Distinct evolutionary trajectories following loss of RNA interference in *Cryptococcus neoformans*

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Abstract

While increased mutation rates typically have negative consequences in multicellular organisms, hypermutation can be advantageous for microbes adapting to the environment. Previously, we identified two hypermutator *Cryptococcus neoformans* clinical isolates that rapidly develop drug resistance due to transposition of a retrotransposon, Cnl1. Cnl1-mediated hypermutation is caused by a nonsense mutation in the gene encoding a novel RNAi component, Znf3, combined with a tremendous transposon burden. To elucidate adaptative mechanisms following RNAi loss, two bioinformatic pipelines were developed to identify RNAi loss-of-function mutations in a collection of 387 sequenced *C. neoformans* isolates. Remarkably, several RNAi-loss isolates were identified that are not hypermutators and have not accumulated transposons. To test if these RNAi loss-of-function mutations can cause hypermutation, the mutations were introduced into a non-hypermutator strain with a high transposon burden, which resulted in a hypermutator phenotype. To further investigate if RNAi-loss isolates can become hypermutators, *in vitro* passaging was performed. Although no hypermutators were found in two *C. neoformans* RNAi-loss strains after short-term passage, hypermutation was observed in a passaged *C. deneoformans* strain with increased transposon burden. Consistent with a two-step evolution, when an RNAi-loss isolate was crossed with an isolate containing a high Cnl1 burden, F1 hypermutator progeny inheriting a high transposon burden were identified. In addition to Cnl1 transpositions, insertions of a novel gigantic DNA transposon KDZ1 (~11 kb), contributed to hypermutation in the progeny. Our results suggest that RNAi loss is relatively common (7/387, ~1.8%) and enables distinct evolutionary trajectories: hypermutation following transposon accumulation or survival without hypermutation.

Significance Statement

There is a dearth of antifungal drugs available to treat *Cryptococcus neoformans*, a

human fungal pathogen of global impact. We previously identified natural hypermutators with a

loss-of-function mutation in the RNAi machinery and transposon expansion. Here, we identified

several novel natural isolates with RNAi defects, none of which are hypermutators or have

undergone transposon expansion. Furthermore, we demonstrate that these isolates can lie on a

pathway to hypermutation following introduction of a transposon burden. In addition, a novel DNA

transposon class was discovered that contributes to antifungal drug resistance. These findings

highlight the importance of transposons in driving rapid adaptation in the absence of RNAi and

reveal distinct evolutionary trajectories following RNAi loss, a relatively common event in *C.*

neoformans.

Main Text

Introduction

Stochastic mutations and genomic rearrangements provide genetic variation enabling a

microbial population to survive and proliferate in changing environments, driving rapid evolution.

However, uncontrolled mutation and rearrangement can be deleterious, leading to gene

malfunction and disorganized genome structure. To safeguard the genome, eukaryotic microbes

have therefore evolved multiple mechanisms promoting genome stability. Relative to wildtype,

microbes with defects in DNA repair, mitochondrial activity, or repressive chromatin modifications

have been associated with higher mutation rates, which can lead to distinct adaptability in

response to environmental stress (1–6).

RNA interference (RNAi) also serves to promote genome stability (7, 8). Studies in plants,

nematodes, and fungi converged to result in the discovery of RNAi, in which the introduction of

double-stranded RNA led to the specific silencing of the corresponding gene (9–12). This

mechanism plays a critical role in modulating gene expression, defending against viral infection,

and maintaining genome integrity (8, 13, 14). As such, RNAi is involved in the formation of

heterochromatin, a condensed chromatin structure involved in gene silencing (15). Together with

heterochromatin and other cellular mechanisms, RNAi suppresses transposable elements

through post-transcriptional or transcriptional silencing within the genome (15, 16).

The RNAi pathway is conserved across a wide range of eukaryotic organisms, but has

been independently lost in several fungal species, including the model yeast *Saccharomyces*

cerevisiae, the corn smut pathogen *Ustilago maydis*, and the skin commensal/pathogen

Malassezia species (17–20). As a consequence, several mycoviruses have been found in these

RNAi-loss species, which provide benefits by, in some cases, producing toxins (21–23). In

addition, shortened centromere length has been correlated with the loss of full-length

retrotransposons in the RNAi-deficient *Cryptococcus deuterogattii* species compared to other

pathogenic *Cryptococcus* species, highlighting the importance of RNAi in controlling transposons

and maintaining genome integrity (24). RNAi was previously thought to be non-functional in the

human fungal pathogen *Candida albicans*. However, a recent study found that RNAi is intact in

the vast majority of clinical isolates, emphasizing the limitations of utilizing a single reference

strain (25).

Cryptococcus neoformans, a significant human fungal pathogen in the *Cryptococcus*

pathogenic species complex, causes the majority of cryptococcal meningoencephalitis and poses

a significant challenge to global human health (26, 27). Population analysis has revealed four

distinct *C. neoformans* lineages: VNI, VNII, VNBI, and VNBII (28). Cryptococcal

meningoencephalitis is associated with ~112,000 annual deaths and accounts for ~19% of all

HIV/AIDS-related mortality worldwide (29, 30). Accordingly, *C. neoformans* was classified as a

critical priority pathogen in the fungal priority pathogens list published by the World Health

Organization (WHO) in 2022 (31, 32).

Unfortunately, options for treating cryptococcal infections are limited. The combination of

amphotericin B and 5-fluorocytosine (5-FC) remains the gold standard treatment strategy with

improved survival, albeit with side effects (33, 34). However, 5-FC monotherapy is untenable due

to rapid development of resistance (35). Similarly, *C. neoformans* resistance to azoles (e.g.,

fluconazole) that are commonly used for maintenance therapies frequently develops via

aneuploidy or mutations (36, 37).

Several natural and laboratory hypermutator isolates have been identified in the

Cryptococcus pathogenic species complex, with increased mutation rates mediated by a variety

of mechanisms. *C. neoformans* and *C. deuterogattii* isolates with mutations in components of the

DNA mismatch repair pathway (e.g., *MSH2*) showed elevated mutation rates in homopolymeric

tracts, following selection for antifungal drug resistance as well as rapid phenotypic switching (4,

38, 39). Additionally, disruption or mutation in *C. neoformans* of Rad51, a core component of

homologous recombination, and in *C. deneoformans* of DNA polymerase delta subunit (*POL3*)

are associated with an elevated mutation rate. (2, 40, 41). Furthermore, transposition of the T1

DNA transposon and the TCN12 retrotransposon into the 5-Fluoroorotic Acid (5-FOA) drug

targets (*URA3* and *URA5*) underlies the vast majority of 5-FOA resistant colonies isolated from

mice infected with the *C. deneoformans* strain XL280α (42).

Recently, we identified two natural hypermutators, Bt65 and Bt81 (43). These strains

display a significantly higher mutation rate compared to H99, the type strain for *C. neoformans*,

when selected for resistance to a combination of the antifungal drugs rapamycin and FK506 (43).

Interestingly, the frequent movement of a non-LTR retrotransposon (i.e., Cnl1) into the gene

encoding the FK506/rapamycin target FKBP12 is responsible for most of the resistance. Both

hypermutator isolates harbor a nonsense mutation in the gene encoding a novel RNAi

component, Znf3, and have accumulated a tremendous Cnl1 transposon burden (43). Further

evidence supports the model that the loss of RNAi and high Cnl1 burden are together responsible

for hypermutation and antifungal drug resistance (43, 44).

