

RBC Global Asset Management

Advisory Brochure  
Part 2A of Form ADV  
RBC Global Asset Management (U.S.) Inc.



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This Brochure provides information about the qualifications and business practices of RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US"). If you have any questions about the contents of this Brochure, please contact us at 800-553-2143. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. RBC GAM-US is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about RBC GAM-US is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The following is a summary of the material changes made to the Brochure since our last annual update on January 29, 2024.

April 2, 2024:

- Item 7 – Types of Clients: QPAM status for ERISA clients. Updates were made to reflect the implementation of a yearlong exemption granted by the Department of Labor to permit RBC to continue to qualify for QPAM status notwithstanding the conviction of RBCTC Bahamas.

RBC GAM-US will provide our clients with a new Brochure as necessary based on changes or new information. This Brochure is also available upon request, at any time, free of charge.

## Important Note about this Brochure

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person;*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any public or private fund, or other pooled investment vehicle (each a “Fund”), or a collateralized loan obligation issuer (“CLO”);*
- *A complete discussion of the features, risks, or conflicts associated with any Fund or advisory service of RBC GAM-US or its affiliates.*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), we provide this Brochure to current and prospective clients and can also, in our discretion, provide it to current and prospective investors in a Fund that we advise. The Brochure is also publicly available through the SEC’s Investment Adviser Public Disclosure website. Although this publicly available Brochure describes our investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about the investment advisory business of RBC GAM-US, as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure could differ from information provided in other relevant documents provided to current or prospective clients or investors, including but not limited to an investment vehicle’s organizational documents, offering documents and related transaction documents (“CLO Documents” or “Fund Documents”, as applicable, and, collectively, “Governing Documents”). More complete information about each Fund or CLO is included in the Fund Documents or CLO Documents, as applicable, certain of which will be provided to current and eligible prospective investors only by persons authorized to communicate with current or potential eligible investors. Therefore, any discussion in this Brochure of any Fund or CLO advised by RBC GAM-US or its affiliates, including but not limited to the investments held, the strategies employed, the risks of investing in, the fees and costs associated therewith and the conflicts of interest faced by RBC-GAM-US and its affiliates are qualified in their entirety by the respective Governing Documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any such Governing Documents, the Governing Documents shall govern and control.*

*No offer or solicitation for an investment in the offered securities of a Fund, CLO or other investment vehicle advised by RBC GAM-US will be made before the delivery of the relevant offering materials to potential investors who should read the offering memorandum and other offering materials carefully and consult with their tax, legal and financial advisors before making any investment decision.*

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## Item 4 – Advisory Business

### I. Firm Overview

RBC Global Asset Management (U.S.) Inc. (“RBC GAM-US” or “the Adviser”) was formed in 1983 and is registered as an Investment Adviser with the U.S. Securities and Exchange Commission (“SEC”), pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). RBC GAM-US is also a member of the National Futures Association (“NFA”) and registered as a Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading Commission (“CFTC”), pursuant to the Commodity Exchange Act (“CEA”). The firm is an indirect, wholly owned subsidiary of the Royal Bank of Canada (“RBC”). RBC is publicly held and traded on the New York Stock Exchange and Toronto Stock Exchange.

RBC GAM-US is a part of RBC Global Asset Management (“RBC GAM”), the asset management division of RBC. RBC GAM operates as a global firm and leverages the talent and investment capabilities across RBC GAM to create solutions for its clients. When used herein, the RBC GAM group of companies includes the following affiliates, all indirect, wholly owned subsidiaries of RBC: RBC GAM-US, RBC Global Asset Management Inc. (“RBC GAM Inc.”), RBC Global Asset Management (UK) Limited (“RBC GAM-UK”), RBC Global Asset Management (Asia) Limited (“RBC GAM-Asia”) and RBC Indigo Asset Management Inc.

This Brochure describes the investment advisory services of RBC GAM-US. To comply with the Advisers Act, RBC GAM-US provides this Brochure to persons who receive or who are considering investment advisory services from RBC GAM-US.

### II. Advisory Services

RBC GAM-US seeks to develop a full understanding of each client’s investment needs and meet those needs with equity, fixed income and cash management solutions. These solutions are available to a broad range of institutional clients through the following vehicles (each an “Advisory Account”):

- Institutional separate accounts (“Separate Accounts”)
- Open-end investment companies registered under the Investment Company Act of 1940, as amended (“Mutual Funds”)
- Other pooled investment vehicles, including private funds (“Private Funds”) and CLOs (together with Mutual Funds collectively “Pooled Investment Vehicles”)
- Wrap fee programs (“Wrap Fee Accounts”)

- Model Portfolios

In some cases, RBC GAM-US utilizes non-U.S. advisory affiliates, or such affiliates’ personnel, to perform services through various intercompany arrangements, including sub-advisory relationships, personnel sharing and “participating affiliate” arrangements. In participating affiliate arrangements, certain personnel of certain of our non-U.S. advisory affiliates act as “associated persons” in providing such services pursuant to a memorandum of understanding between RBC GAM-US and such non-U.S. advisory affiliate, and in that capacity are subject to our supervision and oversight. We, each participating affiliate, and any such personnel, will act according to a series of SEC no-action relief letters mandating that participating affiliates remain subject to the regulatory supervision of both RBC GAM-US and the SEC.

RBC GAM-US can, in its discretion, delegate all or a portion of its advisory or other functions (including placing trades on behalf of Advisory Accounts) to any affiliate that is registered with the SEC as an investment adviser or utilize personnel under a participating affiliate arrangement to perform such services. To the extent RBC GAM-US delegates advisory or other functions to affiliates that are registered with the SEC as investment advisers, a copy of the brochure of each such affiliate is available on the SEC’s website and will be provided to clients or prospective clients upon request. RBC GAM-US can also engage affiliated or unaffiliated sub-advisers to provide advisory services to a Pooled Investment Vehicle.

Additionally, RBC GAM-US provides investment advisory services as an adviser, sub-adviser or Model Portfolio Provider for investment companies, Wrap Fee Accounts and Model Portfolio programs offered by other investment managers or sponsors.

#### A. Separate Accounts

RBC GAM-US provides investment management solutions to clients in the form of Separate Accounts. Fees and services for each arrangement are individually negotiated. Some Separate Account clients choose to impose restrictions on investing in certain securities or types of securities. Any such restrictions are specified in the client’s written investment policy or other governing documents. RBC GAM-US assesses compliance with each client’s investment policy or other governing documents through automated and manual reviews (as discussed in Item 13, below). The fees and services for Separate Account advisory services arrangements are generally based upon a percentage of assets under management. For additional information on fees, refer to Item 5 or the Fee Schedule Appendix.

## B. Pooled Investment Vehicles

RBC GAM-US serves as the investment adviser or collateral manager, as applicable, to affiliated and unaffiliated Pooled Investment Vehicles. In connection with its advisory services to Pooled Investment Vehicles, RBC GAM-US or its related persons receive advisory, management, service and/or distribution fees from the Pooled Investment Vehicles and/or investment advisers to the Pooled Investment Vehicles. In connection with its collateral management services to the CLOs, RBC GAM-US primarily focuses on management of senior secured term loan and revolving instruments, for which it receives a collateral management fee from the CLO issuer.

Each Pooled Investment Vehicle is structured and managed in accordance with its Governing Documents and the investment objectives, strategies and restrictions of each Pooled Investment Vehicle, along with risks and conflicts associated with the Fund, are described in the Pooled Investment Vehicle's disclosure documents (collectively, the "Fund Documentation"). In many cases, the Fund Documentation includes detailed specifications and requirements as to the nature, type and composition of the Pooled Investment Vehicle's portfolio. While prospective investors are sometimes consulted in developing an investment mandate, Pooled Investment Vehicles are not tailored to any particular individual investor.

