentioned, the Fed began 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. Despite this slight increase in the supply of Treasury and agency/mortgage-backed securities, the U.S. 2-Year to 10-Year Treasury spread actually decreased over the quarter, from 85 basis points to 52 basis points. This move was largely due to the upward move of the 2-Year rate. The stagnant 10-Year rate suggests the domestic bond market is still not pricing in a material pickup in inflation or excessive economic growth. With the ECB and BOJ continuing quantitative easing, we will reiterate our previous outlook: we do not believe the Fed balance sheet unwind will materially increase mid-term and longer interest rates, domestically or internationally. By extension, we reluctantly call for muted equity volatility, and for indexes to slowly grind upward, through the first quarter of 2018.

There are numerous cracks in the façade of this seemingly unflappable bull market: the unemployment rate is about 4.1 percent, close to the 2000 and 2007 lows leading into those respective recessions; stock indexes are making fresh highs almost daily; fundamental valuations (Price/Earnings ratios, stock market capitalization to gross domestic product, etc.) are similarly elevated; the current bull market will have its

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9th anniversary this March; debt overhangs continue to grow atop both corporate and sovereign entities worldwide. These factors have been harbingers of bear markets in the past, and we do not anticipate the present being different.

To be clear, we are not calling an immediate top in the U.S. equity market. We are emphasizing that, despite years of low volatility, equity risk does still exist. 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 from our current equity overweight when we believe volatility will be high, and to tactically carry equity hedges to mitigate tail risk until then.

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.

Basis point represents the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent).

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.

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