In this study, we sought to determine if other natural *C. neoformans* isolates have lost

RNAi and display a similar hypermutator phenotype. Taking advantage of publicly available

whole-genome sequencing data for 387 *C. neoformans* natural isolates, we successfully identified

five novel RNAi-deficient strains from clinical and environmental sources. Surprisingly, unlike

Bt65 and Bt81, none of these RNAi-loss strains display a hypermutator phenotype or contain a

Cnl1 transposon burden. We demonstrated that these novel RNAi-deficient strains may lie on a

pathway to hypermutation following transposon accumulation. Notably, we discovered several

novel gigantic DNA transposons from the KDZ (Kyakuja, Dileera, and Zisupton) class with diverse

regulatory mechanisms, contributing to the hypermutator phenotype of RNAi-deficient strains in

C. neoformans and *C. deneoformans*. Taken together, our results suggest natural isolates with

RNAi defects are relatively common and that they may exist at an evolutionary fork in the road,

posed to either evolve into hypermutators as transposons accumulate, or persist without such

changes despite the loss of RNAi.

Results

RNAi loss-of-function mutations occur frequently in *C. neoformans* natural isolates

To broadly analyze genetic variation among natural isolates, two pipelines were

developed that utilize short-read sequencing data to identify mutations by mapping reads to a

fully assembled and well-annotated reference genome. The first pipeline, Neostop, specifically

identifies nonsense mutations, while the other, GenesComp, characterizes all genetic variants,

including those occurring within the coding sequences (e.g., synonymous/nonsynonymous

substitution, frameshift insertion/deletion, and nonsense mutation), as well as at intron splice

sites. Both pipelines were applied to analyze the 387 *C. neoformans* natural isolates in the Strain

Diversity Collection using publicly available whole genome sequencing data and the genome

assembly and annotation of type strain H99 as reference (28, 45). We focused on genes

encoding known components required for the RNAi pathway (SI Appendix, Table S1) (43, 46–50)

and on variants predicted to cause loss-of-function (LOF) mutations, namely nonsense,

frameshift, and splice-site mutations due to their high probability of causing truncated or

dysfunctional gene products.

In total, we identified LOF mutations in five genes required for RNAi in 11 natural isolates

(Table 1). Specifically, Neostop and GenesComp detected mutations in six and eight isolates,

respectively, with three isolates detected by both pipelines. Most of the isolates had an LOF

mutation in only one of the genes analyzed, with the exception of strain LP-RSA2296 which had

LOF mutations in two RNAi-related genes *ZNF3* and *AGO1*. The mutations detected included the

well-known nonsense mutation in the first exon of *ZNF3* in two hypermutator strains, Bt65 and

Bt81, thus, providing a proof-of-principle for this approach (Fig. 1A) (43). All but one of the

identified mutations were validated by PCR and Sanger sequencing; strain Bt84 was confirmed to

be a false positive and excluded from further analysis (Table 1, SI Appendix, Dataset S1 and Fig.

S1). Additionally, the splice-site mutation identified in the *RDE4* gene of strain Bt210 was

validated by reverse transcription PCR (RT-PCR) and sequencing of the amplicon encompassing

the intron 3/exon 4 boundary, confirming the predicted single nucleotide splicing error at the 3'-

end of the third intron, leading to a single nucleotide frame-shift insertion resulting in the

introduction of a premature stop codon one amino acid into exon 4 (Fig. 1B and SI Appendix, Fig.

S1).

Furthermore, the effects of the identified putative RNAi LOF mutations on small RNA

production were analyzed by small RNA-sequencing (sRNA-seq), with H99 wild-type and H99

rdp1Δ strains serving as RNAi-proficient and -deficient controls, respectively (Fig. 1C and 1D).

Our data showed that five of the strains tested (Bt210, LP-RSA2296, A2-102-5, D17-1, and

NRHc5028.ENR.STOR (hereafter referred to as NRHc5028)) had sRNA profiles comparable to

the RNAi-deficient control H99 *rdp1Δ*, that is, there was neither enrichment of sRNA species in

the size range 21-24 nucleotides nor enrichment of 5'-uracil in the small RNA reads. This

corresponds well with the size and feature of canonical small inferencing RNAs (siRNAs) utilized

in RNAi-mediated silencing, thus confirming that these strains are indeed RNAi-deficient. On the

contrary, strains Bt52, Bt152, and Bt208 had small RNA profiles similar to the RNAi-proficient

control H99, with enrichment of both 21-24 nt species as well as a preference of 5'-uracil among

these small RNAs, suggesting that while these strains have mutations in the *QIP1* gene, they are

still able to produce small RNA species characteristic of RNAi-proficient strains (Fig. 1C and 1D).

Interestingly, these three strains all have the same start-loss mutation in exon 1, which is

predicted to result in a 15-amino-acid truncation of the Qip1 protein. We hypothesize that this

modestly truncated Qip1 protein is still functional (Table 1). Taken together, these results indicate

that five of the natural isolates identified by the bioinformatic pipelines, strains Bt210, LP-

RSA2296, A2-102-5, D17-1, and NRHc5028, lack siRNAs necessary for RNAi silencing.

Hypermutation requires both RNAi-deficiency and elevated transposon burden

We have previously identified and characterized two clinical isolates (Bt65 and Bt81) with

a nonsense mutation in the known RNAi component Znf3, which display a hypermutator

phenotype when selected for rapamycin and FK506 resistance due to the increased mobilization

of the retrotransposon Cnl1 into *FRR1*, which encodes FKBP12, the shared target of these drugs

(43). To determine if the newly identified RNAi-deficient isolates are also hypermutators,
fluctuation assays were performed to quantify their mutation rates on medium containing
rapamycin and FK506 (R+F) (Fig. 2 and SI Appendix, Dataset S2). None of these isolates
showed significantly higher mutation rates on YPD medium containing R+F than the reference
strain H99. They also had mutation rates comparable to H99 on YNB medium containing 5-FOA.
Only the *msh2Δ* positive control strain, which lacks a core component of the DNA mismatch
repair pathway, exhibited a significantly higher mutation rate than H99 on either media (Fig. 2 and
SI Appendix, Dataset S3).

Given the important role of Cnl1 in causing R+F resistance, we hypothesized that
although the five novel isolates had lost functional RNAi, they might not have undergone Cnl1
amplification as observed in Bt65 and Bt81 and, therefore, did not display a hypermutator
phenotype. To test this hypothesis, publicly available short-read whole-genome sequence data
were analyzed to assess the copy number of full-length Cnl1 (See Materials and Methods) in
these isolates. Compared to 150 or 84 copies predicted in Bt65 and Bt81, respectively, the
estimated Cnl1 copy number in these isolates ranged from 0 copies (Bt210, A2-102-5, and
NRHc5028) to 1 or 3 copies (D17-1 and LP-RSA2296) (Table 2). To validate these short-read
based estimations, nanopore long-read sequencing was performed to obtain telomere-to-
telomere assemblies for Bt210 and LP-RSA2296. Relative to Bt65 and Bt81, fewer full-length
copies of Cnl1 (0 copies in Bt210 and 1 copy in LP-RSA2296) were confirmed by high-quality
genome assemblies. These results provide evidence that being RNAi-deficient alone is likely not
sufficient for hypermutation, and a relatively high transposon burden is likely also required.