Additional risks could apply to investments in Pooled Investment Vehicles. Current and prospective investors in a Pooled Investment Vehicle should carefully review the Fund Documentation for more detailed information regarding Pooled Investment Vehicles advised or sub-advised by RBC GAM-US, including the risk disclosures relating to such investments. To the extent there is any conflict between the Fund Documentation and this Brochure with respect to a particular Fund, the Fund Documentation will govern.

## C. Wrap Fee Accounts

RBC GAM-US provides investment advisory services to Wrap Fee Accounts offered by a broker-dealer or another investment adviser ("program sponsor") pursuant to an investment management agreement ("IMA") between RBC GAM-US and the program sponsor. RBC GAM-US does not serve as a wrap fee program sponsor. Participants in Wrap Fee Accounts pay a single, inclusive fee ("Wrap Fee") to the program sponsor that typically includes custody, investment consultation, trading, and investment advisory services. The program sponsor pays a portion of the wrap fee to RBC GAM-US for its services. The services provided by RBC GAM-US to Wrap Fee Accounts are tailored to the requirements of each wrap fee program and differ from the services we provide to Separate Accounts. For

example, RBC GAM-US does not provide individual client reports for Wrap Fee Accounts. Wrap Fee Account clients should review all materials relating to their programs.

## D. Model Portfolio Provider Accounts

As a Model Portfolio provider, RBC GAM-US provides Model Portfolio program sponsors, including affiliates, with non-discretionary recommendations to assist the sponsor in the development of one or more portfolios that the sponsor determines to be suitable for use on behalf of one or more program clients (each a "Model Portfolio"). RBC GAM-US's role is generally limited to providing portfolio recommendations to the program sponsor.

Model Portfolio program clients are clients of the program sponsor and not of RBC GAM-US. The program sponsor is responsible for investment decisions and for performing many other services and functions typically handled by RBC GAM-US in a traditional discretionary managed account program. Depending on the particular facts and circumstances, RBC GAM-US could also have a separate advisory relationship with Model Portfolio program clients. RBC GAM-US is not responsible for overseeing the provision of services by a Model Portfolio program sponsor, or other service providers associated with the program, and as such, cannot assure the quality of the services such persons provide. Clients should review the Model Portfolio program documents, including any program or sponsor Form ADV brochure, for details as to the terms, conditions and fees for that program, while also considering the advantages and disadvantages as described by the program sponsor. Participants or prospective participants in a Model Portfolio program who receive this Brochure should understand that, unless a separate advisory relationship is established with RBC GAM-US, this Brochure is being provided to you for informational purposes only and does not create an adviser-client relationship with RBC GAM-US. Refer to Item 12 for additional information on sponsored fee-based program accounts.

## III. Client Servicing Arrangements

RBC GAM-US also provides client servicing to certain U.S. client accounts on behalf of certain of its RBC GAM affiliates. In these cases, the affiliate generally pays RBC GAM-US a portion of its advisory fee, but this arrangement does not increase the fee the client pays.

## IV. Assets Under Management

Client assets under management for RBC GAM-US as of October 31, 2024: \$80,857,369,161, all on a discretionary basis.

### Item 5 – Fees and Compensation

#### I. Rates / Fee Schedule

While fees for Separate Accounts are individually negotiated, clients will generally pay fees that are based on a percentage of assets under management in accordance with the Fee Schedule Appendix. Fees and services are negotiated based on factors such as client type, asset class, specific investment strategy utilized, whether a pre-existing relationship is present, portfolio complexity, account size or other special circumstances or requirements. However, in certain limited circumstances, for eligible clients and certain strategies, fixed or performance-based fees could also be negotiated, and related accounts can, as agreed, be aggregated for fee calculation purposes. Some clients could pay higher or lower fees than other clients. For information on account minimums, refer to Item 7 and the Fee Schedule Appendix.

#### II. Billing

RBC GAM-US typically bills clients for advisory fees on a monthly or quarterly basis, either in advance or arrears. Alternatively, clients can elect to have fees deducted from their account by the custodian and paid to RBC GAM-US. Advisory fees are typically based upon a percentage of the market value of assets in the account on the date of valuation or the average of the market value of the assets in the account during the billing period.

For accounts that pay in advance, if a client terminates their investment advisory contract with RBC GAM-US prior to month-end or quarter-end, the advisory fee will be prorated based on the portion of the quarter the account was open, and any unused portion of any fees paid in advance will be returned to the client.

#### III. Valuation / Calculation

Valuations of account assets are determined in accordance with RBC GAM-US's valuation procedures, which generally rely on third-party pricing services, but also permit the use of other valuation methodologies in certain circumstances. Our valuation could differ from valuations reflected on a client's custodial statement. In certain limited circumstances, and only upon request of the client, RBC GAM-US will rely on the valuation determined by the client's custodian when determining the valuation of that client's account assets. Since such valuations can differ, the client could pay more or less in fees depending on the valuation methodology utilized.

## IV. Other Fees and Expenses

Clients incur certain charges imposed by custodians, brokers and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, brokerage commissions and other fees and taxes on brokerage accounts and securities transactions.

Without limiting the generality of the foregoing, and as provided in or consistent with a client's account documents or a Pooled Investment Vehicle's Governing Documents, clients (as well as for Pooled Investment Vehicles, indirectly, any investors therein) may bear, in addition to the fees described above, other fees and expenses, including:

- Costs and expenses with respect to any workout, restructuring, recapitalization, amendment, waiver or consent of or with respect to certain investments and the protection or enforcement of rights thereunder;
- Legal, custodial, accounting and related costs and expenses;
- Pricing service costs incurred in valuing investments;
- Expenses incurred in obtaining credit ratings on investments;
- Out-of-pocket travel costs and related expenses incurred in connection with the management of certain investments or a Pooled Investment Vehicle's offerings including, but not limited to, travel expenses in connection with attendance at advisory committee meetings and annual meetings of general and limited partners of a Pooled Investment Vehicle;
- All taxes imposed on a client and all litigation expenses (and any judgments or settlements paid in connection therewith) and other extraordinary expenses;
- The costs of forming and maintaining any alternative investment vehicle and (at the discretion of the general partner of a Pooled Investment Vehicle) the costs of maintaining any other special purpose vehicle through which to invest (e.g., feeder funds, offshore funds and funds established for employees and former employees);
- Costs and expenses in connection with the acquisition of insurance, such as director and officer insurance;

- Interest and commitment fees payable in connection with credit facilities made available to a client;
- Fees of outside auditors and tax preparers and the costs of preparation of the books and records and tax returns of a client, including periodic reports to limited partners, and fund administration service provider expenses;
- Costs of liquidation and termination of a client;
- Expenses, including travel costs, in connection with the ongoing offering of interests by a Pooled Investment Vehicle;
- Portfolio management and monitoring software;
- Market data and modeling services;
- Certain research and diligence costs;
- Prime brokerage and transaction-related expenses, hedging costs, transfer fees, and commissions;
- Client-related compliance and regulatory costs;
- Expenses of outsourced transaction settlement;
- All other costs incurred in connection with the administration of a client or are otherwise authorized by relevant Governing Documents, account documents, or partnership agreements;
- Any other expenses actually incurred on behalf of a client and paid by the Adviser or an affiliate in connection with the management of certain investments; and
- Certain other fees and expenses that are authorized under a client's Governing Documents or an account document.