Given the observed correlation between Cnl1 burden and hypermutator phenotype, we
hypothesized that introduction of the novel RNAi LOF mutations identified here into a strain with a
high Cnl1 burden would result in a hypermutator phenotype. In our previous study, restoration of
functional RNAi against Cnl1 was successful by repairing the *znf3* nonsense mutation (to result in
isolate Bt65+*ZNF3*) (43). Bt65+*ZNF3* contains a Cnl1 burden like that of Bt65 but is not a
hypermutator due to its restored RNAi pathway, making it an ideal strain for testing this

hypothesis. The *rde4* splice-site mutation from Bt210 and the *znf3* nonsense mutation from LP-

RSA2296 (which differs from the original *znf3* nonsense mutation in Bt65, SI Appendix, Fig. S1A)

were introduced into the corresponding gene in Bt65+*ZNF3* via CRISPR-mediated allele

exchange. One *rde4* transformant and two independent *znf3* transformants were successfully

generated (SI Appendix, Fig. S2). In addition to the desired mutation, Sanger sequencing and

Plasmidsaurus amplicon sequencing confirmed no additional mutations were found in these two

loci. The *rde4* splicing error was also confirmed in Bt65+ZNF3 *rde4* by RT-PCR and Sanger

sequencing (SI Appendix, Fig. S2). sRNA-seq further confirmed that like Bt65+*ZNF3 ago1Δ*, the

canonical 21-24 nt sRNA peak with 5'-uracil identity was absent in these genetically modified

rde4 and *znf3* mutants, indicating defects in siRNA-mediated RNAi (Fig. 3A and SI Appendix, Fig.

S3). To determine whether the introduced mutations confer a hypermutator phenotype in

Bt65+*ZNF3*, mutation rates of these re-engineered RNAi-deficient strains were quantified by

fluctuation analysis. In alignment with our prediction, when selected for R+F resistance, all three

edited strains displayed significantly higher mutation rates than the recipient strain *Bt65+ZNF3*

and negative control H99 (Fig. 3B and SI Appendix, Dataset S4).

To determine whether Cnl1 insertion is the main genetic change causing resistance, the

FKBP12-encoding gene *FRR1* from spontaneous R+F resistant colonies derived from each strain

was PCR amplified and sequenced. Consistent with our previous study, Cnl1 insertions were

frequently observed in *FRR1* from the resistant colonies derived from the RNAi-deficient strain

Bt65 (13/17, ~76%), but not the repaired RNAi-proficient strain Bt65+*ZNF3* (0/18, 0%) or H99

(0/9, 0%). In the three re-engineered RNAi-deficient strains, a high portion of R+F resistance was

caused by insertion of Cnl1 into *FRR1* (ranging from ~37.5% to 69%), with the remaining

resistant colonies having other types of genetic changes such as single nucleotide

polymorphisms (SNPs), microINDELs (insertions or deletions ≤ 50 bp), or deletions (>50 bp

deletion) (Fig. 3C and SI Appendix, Dataset S5). Interestingly, relative to the R+F sensitive

progenitor, we also observed some resistant isolates from both Bt65+*ZNF3* (3/18, ~17%) and

Bt65+*ZNF3 znf3-2* (2/16, 12.5%) that do not have any mutation (i.e., No change) at the *FRR1*

locus including 1,699 bp 5' and 1,268 bp 3' sequences, leaving the cause of R+F resistance in

these isolates unknown (Fig. 3C and SI Appendix, Dataset S5).

Movement of a novel DNA transposon occurs in the presence of functional RNAi, giving

rise to drug resistance

During the fluctuation assay of the re-engineered RNAi-deficient strains, we noticed that

some R+F resistant colonies had *FRR1* alleles containing insertions obviously larger than the

expected size of the full-length Cnl1 element (~3.5 kb) (SI Appendix, Fig. S4 and SI Appendix,

Dataset S5). Amplicon sequencing revealed these unusually large insertions were identical

(10,944 bp element) and observed in the Bt65-derived strains regardless of their RNAi status.

The frequency of resistant colonies attributable to this 10,944 bp insertion in *FRR1* ranged from

~6% (1/17 in Bt65) to 25% (2/8 in Bt65+*ZNF3 rde4*) (Fig. 3C). Two hallmark signatures of

transposon movement, target site duplication (TSD, 8 bp) and terminal inverted repeats (TIR, 236

bp), were detected (Fig. 3D), suggesting the presence of a large uncharacterized mobile element.

Although this element was not identified as mobile in H99, BLASTn results suggest the presence

of a similar copy (100% query coverage and 98.41% identity) in the H99 genome. Based on the

annotation of the H99 reference genome, two non-coding RNAs and three coding genes are

included in this region; among these CNAG_00128 is predicted to contain a KDZ (Kyakuja,

Dileera, and Zisupton) transposase domain and a putative zinc chelating domain, CxC1,

indicative of a KDZ DNA transposon (51) (Fig. 3D). CNAG_12018, and CNAG_12019 are

predicted non-coding RNAs, of which CNAG_12019 overlaps with CNAG_00128 in the opposite

orientation. The other two genes, CNAG_00127 and CNAG_07313, encode unknown protein

products (Fig. 3D). Due to its mobility and canonical KDZ transposon domain structure, we

named this novel DNA transposon KDZ1 (the **1**[st] recognized **KDZ** element) in *C. neoformans*,

whose movements have not been previously documented in pathogenic *Cryptococcus* species. In

all cases of KDZ1 insertion into *FRR1*, full-length copies were observed (SI Appendix, Dataset

S5).

The observation of KDZ1 transpositions in the repaired RNAi-proficient strain Bt65+*ZNF3*

suggests that KDZ1 movement might evade functional RNAi machinery. To investigate whether

RNAi is involved in silencing KDZ1, we re-analyzed our published sRNA-seq dataset for the

RNAi-deficient strain Bt65, two independent RNAi-repaired strains (Bt65+*ZNF3* and Bt65+*ZNF3-*

2), as well as H99 and its derived RNAi-deficient mutants H99 *rdp1Δ* and H99 *znf3Δ* (43). The

sRNA reads were first mapped against an array of Cnl1 elements located at the 3' end of the

Bt65 Chr4. Abundant 21 to 24 nt sRNA reads targeting Cnl1 in this region were present in the

RNAi-repaired strains Bt65+*ZNF3* and Bt65+*ZNF3-2*, while no such peaks were observed in the

RNAi-deficient Bt65 or other H99-derived strains lacking a full-length Cnl1 (Fig. 3E). In contrast,

no obvious sRNA targeting KDZ1 on the same Bt65 Chr4 was detected in Bt65+*ZNF3* or

Bt65+*ZNF3*-2. The only enrichment of sRNA reads was found in H99 around the overlapping

region of CNAG_00128 and the anti-sense non-coding RNA CNAG_12019, which also covers the

KDZ transposase domain. This enrichment is abolished in H99 *rdp1Δ* and H99 *znf3Δ*, indicating a

possible role for these sRNAs in RNAi silencing (Fig. 3E).