For a more complete discussion of transactions costs that could be incurred, please refer to Item 12 – Brokerage Practices.

All such charges, fees and commissions are exclusive of and in addition to our fee. Additionally, certain clients pay RBC GAM-US other fees and expenses in addition to its advisory fee. Refer to the Fund Documentation of the relevant Pooled Investment Vehicles for more information on such fees.

RBC GAM-US offers certain clients additional investment reporting through a relationship with Clearwater Analytics. When requested, RBC GAM-US will include these services in a client's IMA for an additional fee.

## Pooled Investment Vehicles

Investors in a Pooled Investment Vehicle should carefully review the applicable Governing Documents for more detailed information regarding Pooled Investment Vehicles advised or sub-advised by RBC GAM-US. For certain Pooled Investment Vehicles as set forth in the Fund Documentation, fees vary across investors based on the type of service provided, size of the account, and the overall relationship between RBC GAM-US and the investor. Fees are negotiable and paid more or less frequently depending upon the terms of the Fund Documentation. Consistent with the Fund Documentation and applicable law, RBC GAM-US, in its sole discretion, can elect to reduce, waive or calculate differently the fees with respect to any investor, whether through different classes or through separate written agreements with Fund investors.

## V. Expense Allocations

Certain costs and expenses are incurred for the benefit of, or are shared by, multiple accounts (by including RBC GAM-US or its affiliates). RBC GAM-US endeavors to allocate shared expenses in a manner that we consider, in our discretion based on the circumstances and on an overall basis, to be fair and equitable to the accounts that could benefit from the shared expense. Generally, shared expenses will be allocated pro rata based on relative assets under management of the accounts benefitting from the shared expense but can be allocated in another manner if RBC GAM-US deems it to be appropriate under the circumstances.

RBC GAM-US faces certain conflicts of interest in making allocation decisions with respect to shared expenses to the extent it has differing pecuniary interests in the accounts, including investments in one or more accounts, circumstances where the firm or an affiliate benefits from the shared expense or where the current or anticipated performance of such accounts impacts the compensation paid or payable to RBC GAM-US or an affiliate. Additionally, certain accounts' Governing Documents do not permit them to directly or indirectly bear certain costs and expenses or impose an expense cap. To the extent that an account is not permitted to bear the costs of a shared expense (or where bearing such cost would cause the account to reach or exceed an expense cap) but the account benefits from the shared expense, RBC GAM-US would typically directly bear the responsibility for the portion of the shared expense that would otherwise be allocable to the relevant account. This creates a conflict of interest for RBC GAM-US in identifying which accounts benefit (and the extent of each account's benefit) from a shared expense and in determining the manner in which the shared expense will be allocated. For example, if RBC GAM-US incurs an expense that could benefit multiple accounts, not all of which allow for



reimbursement, the firm has an incentive to allocate the shared expense only to those accounts which are permitted to bear it in order to avoid incomplete reimbursement or otherwise to choose an allocation methodology which increases the portion of the shared expense that is reimbursable.

## Item 6 – Performance-Based Fees and Side-by-Side Management

RBC GAM-US's investment teams manage multiple accounts for multiple clients with different investment mandates and fee structures. RBC GAM-US generally receives an asset-based fee for our advisory services. In certain limited cases, and at the request of qualified clients, we sometimes enter into performance-based fee arrangements. Performance-based fees can include carried interest, override, incentive allocation, performance fees and other similar forms of performance-based fees. Performance-based fee arrangements can vary among clients and investment strategies. RBC GAM-US has an incentive to favor accounts that bear performance-based fees.

The simultaneous management of Advisory Accounts that bear performance-based compensation and Advisory Accounts that only bear an asset-based fee, or that bear a performance-based fee that is calculated in a different manner, creates a conflict of interest for the portfolio manager and RBC GAM-US when allocating certain investment opportunities, given the possibly greater compensation from accounts that bear performance-based fees.

To address these conflicts, RBC GAM-US has adopted procedures that are reasonably designed to ensure that clients are treated fairly and equitably and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. The conflicts of interest of managing accounts with both types of fee structures are mitigated by the firm's trade allocation policies that ensure all trades are allocated in a fair and consistent manner. Refer to Item 12 for more information on allocation of investment opportunities.

## Item 7 – Types of Clients

We provide portfolio management services (directly or through Pooled Investment Vehicles ) to corporations, public and private pension plans, Taft-Hartley and union plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, CLOs, trust programs, foreign funds such as UCITS funds, individuals (including high net worth individuals), family offices, insurance companies, sovereign wealth funds, fiduciary consultants, distribution channels, wrap program sponsors and other institutions.

Our Separate Accounts are generally subject to a standard minimum account size and, in certain circumstances, a quarterly revenue requirement. For additional information on fees, refer to Item 5 or the Fee Schedule Appendix.

Additional information on Pooled Investment Vehicles, including investor eligibility criteria and minimum investments, can be found in the Fund Documentation, as applicable.

When providing services to clients that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), we may rely on various Prohibited Transaction Exemptions ("PTEs") available under ERISA, including PTE 84-14, which is only available to qualified professional managers (the "QPAM Exemption"). On March 5, 2024, the French Court of Appeal rendered a judgment of conviction (the "Conviction") against Royal Bank of Canada Trust Company (Bahamas) Limited ("RBCTC Bahamas"), an affiliate of RBC GAM-US, and other parties regarding a charge of complicity in estate tax fraud relating to actions taken relating to a trust for which RBCTC Bahamas serves as trustee. In 2016, Royal Bank of Canada was granted an exemption by the U.S. Department of Labor that allows Royal Bank of Canada and its current and future affiliates to continue to qualify for the QPAM Exemption under ERISA despite any potential conviction of RBCTC Bahamas in the French proceeding for a temporary one-year period from the date of conviction. As a result of the Conviction of RBCTC Bahamas, the temporary one-year period commenced on March 5, 2024. Royal Bank of Canada intends to seek longer term relief from the U.S. Department of Labor.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

In providing investment management services, individual portfolio managers could emphasize one method of security analysis over another. The primary methods of analysis we employ are fundamental analysis (i.e., the analysis and interpretation of basic company and industry data) and quantitative analysis (i.e., the analysis and interpretation of numerical, measurable characteristics). See The Investment Strategies Appendix for additional information.

### I. Investment Strategies

We employ various investment strategies through our investment mandates and based on the objectives and strategies of the clients involved. Client portfolios with similar investment mandates, strategies and guidelines are generally managed similarly. Long-term and short-term strategies could be used, if permitted by the applicable client investment guidelines. Investing in securities involves risk and clients should be willing to

bear such risks, including incurring losses. More frequent trading can positively or negatively affect performance and increase transactional costs.

RBC GAM-US's investment approach with respect to fixed income strategies is governed by a style incorporating the following investment principles:

- Focus on absolute returns – both our long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns
- Strong emphasis on capital preservation – the use of credit derivatives helps us to maximize portfolio efficiency
- Dynamic, research-driven approach
- Disciplined, risk-controlled environment
- Active management – our investment approach draws on both top-down and bottom-up inputs, resulting in an active style of management

Finally, credit analysis is the fundamental aspect of RBC GAM-US's fixed income investment approach and is designed to identify existing market inefficiencies at all stages of the investment processes as well as drive security selection using RBC GAM-US's credit expertise and proprietary research.

Each investment team at RBC GAM-US maintains key research personnel who are responsible for researching investment opportunities and reporting their findings and views on specific issuers and securities to other investment personnel and portfolio managers on their respective investment teams.