Our observation that the movement of a novel KDZ DNA transposon could lead to

antifungal resistance in *C. neoformans* prompted us to conduct further detailed investigation into

the diversity of KDZ transposons. Specifically, we first conducted a Hidden Markov Model (HMM)

search using the KDZ transposase domain (PF18758) against the genomes of the reference

strain H99 and the hypermutator strain Bt65 and identified five and six homologous sequences

with high-confidence E-values, respectively (SI Appendix, Table S2). We then conducted

phylogenetic analysis of these KDZ domain-containing proteins, together with those from the

known KDZ transposons from the model mushroom *Coprinopsis cinerea* that belong to the clades

of Kyakuja, Dileera, and Zisupton (Fig. 4A). Our results suggest that all the KDZ domain-

containing proteins in H99 and Bt65 belong to the Dileera clade with strong bootstrap support.

The only exception was CNAG_07523, whose placement in between the Dileera and Kyakuja

clades still needed to be further resolved (Fig. 4A). It should be noted that for the vast majority of

the KDZ domain-containing proteins in H99 and Bt65, we did not detect in their vicinity any of the

other features that are characteristic of a complete KDZ transposon, such as the CxCn domain,

as well as the TIRs and/or TSDs flanking the element, suggesting they may not represent active

mobile elements. Nevertheless, we did identify two KDZ-containing proteins in the Bt65 genome

(termed KDZ2 and KDZ3, which are absent in the H99 genome) that are associated with the

CxC1 domain, residing in large DNA segments (10,053 bp for KDZ2 and 9, 218 bp for KDZ3) with

TSDs and TIRs on both ends (Fig. 4B). Sequence analyses suggest that the KDZ proteins in

KDZ2 and KDZ3 are significantly different from each other, although they are evolutionarily more

closely related to each other than they are to KDZ1 (Fig. 4A and 4B). Indeed, we found one KDZ2

insertion in *FRR1* from a Bt65-derived F1 progeny (SI Appendix, Fig. S5). Thus, it is reasonable

to propose that there are three different types of full-length KDZ transposons in Bt65, all of which

are mobile and can induce genetic changes through their transposition.

Transposon accumulation during experimental evolution leads to hypermutation in

Cryptococcus

We identified a strong correlation between the hypermutator phenotype and TE burden

(e.g., Cnl1 burden) in the absence of functional RNAi. We next tested if a transition from non-

hypermutator to hypermutator could occur following *in vitro* passage, a process known to lead to

accumulation of TEs in *C. deneoformans*, a sister species of *C. neoformans* (52). Specifically, we

selected two natural isolates that are RNAi-deficient and have low TE burdens in their genomes,

Bt210 and LP-RSA2296, and conducted serial passages of the two strains, together with the *C.*

neoformans reference strain H99 as control, on YPD solid medium for 2 months at 30°C and

37°C (transferred as patches every two days). Fluctuation assays were then conducted to

estimate mutation rates on YPD+R+F solid medium for strains after 28 passages (mutation

accumulation 28, i.e., MA28) and 56 passages (i.e., MA56). None of the passaged strains

showed increased mutation rates on YPD+R+F solid medium compared to the H99 reference

strain or the B210 and LP-RSA2296 progenitor strains (SI Appendix, Fig. S6A; SI Appendix,

Dataset S6), even though an initial pilot assay of these strains by a spread plate method

suggested that Bt210-MA28 at 30°C, as well as LP-RSA2296-MA28 at both 30°C and 37°C,

might have had increased mutation rates compared to the control strains (SI Appendix, Fig. S7).

The mutational spectra of R+F resistant colonies from Bt210, LP-RSA2296, as well as their

passaged strains were further characterized. We did not observe any TE insertions in *FRR1*, and

instead SNPs, deletions, and MicroINDELs were observed (SI Appendix, Fig. S6B and SI

Appendix, Dataset S7). Additionally, we estimated the copy numbers of Cnl1 and KDZ1 in the

passaged strains using Illumina whole-genome sequencing reads and found no detectable

accumulation of Cnl1 or KDZ1 in the passaged strains relative to their progenitor strains (SI

Appendix, Table S3). These results suggest that the RNAi-loss isolates have not undergone

transposon amplification following a short period of *in vitro* passage and, consequently, did not

display a hypermutator phenotype.

We further tested this hypothesis in *Cryptococcus deneoformans*, a sister species of *C.

neoformans*. In this case, we utilized a strain, 37-02, which was derived from the laboratory strain

XL280α by serial *in vitro* passage (52). Previous studies have shown that compared to the

parental strain XL280α, strain 37-02 has undergone expansion of the Cnl1 retrotransposon (with

~40 additional copies) as well as other transposons in its genome (52). We also analyzed XL280α

rdp1Δ and generated 37-02 *rdp1Δ* deletion strains to study the effects of RNAi on the mutation

rates in these two genetic backgrounds and confirmed that they are indeed RNAi-deficient based

on sRNA-seq analysis (Fig. 5A and SI Appendix, Fig. S8). Using fluctuation assays for R+F

resistance, the passaged strain 37-02 had significantly higher mutation rates compared to its

progenitor strain XL280α, suggesting that the expansion of transposons in the genome likely

transformed strain 37-02 into a hypermutator following *in vitro* passage (Fig. 5B, SI Appendix,

Dataset S8). Strain XL280α *rdp1Δ* had a mutation rate that was significantly higher than XL280α

and comparable to the passage strain 37-02, indicating that inactivation of the RNAi machinery in

this genetic background has a similar effect on mutation rates compared to transposon copy

number expansion (Fig. 5B). The two independent *rdp1Δ* deletion strains in the 37-02 strain

background exhibited mutation rates considerably higher than the XL280α *rdp1Δ* strain, and

significantly higher than that of the 37-02 passage strain, providing evidence that the impacts of

RNAi loss and TE accumulation on mutation rate are additive (Fig. 5B).

We next analyzed the mutation spectra of the R+F resistant colonies from all the tested

strains by PCR and sequence analysis of the *FRR1* gene. With the exception of the wild-type

progenitor strain XL280α, where the majority of mutations in the *FRR1* gene were due to changes

other than transposon insertions (e.g., SNPs, deletions, and MicroINDELs), insertions of various

transposable elements into the *FRR1* gene were responsible for the majority of R+F resistance in

all of the other four derived and genetically modified strains tested, including 37-02 (Fig. 5C). In

total, seven different types of transposons were detected via insertions into the *FRR1* gene.

Interestingly, one of the mobile elements is a 6,397 bp novel element capped by 8 bp target site

duplications on both ends; insertion of this element occurred in all strains tested except XL280α.

Further analyses showed that this element contains two open reading frames based on the

annotation of the *C. deneoformans* type strain JEC21 (CNA07680 and CNA07690). While

CNA07680 encodes an unknown protein, the protein encoded by CNA07690 contains a KDZ

transposase domain, a CxC4 domain, and a SWIM (SWI2/SNF2 and MuDR) domain, which fits

the canonical domain structure of the Zisupton transposon from the KDZ DNA transposon class

(8, 12) (Fig. 5D). We therefore named this novel DNA transposon KDZx1 (**KDZ** in **X**L280 #**1**) in *C.*

deneoformans (Fig. 4A, Fig. 5C and D). Additional analysis showed that this element is also

present in the *C. deneoformans* strain JEC21, although it should be noted that in both cases we

did not detect terminal inverted repeats that typically are located at the two ends of KDZ

transposons (Fig. 5C, D and SI Appendix, Dataset S9). Analysis of complete genome assemblies

of strains XL280α and 37-02 showed that KDZx1 had not undergone copy number expansion

during *in vitro* passage (SI Appendix, Table S4).