The Risk Management team is responsible for measuring, analyzing and reporting on absolute and benchmark relative performance risk for all strategies at RBC GAM. The team also monitors derivatives usage, leverage, liquidity risk and counterparty risk. On a weekly basis, performance drivers and risk characteristics are monitored and reviewed by the Market Risk Committee.

Advisory Account clients and investors in Pooled Investment Vehicles should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment, which clients and investors should be prepared to bear. The investment performance and the success of any investment strategy or investment can never be predicted or guaranteed, and the value of a client's or an investor's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken will be subject to various

market, liquidity, currency, economic, political and other risks, and investments could lose value.

## II. Methods of Analysis

The Investment Strategies Appendix illustrates the general descriptions of the RBC GAM-US investment strategies, including the primary methods of security analysis (security research process) and the material risks associated with each strategy. More detailed information regarding risks can be found in the Risk Disclosures Appendix.

Clients who invest in Pooled Investment Vehicles managed by RBC GAM-US should carefully read the relevant Fund Documentation for specific information applicable to that particular vehicle.

## III. Fixed Income Research Process

Our buy, hold and sell decisions are based on each security's expected risk/return profile, fundamentals, valuation and the ability for a considered transaction to support the portfolio in prudently attaining the client's specific objectives. In addition, some insurance and other clients also have accounting-driven objectives related to portfolio yields and gains/losses, which we include in our decision to trade securities. All investment decisions are based on our investment philosophy and process that consider quantitative, qualitative, technical and client-specific factors.

The Fixed Income Investment Team spans RBC GAM-US and RBC GAM-UK and operates with a collaborative approach across both firms. In providing investment management services to our fixed income clients, we operate jointly or utilize shared capabilities with RBC GAM-UK, including, among other things: shared security and investment level research and recommendations, economic and market analysis, and execution strategy. We may execute transactions on a coordinated basis or delegate trading services to RBC GAM-UK. We have adopted policies and controls that seek to ensure our clients are treated fairly and equitably with respect to trading and sharing information and advisory services using the systems and platform of RBC GAM-UK.

## IV. Customized Portfolios

The investment strategies referenced in the Investment Strategies Appendix are not inclusive of all management capabilities of RBC GAM-US. We customize our strategies to meet unique client needs, which could include a more concentrated version of a strategy, a combination of two or more strategies, or a completely custom mandate.

## V. Derivatives

We will use futures in an effort to “hedge” or “neutralize” various risks associated with positions in a client’s portfolio. Our attempts to partially or fully hedge a portfolio might not be successful and could cause the portfolio to incur a loss. We can also use derivatives for other reasons, including to obtain long or short investment exposure commensurate with expectations regarding price or other movements in securities, markets or rates. See the Investment Strategies Appendix for additional information.

## VI. Risk of Loss

There can be no assurance that our investment strategies will be successful, that any client will achieve its investment objectives or that losses will not occur. While RBC GAM-US seeks to mitigate the risks inherent in its investment strategies, so that the risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks.

Any investment in securities can involve significant risks and certain of our investment strategies (including those that are limited to certain types of investments and/or are not diversified by asset type) are suitable only for persons who can bear the economic risk of the loss of their entire investment, have a limited need for liquidity in their investment and meet the conditions set forth in client documentation or Fund Documentation. Accordingly, clients and investors (and prospects) should give careful consideration to the risk factors set forth in the Risk Disclosures Appendix and relevant client or Fund Documentation in evaluating the merits and suitability of RBC GAM-US’s strategies. However, the Risk Disclosures Appendix should not be considered, and does not purport, to be a summary of every risk associated with RBC GAM-US’s investment strategies; rather it is a summary of the risks which RBC GAM-US reasonably believes to be material or unique relative to the particular investment strategies or methods RBC GAM-US employs.

An investment in a Pooled Investment Vehicle or Separate Account managed by the Adviser is not a complete investment program. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

For Pooled Investment Vehicles, a description of risks relevant to investors can be found in the final confidential offering circular, prospectus or other Fund Documentation. A copy of such documents is available at no charge upon investor request. Prospective Clients and investors should consult their own legal, tax and financial advisors, prior to making an investment in a Pooled Investment Vehicle or engaging RBC GAM-US as a manager.

## Item 9 – Disciplinary Information

RBC GAM-US and our management personnel do not have any reportable disciplinary events to disclose.

## Item 10 – Other Financial Industry Activities and Affiliations

RBC GAM-US is registered as a CTA with the NFA. In addition, certain RBC GAM-US employees are registered with the NFA as associated persons and/or principals.

As discussed in Item 4 above, RBC GAM-US is an indirect, wholly owned subsidiary of RBC. RBC has a global portfolio of companies under its control, including several other investment advisers and other advisory affiliates material to the investment advisory services we provide:

- RBC GAM Inc.
- RBC GAM-UK
- RBC GAM-Asia

As described below, many of our affiliates engage in activities that are material to our advisory business or to our clients. RBC GAM-US does not have any relationships or arrangements that are material to its advisory business or clients with a related person other than those discussed below:

- RBC GAM-US has employees who are registered representatives of an affiliated broker-dealer, RBC Capital Markets LLC (“RBC-CM”). These employees can engage in the sale and distribution of security products to clients of RBC GAM-US and/or RBC-CM.
- RBC GAM-US generally does not trade with its affiliated broker-dealers. However, with specific client consent or direction, RBC GAM-US will enter into investment transactions on behalf of the client in which an affiliated entity either (1) acts on a principal basis or (2) otherwise provides services for which the affiliate is compensated or otherwise financially benefits, where legally permissible to do so.
- In certain circumstances, we could recommend that our advisory clients engage in securities transactions for which an affiliate serves as an underwriter, remarketing agent, or liquidity provider. Such purchases will be made in accordance with the following, as applicable: (1) Prohibited Transaction Exemption 75-1 Part III, for accounts subject to the Employee Retirement Security Act, as amended (“ERISA”); (2) Rule 10f-3 under the Investment Company Act of 1940, as

amended, (“the Investment Company Act”) for Mutual Funds; and (3) Section 206 of the Advisers Act. The recommendation or transaction in such securities involves a conflict of interest because the services provided by our affiliate means our affiliate can receive a benefit in connection with transactions in the securities. We have adopted policies and procedures that are reasonably designed to mitigate these conflicts of interest and will seek specific client consent where required by applicable laws. In addition, prior to engaging in any affiliated trade, we will review the transaction to ensure that it is in the best interest of the client, considering factors such as our duty to seek best execution and any additional compensation that could be received by the affiliate prior to effecting or recommending the transaction.