Surprisingly, we did not detect any Cnl1 insertions in *FRR1* among the 105 R+F resistant

colonies analyzed in the *C. deneoformans* strains (Fig. 5C and SI Appendix, Dataset S9). We

hypothesize that different transposons might be regulated by diverse mechanisms (e.g., RNAi-

dependent vs. RNAi-independent). To test this hypothesis, we counted the coverage of sRNA

reads in multiple transposons and found that KDZx1 and the DNA transposon T3 are enriched

with 21 to 24 nt sRNA reads near their transposase domain, while no such enrichment was

observed for the DNA transposon T1 (Fig. 5E). Consistent with this finding, there is significant

evidence to suggest that the transposition of KDZx1 (Fisher's Exact Test, p-value= 0.04671) and

T3 (Fisher's Exact Test, p-value= 0.02531) is different between RNAi-proficient and RNAi-

deficient backgrounds (Fig. 5C and SI Appendix, Dataset S9). However, there is no such

correlation for the movement of T1 (Fisher's Exact Test, p-value= 0.5819) (Fig. 5C and SI

Appendix, Dataset S9). Taken together, our results show that both RNAi loss and/or transposon

accumulation can lead to hypermutation in *Cryptococcus* via uncontrolled transposition.

Hypermutation caused by RNAi loss and transposition can occur following sexual

reproduction

We have identified a new class of mobile elements in *C. neoformans*, the KDZ

transposons, whose transposition can give rise to antifungal resistance. It is known that

transposons are activated during meiosis, and genetic variation resulted from sexual reproduction

and meiotic recombination could have contributed to the observed variation in KDZ and Cnl1

distribution and activity across isolates (47, 53). Thus, we sought to investigate how sexual

reproduction could influence: 1) the activity and regulation of transposons, and 2) the mutation

rates of RNAi-deficient progeny inheriting a transposon burden. To this end, we crossed two

natural isolates, recovered meiotic progeny, and studied the mutation rates, and their relationship

to transposon (e.g., KDZ and Cnl1 transposon) movements and regulation. Specially, we crossed

strain Bt210 (*ZNF3 rde4*) with strain Bt65 (*znf3 RDE4*). Bt210 is RNAi-deficient due to a mutation

in the *RDE4* gene and a non-hypermutator likely due to a lack of sufficient transposon burden in

the genome. Bt65 is an RNAi-deficient hypermutator because of a nonsense mutation in a key

RNAi gene, *ZNF3*, and with an elevated load of transposable elements in its genome (e.g., KDZ

and Cnl1 elements). A total of 57 meiotic progeny were recovered, and segregation analyses of

ZNF3, *RDE4*, and the mating type locus confirmed that this progeny set represents a population

of random meiotic products (SI Appendix, Dataset S10). Whole-genome sequencing also

confirmed meiotic recombination on a genome-wide scale (SI Appendix, Fig. S9).

Among the tested F1 progeny (all 11 progeny with *rde4 ZNF3* and 2 progeny with *rde4*

znf3), three exhibited a hypermutator phenotype on YPD medium containing R+F. Two of these

hypermutators (P12 and P25) were *ZNF3 rde4* (same genotype as the Bt210 parent), while the

other one (P57) was *znf3 rde4*, a recombinant genotype between the Bt210 and Bt65 parents.

While all three F1 progeny had mutation rates that were significantly higher than the non-

hypermutator parent Bt210, when compared to that of the hypermutator parent Bt65, the mutation

rate of P57 was relatively lower while those of P12 and P25 were comparable to each other

(albeit lower than Bt65 as well) (Fig. 6A and SI Appendix, Dataset 11). sRNA sequencing

confirmed that the three hypermutator F1 progeny (P12, P25, and P57) are RNAi-deficient,

lacking the 21 to 24 nt sRNA species and the 5'-uracil enrichment in sRNA reads (Fig. 6B and SI

Appendix, Fig. S10).

The mutation spectra at the *FRR1* locus in R+F resistant colonies derived from control,

parental, and both hypermutator and some non-hypermutator progeny were assessed (Fig. 6C).

Insertion of the KDZ1 and Cnl1 transposons at the *FRR1* locus contributed to a considerable

proportion of R+F resistant isolates in the hypermutator parent Bt65, as well as in the F1 progeny

regardless of whether they were hypermutators or not. This is in stark contrast to the non-

hypermutator parent Bt210 as well as H99 and LP-RSA2296, where the vast majority of the R+F

resistant colonies had SNPs in the *FRR1* gene, and no transposon insertions were detected.

Interestingly, while in Bt65, the majority of transposon insertions were attributable to the Cnl1

element with few KDZ1 insertions being observed (~5%, 1 of 21 independent colonies). A

relatively elevated number of KDZ1 insertions were observed in three F1 progeny (P20, P32, and

P12), of which P12 is a hypermutator with 13 of 18 (~72%) independent resistant colonies

derived from this progeny contained KDZ1 insertions in *FRR1* (Fig. 6C and SI Appendix, Dataset

12). Importantly, in the two other hypermutator progeny (P25 and P57), the majority of R+F

resistant colonies (50%, 10/20 in P25 and ~59% 10/17 in P57) were attributable to Cnl1

insertions into the *FRR1* gene. Additionally, there were resistant colonies derived from P25 (35%,

7/20) and P57 (~35%, 6/17) in which we could not detect any mutation at the *FRR1* locus

(including 1,699 bp 5' and 1,268 bp 3' sequences). To test the correlation between the

hypermutator phenotype and the inherited transposon burden in the F1 progeny, we estimated

the copy numbers of Cnl1 and KDZ1 by mapping the Illumina short-reads. We found that

collectively the three hypermutator F1 progeny inherited significantly more Cnl1 elements than

the remaining non-hypermutator progeny (Mann-Whitney U Test, p-value= 0.03571) (SI

Appendix, Table S5). Moreover, progeny P12, which had the highest frequency of KDZ1 insertion

among resistant colonies, also contained the highest abundance of KDZ1 (7 copies), which is

higher than any other tested progeny as well as the two parents (SI Appendix, Table S5). Thus,

our results demonstrate that sexual reproduction has the potential to 1) liberate the KDZ mobile

elements and 2) cause the inheritance of a high Cnl1 element burden along with a loss of RNAi

mutation, resulting in hypermutation.

To determine whether hypermutation can result in resistance to clinically relevant

antifungal drugs, mutation rates on medium containing 5-fluorocytosine (5-FC), a systematic

antifungal that is one of the first-line treatments for cryptococcal infection, were measured.

Fluctuation analysis suggested that none of the three F1 progeny as well as Bt210 and Bt65

display a hypermutator phenotype when selected for 5-FC resistance (SI Appendix, Fig. S11). We

further analyzed the 5-FC resistant colonies isolated from P12, P25, P57, and the parents Bt210

and Bt65 by PCR amplifying three genes in which mutations are known to confer 5-FC resistance

(*FUR1*, *UXS1* and *FCY2*) (54). Sequencing results revealed that KDZ1 insertions underlie

resistance in four 5-FC resistant colonies derived from P12. Two insertions were observed in

FUR1, and two were observed in *UXS1*. Additionally, we detected a KDZ1 insertion in *UXS1* in

one of the resistant colonies derived from Bt65 (SI Appendix, Fig. S11 and SI Appendix, Dataset

13). These results demonstrate that KDZ1 can mediate resistance to a clinically relevant

antifungal drug.