- From time to time, we effect cross-transactions between advisory clients. Any cross-transactions involving Mutual Funds are subject to the Mutual Funds’ compliance procedures for such trades. We will not receive any compensation for effecting a transaction between advisory clients. The desire to liquidate, change asset allocation, or otherwise raise cash in a client account could necessitate selling a security that is attractive to another client account. Such cross-transactions will be effected only if, in our judgment, the transaction is beneficial to both the client account(s) selling the security and the client account(s) purchasing the security. The ability to effect a cross-transaction between client accounts presents a conflict of interest for us, because it could potentially advantage one client over another. Our policies and procedures are designed to mitigate this conflict of interest. Cross-transactions are not permitted for employee benefit plans governed by ERISA or when otherwise restricted by the client.
- Some of our directors, executive officers and employees are also directors, officers, employees or registered persons of one or more affiliates. Our Code of Ethics and related policies and those of our affiliates are designed to mitigate the conflicts of interest that exist between the allocation of resources and time between entities and the obligations to our clients and the incentive to take actions that benefit one or more of our affiliates.
- RBC GAM-US can, in its discretion, use personnel of certain of its affiliates in performing advisory or other functions (including placing trades on behalf of Advisory Accounts) pursuant to a participating affiliate arrangement. The participating affiliate will act in accordance with regulatory guidance from the SEC mandating that participating affiliates remain subject to the regulatory supervision of both RBC GAM-US and the SEC and other regulatory guidance. We currently have a participating affiliate arrangement in place with RBC GAM Inc., and we could enter into similar arrangements with other affiliates from time to time.
- RBC GAM-US relies on the services and personnel of its affiliate RBC GAM Inc. to review and validate proxy recommendations and votes from our proxy research and service provider to ensure they are in line with our proxy voting guidelines. Refer to Item 17 for more information on proxy voting.
- RBC GAM-US serves as sub-adviser to Separate Accounts, private investment funds, foreign registered mutual funds or other pooled investment vehicles such as UCITS funds for our affiliates. Our affiliates recommend these products to their eligible clients. For our role as sub-adviser for managing these assets, we receive a sub-advisory fee.
- Our affiliate, RBC-CM, sweeps a portion of its client account cash balances into the RBC Funds Trust money market fund. RBC-CM also recommends to its clients the purchase of shares of one or more of the other RBC Funds Trust mutual funds. These funds pay us advisory and other fees, and we can benefit from increases in a fund’s assets under management.
- We have clients who custody their assets with our affiliates RBC-CM and RBC Investor & Treasury Services and, unless otherwise agreed, pay custodial and other fees to those affiliates. Both entities are qualified custodians. Refer to Item 15 for more information on custody with affiliates.
- RBC GAM-US participates as an investment adviser or Model Portfolio provider to RBC-CM, a wrap-fee sponsor for certain Wrap Fee Accounts. We do not receive any additional compensation other than a portion of the management fee RBC-CM charges each client. Refer to Item 4 for more information on Wrap Fee Accounts.
- We receive certain administrative, operational, infrastructure and technical support, compliance, legal, and marketing services from our affiliates that could be material to our advisory business.
- In the regular course of business, RBC GAM-US and our affiliates could invest our clients’ assets in publicly traded securities issued by clients or prospective clients. In such circumstances, neither RBC GAM-US nor our affiliates receive

compensation from the issuer for investing client assets in the issuer's securities.

- RBC GAM-US enters into solicitation (referral) agreements with our affiliates and in limited circumstances, unaffiliated broker/dealers and investment advisers, whereby RBC GAM-US pays the referring entity a referral fee for successful referrals of clients. RBC GAM-US also has agreements with broker/dealers and investment advisers, including affiliates, whereby RBC GAM-US receives a referral fee in exchange for referring clients. In all cases, these arrangements are disclosed to clients and do not result in additional fees paid by the client. Refer to Item 14 for information on client referral arrangements.
- For Mutual Funds, RBC GAM-US enters into servicing and platform / portal agreements when an RBC Mutual Fund is available on an investment platform or portal, and RBC GAM-US will pay from its legitimate profits, a portion of the management fee to the broker/dealer or platform / portal provider (which could be an affiliate) for services provided.
- We jointly offer certain services with RBC GAM-UK to our clients, including but not limited to Mutual Funds and Private Funds. For example, RBC GAM-UK serves as an investment sub-adviser to certain U.S. registered Mutual Funds for which RBC GAM-US serves as the investment adviser.
- RBC GAM-UK serves as the investment sub-adviser to certain U.S. registered mutual funds and Separate Accounts for which RBC GAM-US serves as the investment adviser.
- RBC GAM-UK serves as the investment sub-adviser to certain privately offered Pooled Investment Vehicles for which RBC GAM-US serves as the managing member. Please refer to applicable offering documents for more specifics around RBC GAM-US's role in such investment vehicles.
- RBC GAM-US receives recommendations from consultants who are hired by their clients to evaluate and recommend investment advisers. RBC GAM-US does not compensate consultants for these referrals or recommendations. However, RBC GAM-US has other relationships with some of these consultants or their affiliates that include (1) paying for research or educational services and (2) providing investment management services to a pooled investment vehicle sponsored by an affiliate of the consultant. To address the conflicts of interest this creates, RBC

GAM-US evaluates these relationships periodically to assess that (1) payments made are for legitimate business needs and (2) consultants (or their affiliates) do not receive preferential treatment for advisory services RBC GAM-US provides.

- Because RBC GAM-US is a subsidiary of RBC US Group Holdings LLC (a bank holding company and financial holding company), it is subject to the restrictions of the Bank Holding Company Act, as amended ("BHCA") on engaging in business activities and making investments that are not financial in nature. These restrictions include numerical limits on the size of its investments, temporal limits on the duration of its investments, and qualitative limits on its involvement in the management of investee companies. If RBC GAM-US's regulators were to make a determination that it "controls" an advisee investment fund, such a fund could be subject to the same BHCA restrictions as RBC GAM-US, which could have a material adverse effect on the activities of such a fund.
- As discussed in Item 15 below, one or more affiliates provide loan agent services and from time to time loans (or interests in a loan) for which an affiliate is agent will be held by clients. The affiliate is compensated for these services and can be in a position to make or execute decisions related to such loans that will not necessarily be in the best interest of the client holding such an interest. In many cases, the affiliate's actions will be constrained by traditional loan servicing standard or by the relevant loan documents. When serving in this capacity, the loan agent has only such duties and obligations as are set forth in the relevant agreements and will not, in any case, have any particular duty to any holder based on that holder's relationship with RBC GAM-US.

## Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### I. Code of Ethics and Personal Trading

We have adopted a Code of Ethics that guides our standards of business conduct as a fiduciary to our clients as well as other policies and procedures that outline our practices surrounding personal trading in securities, confidentiality of client information, and the misuse of non-public information.

Clients, private fund investors and prospects can obtain a copy of our Code of Ethics by contacting us at (800) 553-2143 or by sending a request to:

RBC Global Asset Management (U.S.) Inc.  
Attention: Client Service  
250 Nicollet Mall, Suite 1550  
Minneapolis, MN 55401

The RBC GAM-US Code of Ethics:

- Requires employees to obtain pre-clearance approval on personal trades in covered securities for their own accounts and for accounts they control or in which they have an interest.
- Imposes a blackout period restricting employee trading for seven days before and seven days after a security is traded in a client account. A “de minimis” exception can be granted for certain non-investment professional employees when specific criteria are met.
- Places restrictions on short-term trading. Employees generally are not permitted to purchase a security and sell it for a profit within a 30-day period. Exceptions can be granted in extraordinary circumstances.
- Requires employees to report personal securities holdings at the time of hire, as well as annually thereafter, and to report personal securities transactions quarterly.
- Requires employees to certify their compliance with the Code of Ethics quarterly.

## II. Participation or Interest in Client Transactions

In certain circumstances, we can recommend that our advisory clients engage in securities transactions for which an affiliate of ours serves as an underwriter, remarketing agent, or liquidity provider. Such purchases will be made in accordance with the (1) Prohibited Transaction Exemption 75-1, for accounts subject to ERISA, (2) Rule 10f-3 under the Investment Company Act, for mutual funds, and (3) Section 206(3) of the Advisers Act.

The recommendation or transaction in such securities involves a conflict of interest because, where services are provided by our affiliate, our affiliate will often receive a benefit in connection with transactions in the securities. We have adopted policies and procedures in order to mitigate these conflicts of interest and obtain specific client consent where required by applicable laws. In addition, prior to engaging in any affiliated trade, we will review the transaction to ensure that it is in the best interest of the client, considering factors such as our duty to seek best execution, and any additional

compensation that could be received by the affiliate prior to the recommendation of the transaction.