Discussion

Two bioinformatic pipelines were developed to identify mutations in required RNAi

components using short-read whole-genome sequence data for 387 *C. neoformans* natural

isolates (28). In addition to two previously identified RNAi-loss hypermutators, Bt65 and Bt81,

these pipelines successfully identified five novel RNAi-deficient isolates (Bt210, LP-RSA2296, A2-

102-5, D17, and NRHc5028), as evidenced by sRNA-seq analysis. In contrast to Bt65 and Bt81

(from the Sub-Saharan African VNBII lineage), all five newly identified RNAi-loss isolates are from

the global VNI lineage; among these, clinical isolates Bt210 and LP-RSA2296 belong to two

different clades, while environmental isolates A2-102-5, D17-1, and clinical isolate NRHc5028,

are all from a single clade. The identification of five additional non-VNB RNAi-deficient isolates in

C. neoformans suggests that the loss of RNAi within this species may be more widespread than

previously appreciated. To date, RNAi loss has been confirmed in seven natural isolates, which

account for ~1.8% of the 387 isolates in the Strain Diversity Collection (28, 43). Given our limited

understanding of the RNAi components in *C. neoformans* and the nature of our pipeline (from

genotype to phenotype and only focused on LOF mutations), the full extent of RNAi loss in this

species may still be underestimated. Interestingly, a recent study revealed the presence of an

intact and functional RNAi pathway in the human fungal pathogen *C. albicans*, which was

previously thought to be RNAi-deficient based on a single reference strain (SC5314) (25). Our

results, along with this recent finding from *C. albicans,* provide robust examples of the importance

of variation not only between species, but also within a species and highlight the limitations of

making conclusions based on analysis of a single reference strain.

All five newly identified RNAi-deficient isolates failed to display hypermutator phenotypes

when selected for R+F or 5-FOA resistance. Compared to the hypermutator isolates Bt65 and

Bt81, which have approximately 100 copies of the non-LTR retrotransposon Cnl1, the five newly

identified RNAi-deficient isolates contain significantly fewer copies of Cnl1 (0 to 4 copies). This

association between the hypermutator phenotype and copy number of the Cnl1 retrotransposon

is in line with our hypothesis that it is the combination of RNAi loss and a high transposon burden

that causes hypermutation (43). This hypothesis is also supported by the transition from non-

hypermutator to hypermutator observed in our CRISPR re-engineered allele exchange strains.

These findings elucidate two distinct evolutionary trajectories following RNAi loss: one pathway

leading to accumulation of transposons and resulting in a hypermutator phenotype, and the other

where the organism maintains or loses transposons and persists as a non-hypermutator (SI

Appendix, Fig. S12). Consistent with our model, the overall repeat content is similar between the

RNAi-deficient isolates Bt210 and LP-RSA2296, and the RNAi-proficient reference strain H99 (SI

Appendix, Dataset 14). Additionally, the loss of RNAi in the *C. deuterogattii* type strain R265 is

associated with a reduction of full-length retroelements at the centromeres (24, 44). Although we

did not observe significantly increased mutation rates or transposon accumulation following

passage of RNAi-loss strains Bt210 and LP-RSA2296, possibly attributable to the relatively short

passage time and low initial transposon numbers (0 copies Cnl1 in Bt210 and 1 copy of Cnl1 in

LP-RSA2296), it remains possible that the transposon burden could increase over time without

RNAi and eventually lead to hypermutation.

Our results in *C. deneoformans* indicate that even with functional RNAi, transposon

accumulation can lead to hypermutation, as seen by the increased mutation rate of the passaged

strain 37-02 compared to its progenitor XL280α (52). Additionally, removing RNAi in 37-02 further

increased the mutation rate, highlighting an additive effect between RNAi loss and transposon

accumulation. This suggests an alternate evolutionary path to become a hypermutator in which

transposons first accumulate followed by RNAi loss (SI Appendix, Fig. S12). Interestingly, drug-

resistant colonies with various types of transposon insertions were found in both RNAi-proficient

XL280α and 37-02, as well as in their RNAi-deficient deletion mutants. This observation,

combined with distinct sRNA read enrichment, suggests the presence of RNAi-independent

mechanisms controlling transposable elements and highlights a substantial transposon reservoir

in *C. deneoformans.* Furthermore, unlike Bt65 and Bt81 (43), after screening more than 100

independent R+F resistant colonies from *C. deneoformans,* we did not find any Cnl1 insertions in

the *FRR1* gene. These results suggest a distinct insertion preference of Cnl1 between *C.*

neoformans and *C. deneoformans* and might also be due to their difference in Cnl1 copy number.

Similarly, a previous study found no evidence of Cnl1 moving into non-telomeric regions when

selected for antifungal drug resistance in *C. deneoformans* (52).

545   During our efforts to characterize mutational spectra, we surprisingly identified a novel

class of large KDZ DNA transposons in *Cryptococcus*, KDZ1, KDZ2, KDZ3 in *C. neoformans* and

KDZx1 in *C. deneoformans*, whose movements had not been previously documented. We found

evidence indicating KDZ1, KDZ2, as well as KDZx1 can mobilize into genes encoding drug

targets, thereby giving rise to antifungal drug resistance. Given these observations, it is

reasonable to hypothesize that KDZ3 may similarly insert into genes encoding antifungal drug

targets. The KDZ DNA transposon class, which consists of three different clades: **K**yakuja,

Dileera and **Z**isupton, was first identified in the mushrooms *Coprinopsis* and *Laccaria* and shown

to be associated with the expansion of TET/JBP dioxygenases in basidiomycetes (51). Our

discovery that diverse KDZ transposons are present in *Cryptococcus*, as well as their

transposition leading to drug resistance and elevated mutation rates, echoes the growing

appreciation of the diversity of transposable elements, and the effects of their movements on the

host phenotype and genome integrity and stability in a variety of organisms (42, 55, 56). The

average size of our identified KDZ transposons is ~9.1 kb (ranging from ~6.4 kb for KDZx1 to

~10.9 kb for KDZ1), which is larger than most known transposons in *Cryptococcus*, such as the

~3.5 kb full-length Cnl1. In addition to the coding sequence containing the KDZ transposase

domain along with its N-terminal zinc chelating domain (CxCn domain), these transposons also

harbor extra open reading frames encoding proteins without predicted functional domains. Other

recently characterized giant mobile elements (e.g., *Starship*) are known to carry cargo sequences

contributing to genomic variability within various fungal species (57–59), and these additional

sequences may function in a similar fashion.

566   Interestingly, we also found additional annotated proteins in *Cryptococcus* genomes that

contain the KDZ transposase domain, although they lack other features of KDZ transposons,

such as the CxCn domain, and we did not detect sequences indicative of the flanking TIRs and

TSDs in their vicinity. In a recent study, one such protein, CNAG_04102, was implicated to be

associated with virulence variation in *C. neoformans* based on a genome-wide association study

(60). These KDZ-transposase-containing proteins could represent relics of inactivated KDZ

transposons, or they could be unique types of KDZ transposons that are yet to be characterized.

Further studies are required to gain a better understanding of the characteristics and biology of

this novel class of KDZ mobile elements.

In the *C. neoformans* reference strain H99, a non-coding RNA (CNAG_12019) was also

annotated inside the KDZ1 transposon, and it is on the anti-sense strand of the region

corresponding to the KDZ transposase domain. This suggests a possibility where double-

stranded RNA is formed to target the KDZ transposase and initiate RNAi silencing of KDZ1.

However, our observations of distinct activities between Cnl1 and KDZ1 in the RNAi-repaired

strain, Bt65+*ZNF3*, suggest a distinct regulatory mechanism for KDZ1. Thus, while RNAi plays an

important role in regulating Cnl1 (43), a different or additional mechanism might be involved in

regulating KDZ1. Similarly, studies in *C. deneoformans* showed that while both KDZx1 and T3

DNA transposons (50) appear to be regulated by RNAi, the T1 DNA transposon remains active

despite functional RNAi. These findings highlight the complexity of the regulation of transposable

elements, as well as the consequent transposon-mediated antifungal drug resistance, and

emphasize the need for further investigation into the regulatory mechanisms controlling various

types of transposons in *Cryptococcus* and other species.

Three F1 hypermutator progeny inheriting the *rde4* splice mutation were identified from a

genetic cross between Bt210 (*rde4*, RNAi-loss with limited transposons) and Bt65 (*RDE4*, RNAi-

loss with enriched transposons). In addition to the Cnl1 insertions that predominated in two F1

progeny (P25 and P57), we found that KDZ1 transposition underlies most of the R+F resistance

observed in one of the progeny (P12). Movement of Cnl1 and KDZ1 was also observed in several

non-hypermutator F1 progeny, indicating the active status of these transposons. These findings

suggest that hypermutation can evolve in two steps: an initial loss of RNAi by mutation followed

by sexual reproduction with an isolate with a high transposon burden. F1 progeny from such a

cross could display a hypermutator phenotype due to the combined effects of RNAi loss and

inheritance of a transposon burden.

Taken together, our results demonstrate that rampant insertion of transposons, including

the novel KDZ and Cnl1 mobile elements, conferred a hypermutator phenotype in the RNAi-

deficient progeny produced through sexual reproduction, indicating that RNAi loss provides a

pathway to hypermutation. The unique transposition profiles of the KDZ elements among these

RNAi-deficient progeny suggest the presence of multifaceted and diverse regulatory mechanisms

against different transposable elements, which could result from evolutionary pressure to

suppress the propagation of selfish mobile elements and defend host genome integrity. Further

research on the transgressive KDZ1 movement following sexual reproduction will illuminate the

regulatory mechanism(s) controlling KDZ1. Notably, only a limited number of genetic loci and

insertion sizes can be captured by the fluctuation analysis and PCR-based genotyping strategy

applied in this study. Due to these experimental limitations, the activity and the role of the gigantic

KDZ transposons within the genome are likely underappreciated.

Collectively, our findings revealed relatively frequent RNAi loss in *C. neoformans* natural

isolates, and many of these may lie on a pathway that could lead to hypermutator evolution

mediated by various types of transposons (SI Appendix, Fig. S12). With the discovery of KDZ

transposons in *Cryptococcus*, our study sheds light on a darker side of the fungal genome, which

could play a significant role in adaptation within fungal populations.

Materials and Methods

Pipeline constructions

To identify potential LOF mutations in the Strain Diversity Collection, two independent pipelines (NeoStop and GenesComp) were constructed; details are provided in the SI Appendix.

Small RNA isolation, sequencing, and analysis

Small RNA isolation and analysis were performed as described previously (43, 61); details are provided in the SI Appendix.

Fluctuation assay

Fluctuation assays were performed as described previously (43); details are provided in the SI Appendix. Mutation rates and 95% confidence intervals for each strain were calculated using the FluCalc program (https://flucalc.ase.tufts.edu/) (62). As a strict standard, no overlap between respective 95% confidence intervals indicates a significant difference (63).

Transposon copy number estimates via relative read depth analysis

To estimate transposon copy number from Illumina whole-genome short-read data we carried out the following analysis steps for each strain of interest: 1) Illumina short reads were mapped to the genome of the reference strain H99 using minimap2 (64), and the median genome-wide read depth was estimated using the tool Mosdepth (65); 2) The same reads were mapped to a "transposon genome" consisting of the concatenated sequences of KDZ1, KDZ2, KDZ3, and Cnl1; 3) For the transposon mapped reads, the cumulative read depth distribution output of Mosdepth was used to estimate the read-depth at which a given query sequence had a coverage of at least 0.95; 4) The read depth at coverage 0.95 (step 3) was divided by the genome-wide median read depth (step 2) to give a normalized read-depth estimate.

To provide a benchmark of the performance of our relative read depth estimates of transposon copy number, we used linear regression to fit copy number estimated via BLAT from

whole genome assemblies to the read-depth estimated copy number (SI Appendix, Fig. S13). We

find strong agreement between the two estimators of copy number, with R^2 values of the linear

models between 0.95 and 0.98 depending on whether estimates for Cnl1 copy number in Bt65

are included or excluded.

Data Availability

The *de novo* assemblies of Bt210 and LP-RSA2296 have been deposited with accession

number PRJNA1138746 in the NCBI Bioproject database. The raw sequence reads for Nanopore

sequencing, sRNA-seq and Illumina whole-genome sequencing have also been deposited under

the same BioProject accession number. sRNA data presented in Fig. 3E were collected

previously and accessed through NCBI Bioproject accession PRJNA749953. The novel KDZ

transposons identified in this work have been submitted to GenBank and are available as

GenBank number PQ181658 (KDZ1), PQ181659 (KDZx1), PQ181660 (KDZ2), and PQ181661

(KDZ3).

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Figures and Tables

Figure 1. Identification and confirmation of RNAi loss-of-function mutations in *C. neoformans* natural isolates.
(A) Venn diagram illustrating the 11 RNAi loss-of-function mutations initially predicted by the two independent pipelines, GenesComp and NeoStop, among *C. neoformans* natural isolates in the Strain Diversity Collection. (B) *RDE4* gene structures in H99 and Bt210 are illustrated. The *RDE4* splice site mutation (A>G) found in Bt210 is highlighted in red. (C) Size distribution of sRNA reads from each of the indicated strain. Dashed vertical lines represent the 21 to 24 nt size range, corresponding to the RNAi-mediated sRNA population. (D) Proportion of 5'-nucleotide identity in sRNA reads. All the sRNA reads were mapped to the H99 genome.

Figure 2. Five novel RNAi-loss isolates do not display a hypermutator phenotype.
Mutation rates of five newly identified RNAi-loss isolates when grown on YPD medium containing rapamycin and FK506 (R+F) (left) or YNB medium containing 5-FOA (right), with H99 wildtype and *msh2Δ* strains serving as the negative and positive controls, respectively. The error bars represent 95% confidence intervals.