## III. Investment Adviser to Affiliated Open - End Investment Company and Pooled Investment Vehicles

RBC GAM-US serves as investment adviser to the RBC Funds Trust (“RBC Mutual Funds”), a series of registered open-end investment companies. In addition, RBC GAM-US serves as the RBC Mutual Funds’ co-administrator and provides certain administrative services necessary for the operation of the RBC Mutual Funds. RBC GAM-US also provides certain administrative services to Class I shareholders of the RBC BlueBay Access Capital Community Investment Fund, for which RBC GAM-US receives a fee pursuant to Special Administrative Services Agreement with the RBC Mutual Funds.

RBC GAM-US serves as the managing member of Global Asset Management Strategies, LLC, a series of private funds that qualify for the exclusion from the definition of investment company under section 3(c)(7) of the Investment Company Act. RBC GAM-US also acts as the investment manager for the International Equity Fund of the RBC Global Asset Management (U.S.) Inc. Group Trust, a private fund that qualifies for the exclusion from the definition of investment company under 3(c)(1) of the Investment Company Act. RBC GAM-US also serves as the collateral manager to the CLOs.

RBC GAM-US also serves as the investment manager of Global Funds SPC, a series of private funds that qualify for the exclusion from the definition of investment company under section 3(c)(7) of the Investment Company Act.

Certain RBC GAM-US employees who are registered representatives of RBC-CM will recommend to investors the purchase of shares of one or more of the RBC Mutual Funds or Private Funds, but only to the extent that such securities are suitable for the investor. Other than the investment advisory fee paid by each of the Mutual Funds and Private Funds, and other fees, as noted above, we do not collect any additional fees for the sale of these Mutual Funds or Private Funds.

## IV. Other Fund Activities

From time to time, to the extent consistent with a client’s investment objectives and strategies, RBC GAM-US can invest client assets in affiliated or unaffiliated Funds. Clients could also choose to participate in their custodians’ sweep programs, which can offer mutual funds. Mutual funds typically pay fees for investment advisory, administrative and distribution services. For RBC GAM-US affiliated Mutual Funds, RBC GAM-US receives investment advisory fees from each

fund. More information regarding fees associated with a Fund can be found in the applicable Fund Documentation.

## Item 12 – Brokerage Practices

### I. Best Execution

As an investment adviser, RBC GAM-US is obligated to exercise its fiduciary obligation to seek best execution of client transactions under the circumstances of the particular transaction. RBC GAM-US seeks best execution through established policies and procedures, as well as assessing factors such as price, volume, market conditions, counterparty risk and relying on services that will best help achieve best execution through regular monitoring of trade execution quality.

Our policies and procedures are also designed to address the conflicts of interest that could arise as a result of managing multiple types of accounts, including client accounts that pay RBC GAM-US higher fees or performance fees. Refer to the broker selection process referenced below for additional information on factors we consider in executing transactions.

RBC GAM-US hires sub-advisers to manage certain Mutual Funds, Private Funds, CLOs and Separate Accounts. RBC GAM-US reviews the brokerage practices of each sub-adviser during compliance due diligence meetings to verify that each sub-adviser maintain reasonable policies and procedures and that the sub-adviser seeks best execution on trades made in accounts of RBC GAM-US clients.

### II. Research and Other Soft Dollar Benefits

RBC GAM-US uses client commissions (“Soft Dollars”) to pay for and receive brokerage and research products (“Eligible Research”) of the type described in Section 28(e) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) or pursuant to SEC guidance. RBC GAM-US benefits from the use of client brokerage commissions to obtain research, because we don’t have to produce or pay for the research. We only use client commissions to pay for and receive brokerage and research products when we have determined that the commission is reasonable in relation to the value of the execution, brokerage and/or research services provided by the broker. By policy, RBC GAM-US does not use client commissions to pay for market data services or other non-research services permissible under Section 28(e) of the Exchange Act.

Further, RBC GAM-US has fully unbundled its Eligible Research relationships. All Eligible Research consumed by RBC GAM-US and paid for with client commissions is facilitated through commission sharing and aggregation arrangements with a third-party vendor. Unbundling the

Eligible Research relationships mitigates potential conflicts of interest for the trading desk

In addition to SEC and CFA Institute guidelines, in determining whether to use client commissions to pay for Eligible Research, RBC GAM-US uses the below-listed criteria when assessing whether a research product and/or service is soft dollar eligible. It must:

1. Be capable of adding value to the investment or trading decisions by providing new insights that inform the investment manager when making such decisions about its customers’ portfolios;
2. Whatever form its output takes, represent original thought, in the critical and careful consideration and assessment of new and existing facts, and must not merely repeat or repackage what has been presented before;
3. Have intellectual rigor and must not merely state what is commonplace or self-evident; and
4. Present the investment manager with meaningful conclusions based on analysis or manipulation of data.

The research we obtain with client commissions is not necessarily used for the specific account that generated the commissions. A client who does not permit its commissions to be used for research benefits from research paid for by other clients’ commissions.

Annually, our investment teams evaluate the cost of a research product or service that qualifies as Eligible Research and determines if it can be paid with Soft Dollars. The Equity Trading Oversight Committee annually reviews and makes any determinations of eligibility required under Section 28(e) of the Exchange Act, or other applicable law or guidance as noted above.

Additionally, consistent with customary practices for fixed income trading, intermediaries can provide useful information and services (e.g., research, information as to the availability or pricing of assets, access to trading systems) that can benefit RBC GAM-US in managing client accounts. While no stated commission or spread is generally charged, RBC GAM-US could have an incentive to select fixed income intermediaries that provide information and services over other intermediaries, when determining who will execute a transaction.

### III. Brokerage for Client Referrals

We can engage in referrals with broker-dealers that may also be on our list of approved brokers. We do not direct trades as a result of these arrangements (other than to the extent such wrap fee program requires RBC GAM-US to trade with such broker-dealer), nor do we consider the marketing efforts of broker-dealers on behalf of the Mutual Funds and Private Funds for which we

serve as investment adviser in selecting broker-dealers to execute trades for our clients. (Such marketing efforts include the sales of Mutual Funds, the inclusion of our products on a broker-dealer's wrap fee program platform and referrals of clients or prospects) This practice is not intended to prevent trading with broker-dealers that make marketing efforts on behalf of the Mutual Funds and Private Funds; it simply prevents such efforts from being a consideration when selecting executing broker-dealers. See Broker Selection below for a description of the selection process. Refer to Item 14 for additional information on client referrals.

#### IV. Brokerage Selection

By granting RBC GAM-US investment discretion through an IMA, Separate Account clients are also granting us authority to determine the broker or dealer for executing securities transactions in the client's account. Our objective for each transaction is to seek the broker most capable of providing best execution, while taking into consideration factors such as the ability to minimize trading costs, trading expertise and execution quality, ability to source liquidity and commit capital as needed, financial condition and counterparty risk, operational and settlement expertise and regulatory history.

These considerations (and others as relevant) guide our approach to the trade, which may occur through a traditional broker, an Electronic Crossing Network ("ECN"), ATS /Alternative Trading System or stock exchange.

RBC GAM-US maintains an approved list of broker-dealers for each asset class. Each respective asset class oversight committee determines broker-dealer approvals and maintains its own criteria for assessing and approving broker-dealers, as well as ongoing monitoring procedures for approved broker-dealers. Criteria includes but are not limited to the following: (1) financial condition; (2) regulatory history; (3) execution quality; (4) promptness of execution; (5) ability to facilitate liquidity; (6) ability to source securities; and (7) overall responsiveness.