Figure 3. Engineered RNAi loss-of-function mutations result in transposition leading to hypermutation.
 (A) Size distribution of sRNA reads from each of the respective strains (Bt65+*ZNF3*, Bt65+*ZNF3 ago1Δ*, Bt65+*ZNF3 rde4*, Bt65+*ZNF3 znf3-1*, and *-2*). Two biological replicates of each strain are plotted. All the sRNA reads were mapped to the Bt65 genome. (B) Mutation rates of Bt65+*ZNF3*, Bt65+*ZNF3 rde4* and two independent Bt65+*ZNF3 znf3* allele exchange strains when grown on YPD medium containing rapamycin and FK506, with H99 and Bt65 serving as negative and positive controls, respectively. The error bars represent 95% confidence intervals. (C) Mutational spectra in the *FRR1* gene of independent rapamycin+FK506 resistant colonies from each indicated strain. R+F resistant colonies without mutations detected at the *FRR1* locus are labeled as 'No change'. (D) Diagram illustrating the structure of a novel gigantic DNA transposon in *C. neoformans*, KDZ1. Genes and non-coding RNAs are shown by solid blocks, with arrows indicating the orientation. Tags starting with "CNAG" correspond to the annotated number in the H99 reference genome. TIR: Terminal Inverted Repeat; TSD: Target Site Duplication (drawn out of scale). (E) Mapping of small RNA reads from Bt65, Bt65+*ZNF3*, Bt65+*ZNF3-2*, H99, H99 *znf3Δ* and H99 *rdp1Δ* aligning to a KDZ1 (left) and a Cnl1 array (right), both of which are located on chromosome 4 of Bt65. Shown on the y-axis are numbers of normalized reads (RPM, Reads Per Million on forward strand (positive value) or reverse strand (negative value)), representing normalized coverage counts at each position. Different lengths of small RNA reads are labeled as indicated by the color.

Figure 4. Evolutionary diversity of the giant KDZ DNA transposons in *Cryptococcus*.
(A) Maximum-likelihood phylogeny of KDZ domain-containing proteins from Bt65 and H99, as well as representative KDZ domain-containing proteins that have been characterized from *Coprinopsis cinerea* (CC1G_). The tree was evaluated with 1000 bootstrap replicates. Shades of different colors highlight clades containing the *Coprinopsis cinerea* Kyakuja (K), Dileera (D), Zisupton (Z) proteins, respectively. (B) Diagram illustrating the structure of two novel gigantic DNA transposons in *C. neoformans*, KDZ2 and KDZ3. Genes are shown by solid blocks, with arrows inside indicating the orientation. TIR: Terminal Inverted Repeat; TSD: Target Site Duplication (drawn out of scale).

Figure 5. Dynamic outcomes of short-term experimental evolution.
(A) Size distribution of sRNA reads from each indicated strain. sRNA reads from two biologically independent replicates are plotted. All the sRNA reads were mapped to the XL280α genome. (B) Mutation rates of XL280α, XL280α *rdp1Δ*, 37-02, 37-02 *rdp1Δ-1*, and *-2* when grown on YPD medium containing R+F are shown. (C) Mutational spectra in the *FRR1* gene of independent R+F

resistant colonies from each indicated *C. deneoformans* strain. (D) Diagram illustrating the
structure of a novel DNA transposon in *C. deneoformans*, KDZx1. Solid colored blocks represent
open reading frames, with arrows inside indicating the orientation. CNA07680 and CNA07690
correspond to two proteins in the *C. deneoformans* JEC21 reference genome. TIR: Terminal
Inverted Repeat; TSD: Target Site Duplication (drawn out of scale). (E) Mapping of small RNA
reads from XL280α, XL280α *rdp1*Δ, 37-02, 37-02 *rdp1*Δ*-1*, and *-2* to a KDZx1 (left), a DNA
transposon T3 (middle, with MULE transposase domain and TIRs), and a DNA transposon T1
(right, only known with TIRs), which are located on different chromosomes of XL280α. Shown on
the y-axis are normalized reads (RPM, Reads Per Million on forward strand (positive value) or
reverse strand (negative value)), representing normalized coverage counts at each position.
Different lengths of small RNA reads are labelled as indicated by the color.
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Figure 6. Transposition causes hypermutation after sexual reproduction.
(A) Mutation rates of 13 F1 progeny dissected from the cross between natural isolates Bt65**a** and
Bt210α, with the two parents (Bt65**a** and Bt210α) and *C. neoformans* reference strain H99
serving as controls, when grown on YPD medium containing rapamycin + FK506. The error bars
represent 95% confidence intervals. Genotypes of *RDE4* and *ZNF3* are shown for each strain. (B)
Size distribution of sRNA reads from each indicated strain with two independent biological
replicates for each strain. All the sRNA reads were mapped to the Bt65 genome. (C) Mutational
spectra in *FRR1* in independent rapamycin + FK506 resistant colonies from each indicated strain.
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Table 1. Natural *C. neoformans* isolates with putative loss-of-function mutations in genes required for RNAi-mediated gene silencing.

Strain	Pipeline	Gene with mutation [1]	Mutation type	Putative mutation impact [2]
Bt84	GenesComp	*QIP1*	Nonsense; Exon 1	Protein truncated to 30 aa (4% WT length)
Bt65	NeoStop, GenesComp	*ZNF3*	Nonsense; Exon 1	Protein truncated to 96 aa (6% WT length)
Bt81	NeoStop, GenesComp	*ZNF3*	Nonsense; Exon 1	Protein truncated to 96 aa (6% WT length)
LP-RSA2296	NeoStop, GenesComp	*ZNF3*	Nonsense; Exon 1	Protein truncated to 176 aa (11% WT length)
Bt52	GenesComp	*QIP1*	Start-loss; Exon 1	Missing first 15 aa; truncated to 732 aa (98% WT length)
Bt152	GenesComp	*QIP1*	Start-loss; Exon 1	Missing first 15 aa; truncated to 732 aa (98% WT length)
Bt208	GenesComp	*QIP1*	Start-loss; Exon 1	Missing first 15 aa; truncated to 732 aa (98% WT length)
LP-RSA2296	NeoStop, GenesComp	*AGO1*	Frameshift; Exon 10	Deletion of 9 nt and 1 nt in Exon 10; truncated to 459 aa (50% WT length)
Bt210	GenesComp	*RDE4*	Splice-site; Intron 3	Splicing error in Intron 3 leads to frameshift; protein truncated to 207 aa (43% WT length)
A2-102-5	NeoStop	*GWC1*	Frameshift; Exon 1	Protein truncated to 47 aa (8% WT length)
D17-1	NeoStop	*GWC1*	Frameshift; Exon 1	Protein truncated to 47 aa (8% WT length)
NRHc5028.ENR.STOR	NeoStop	*QIP1*	Nonsense; Exon 4	Protein truncated to 250 aa (33% length)

[1]: *ZNF3*: CNAG_02700; *QIP1*: CNAG_01423; *AGO1:* CNAG_04609; *RDE4*: CNAG_01157; *GWC1*, CNAG_06486

[2]: WT: wild-type; aa: amino acids

Table 2. Full-length Cnl1 copy numbers.

Isolate	Reference-based assembly	Short-read-based estimation[1]	Hypermutator when selected on YPD+R+F?
H99	0	0	No
Bt65	105	150	Yes
Bt81	89	84	Yes
Bt210	0	0	No
LP-RSA2296	1	3	No
A2-102-5	NA	0	No
D17-1	NA	1	No
NRHc5028	NA	0	No

[1]: Whole-genome sequence data from Desjardins et al., 2017 were used for estimation (28).

NA: not applicable; R+F: rapamycin+FK506