For fixed income securities, the Market Risk Committee reviews and approves counterparties and considers whether the trading risk of the counterparty is acceptable in light of the type of trading for which approval is sought. The RBC GAM-UK Risk Management Team monitors market indicators such as credit default swap spreads for over-the-counter and depositor counterparties. If these indicators raise concerns about the credit quality of any counterparty, the RBC GAM-UK Market Risk Committee could determine to prohibit further trading and/or remove the counterparty from the approved broker/counterparty list.

Under most wrap fee programs, clients are not charged separate commissions or other transaction costs on

each trade so long as the wrap program sponsor (or its broker-dealer affiliate) executes the trade. A portion of the wrap fee generally is considered as "in lieu of commissions" or other transaction costs. Where permitted by wrap program terms, we can execute a transaction through a broker-dealer other than the wrap program sponsor where we believe that such trade would result in the best price and execution under the circumstances. However, in most situations trades will be executed with the introducing wrap program sponsor (or its broker-dealer affiliate) to avoid additional brokerage costs or other transaction costs in addition to the wrap fee.

For fixed income Wrap Fee Accounts, RBC GAM-US typically trades away from the program sponsor. For additional information regarding trading practices for fixed income Wrap Fee Accounts, see the Fixed Income Aggregation and Allocation section below.

RBC GAM-US generally does not trade with our affiliated broker-dealers. However, with specific client consent or direction, RBC GAM-US will enter into investment transactions on behalf of the client in which an affiliated entity either (1) acts on a principal basis or (2) otherwise provides services for which the affiliate is compensated or otherwise financially benefits, where legally permissible to do so.

#### V. Loans and Certain other Instruments

Bank loans and certain other instruments held by clients typically trade at a bid/ask spread and without an explicit brokerage charge. While clients trading in these instruments do not pay commissions or other formal trading expenses of the sort associated with more traditional equity market transactions, they do bear the implicit trading costs reflected in these spreads. RBC GAM-US seeks "best execution" for client transactions in such instruments by seeking to execute portfolio transactions in such a manner that total cost or proceeds in each transaction is the most favorable under the circumstances, which can include "qualitative considerations," and not merely the lowest possible execution cost.

In determining how to execute client transactions in such instruments, including when we engage a broker, dealer or other intermediary (including an affiliate) (each an "intermediary"), we consider various factors, including, but not limited to:

- Execution capability;
- Transaction charges such as spreads;
- Financial responsibility and responsiveness;
- Access to particular markets or instruments;



- Overall costs of a transaction (i.e., net price paid or received) including mark-ups, markdowns, spreads commissions or other current transaction costs;
- Reputation, financial strength and stability;
- Quality of execution (including accurate and timely execution, settlement, clearance and dispute resolution);
- Willingness to execute difficult transactions; and
- Market intelligence regarding trading activity.

In addition to the general factors considered, as listed above, there are several additional factors and circumstances that we consider when selecting intermediaries for a CLO's purchase or sale of assets in the leveraged loan market, including:

- **Relevant Market Place.** Loans generally are not traded on an exchange where current asset prices are readily available. Further, the loan market is a generally private market in which the level of information known by intermediaries and various investors ranges significantly. We strive to maintain solid relationships and information flow with not just the "top-tier" intermediaries, but substantially all of the active intermediaries in the market.
- **Liquidity.** Certain investments are highly illiquid, whereby very few intermediaries are able to make a market in the security or instrument. Further, an intermediary might be one-sided (only has an offer or a bid) for a particular position.
- **Assignment Fees.** In some cases, the transfer of a senior secured loan could entail the payment of an assignment fee to the administrative agent. Depending on the size of the trade and the number of funds the asset will be allocated to/from, these fees can be significant. Trading with the administrative agent with respect to a particular transaction could eliminate these fees.
- **Trade Limitations.** Several factors could preclude the ratable allocation of a trade of a senior secured bank loan among multiple accounts, including minimum hold levels.
- **Agent Bank Considerations.** In addition to the possibility of eliminating assignment fees, there are other potential benefits (or disadvantages) to trading with (or away from) the administrative agent. All trades are disclosed to the trading desk of the administrative agent and allocations of primary transactions are generally favored to those accounts which provide high and

consistent trading volume with the administrative agent. Further, the administrative agent typically is the most knowledgeable intermediary regarding the trading of an asset, understands who the buyers and sellers are and can provide the "early look" when a certain asset is trading.

- **Complexity of the Asset or Transaction.** Transactions in senior secured bank loan assets, in particular, can be very complex, requiring an understanding of trading levels and features of numerous tranches and structural differences among the financial instruments of a particular issuer. It is important to transact with intermediaries that understand these factors.
- **Provision of other useful brokerage and research services.** While RBC GAM-US does not enter into formal soft dollar or commission sharing arrangements with respect to transactions in these instruments, consistent with market practice in the fixed income and loan markets and applicable law, RBC GAM-US can receive brokerage and research services and other information, including access to trading platforms that intermediaries provide in the ordinary course. This creates an incentive to use such intermediaries to execute client transactions.

## VI. Client Direction

Upon written direction, clients can request that we execute a portion of their trades through a particular broker-dealer. Typically, the client has an arrangement with such broker-dealer, which results in the client receiving some benefit from the broker-dealer in exchange for the directed brokerage. Although we generally discourage such direction, we do permit client direction in certain circumstances, ensuring that clients are apprised of the potential risks associated with directed brokerage, which can result in:

- Higher commissions, larger spreads or less favorable net prices than would be the case if RBC GAM-US selected the brokers;
- Loss in benefits that accrue in aggregating orders with similar trades for other client accounts; or
- Disparity in returns to those of other client accounts with similar strategies that do not direct brokerage.

Similarly, in the case of client accounts that are custodied at broker-dealers, we have discretion to select brokers or dealers other than the custodians when necessary to fulfill our duty to seek best execution of transactions for client accounts. However, brokerage

commissions and other charges for transactions not effected through the custodian are charged to the client.

On occasion, we instruct the executing broker to credit a portion of a block trade to another broker, a common practice known as a step-out. Generally, this occurs when numerous allocations are blocked into one single trade order, despite the fact that one or more of the clients participating in the block have placed trade direction to one or more brokers other than the executing broker. A step-out, in this case, allows our traders to block a trade order where all participating allocations receive the same price and facilitates specific client direction to trade with a specified broker(s).

## VII. Aggregation and Allocation

### A. Overview

RBC GAM-US provides investment advisory services to many different types of client accounts. Certain portfolio management decisions affect more than one account, such as taking an investment action with respect to all of the accounts we manage in a certain style, resulting in multiple trading orders for the same security in different client accounts. In these cases, we will combine or aggregate purchase or sale orders for more than one client when we believe such aggregation is consistent with our duty to seek best execution. Such aggregation could reduce commission costs or market impact costs on a per-share and per-dollar basis. The decision to aggregate is made only after we determine that: the aggregation will not result in unduly favoring any account or group of accounts over another or otherwise advantage or disadvantage any account or group of accounts over time; there will be no additional compensation or remuneration received solely as the result of the aggregation; and each participating account will receive the average price and will share pro-rata in the transaction costs.

### B. Equity Aggregation and Allocation

RBC GAM-US's equity allocation practices are based on the premise that all clients are given a fair opportunity to invest in a security that is appropriate for the specific client. Each portfolio manager makes the final determination as to whether a particular investment opportunity is appropriate for the specific client. Our teams will not intentionally favor or disfavor any client, class of client, or investment fund in the allocation of investment opportunities so that over a period of time, such opportunities are allocated among clients fairly and equitably.

RBC GAM-US reviews equity allocation to monitor the fair and equitable treatment of all client accounts.

RBC GAM-US could determine that an equity order will not be aggregated with other orders for a number of reasons, including that the account's Governing

Documents do not permit aggregation; a client has directed that trades be executed through a specific broker-dealer; aggregation is impractical because of specific trade directions received from the portfolio manager (e.g., a limit order); the order involves a different trading strategy; or if the aggregation is not consistent with seeking best execution. If multiple orders cannot be aggregated for equity clients, we have adopted procedures that seek to ensure client account orders are treated fairly and equitably over time.

Our U.S. Equity Investment Teams could encounter occasions when equity clients pay disparate transaction costs due to minimum charges per account imposed by either the broker effecting the transaction or the client's custodian. If there is an open order and an order for the same security is subsequently received for a different account, such subsequent order will generally be aggregated with the open order, consistent with the considerations set forth above.

#### *Implementation 1: Order of Execution Sequence and Rotation (Microcap Core, Small Cap Core, Small Cap Value, and SMID Cap Growth Strategies)*

The U.S. Equity Investment Team groups equity accounts and uses random order sequencing for certain grouped accounts in an effort to ensure that all accounts are treated fairly over time. We categorize equity accounts into three groups:

- Group 1: accounts that can be aggregated because they have no trading limitations, or any such trading limitation can be successfully addressed using step-outs;
- Group 2: client-directed accounts (some trades can be aggregated within this group if they share a common directed broker) and wrap programs (accounts aggregated at the sponsor level); and
- Group 3: Model Portfolios, where we do not provide trade execution services, but merely transmit Model Portfolio information to the model sponsors or their designee, who then decide whether and when to execute such instructions.

Group 1 accounts are aggregated and traded as a group and traded first.

Group 2 accounts are traded after Group 1 trading is complete. A random order sequence determines the order in which Group 2 accounts are traded. If there is more than one client-directed account or wrap program, the random order sequence determines the order of accounts within each group.

Clients in Group 2 could obtain a price that is different, in some cases more favorable and in some cases less favorable, from Group 1 or Group 2 trades that are executed earlier due to external factors (market volatility, macro-economic events, security-specific news,

monetary policy announcements, etc.) that influence daily market movements. It is RBC GAM-US's belief that, over time, both Groups 1 and 2 trades are treated fairly and equitably and share equally in the exposure to external market factors.

With respect to third-party wrap programs, it has been our experience that the broker-dealers to which we are required to direct transactions under such programs generally achieve prices consistent with best execution standards; no assurance is given that this will continue in the future. Depending upon the level of the wrap fee charged by a wrap sponsor, the amount of portfolio activity in a client's account, the value of the custodial and other services that are provided under a wrap arrangement, and other factors, the fees a wrap program client pays could exceed the aggregate cost of such services if they were to be provided separately and if RBC GAM-US was able to use a broader group of brokers and negotiate commissions. Wrap program clients should review all materials available from their third-party sponsor concerning the program, the sponsor and the program's terms, conditions and fees. Refer to Item 4 for additional information on Wrap Fee Accounts.

Group 3 trades are communicated to the model sponsor or designee after trading is complete for Groups 1 and 2. The Portfolio Administration team maintains a list to determine the order of submission. The sponsor has full control over when or if the trades are executed.

With respect to Group 3, RBC GAM-US has no influence over whether or when model changes are implemented by the model sponsor or designee. Given this sequencing, account trades using the Model Portfolio changes that are executed at the discretion of the model sponsor are subject to price movements, particularly if they are trading after large block trades, involve thinly traded or illiquid securities or occur in volatile markets. This sequencing could result in Model Portfolio recipients obtaining a price that is different, in some cases more favorable and in some cases less favorable, from those account trades that are executed first. Refer to Item 4 for additional information on Model Portfolios.

#### *Implementation 2: Concurrent Order Dissemination (Small Cap Growth Strategy)*

The U.S. Equity Investment Team disseminates Model Portfolio updates and executes trades among all equity groups concurrently.

Even though RBC GAM-US provides our recommended changes to model sponsors concurrently with the execution of trades from Groups 1 and 2, RBC GAM-US could have already commenced trading before the model sponsor has received or had the opportunity to fully evaluate or act on our recommendations. In this circumstance, trades ultimately placed by the model sponsor would be subject to price movements,

particularly with large orders or where the securities are thinly traded, which can result in the model sponsor clients receiving prices that are different, in some cases more favorable and in some cases less favorable, from the prices obtained by RBC GAM-US for Groups 1 and 2. Alternatively, a model sponsor might initiate trading based on our recommendations before or at the same time RBC GAM-US is trading for Groups 1 and 2. Particularly with large orders or where securities are thinly traded, this could result in Groups 1 and 2 receiving prices that are different, in some cases more favorable and in some cases less favorable, from the prices that might otherwise have been obtained absent the other manager's trading activity.

#### *Partial Fills*

On occasion, an aggregated order involving multiple equity accounts does not receive sufficient securities to fill all of the accounts. For those equity clients, if an aggregated order cannot be filled in one day (a "partial fill"), the executed portion of the order is automatically allocated to the participating accounts pro-rata on the basis of order size.

#### C. Fixed Income Aggregation and Allocation

RBC GAM-US is committed to ensuring that clients are treated fairly and equitably in the allocation of investment opportunities. RBC GAM-US clients customize their investment policy statements, which can lead to accounts with significantly different requirements and needs between client accounts managed in the same strategy. In determining how to allocate orders among client accounts, including fixed income Wrap Fee Accounts, RBC GAM-US will first assess whether the security is appropriate for an account based on the client's guidelines. Bonds with limited availability will be allocated pro-rata to eligible accounts. Exceptions to pro-rata allocation can be made depending on the facts and circumstances of the trade, including client account considerations such as size, cash levels, investment restrictions, and position size. Allocation of bonds with unconstrained availability will be allocated pro-rata based on specific client account needs, duration, sector allocation, security characteristics, cash positions and position size. Not all eligible accounts will participate in every investment opportunity and trades can be allocated to the accounts with the greatest client account need.

RBC GAM-US also aggregates certain trades with client trades of our affiliate, RBC GAM-UK. Orders for such securities and instruments are aggregated provided the aggregation of such orders does not disadvantage any accounts and all participating accounts are allocated pro rata.

Typically, Advisory Accounts trading the same U.S. dollar-denominated high yield, investment grade or

structured credit security, at the same time and in the same direction, are aggregated and traded as a block order. Certain securities are not aggregated, such as:

- Where a portfolio manager specifies a specific price target, or limit, that means the portfolio manager's order may be traded separately.
- Orders in G7 FX, either separately or as a pair, or in G7 sovereign issuers, and derivatives thereof, as these markets are sufficiently deep and liquid for the risk of disadvantage to one set of Advisory Accounts over another from trading separately to be de minimis.
- Non-U.S.-denominated high yield, investment grade or structured debt securities.
- Where specific client accounts of the business require a specific counterparty to be used for execution, or preclude such a counterparty from being used for execution.
- Where a client account is liquidating at the same time other client accounts that are not liquidating are selling the same security. Equally, when a client account is "ramping up," its orders may be executed separately and ahead of accounts not ramping up.

We primarily place fixed income transactions through broker dealers, market-makers and ECNs. Trades that are not executed through an electronic trading platform are evaluated using multiple sources to determine if the price is favorable under the circumstances. At times, multiple offerings or bids for a security are unavailable and an order needs to be worked at a certain level with a specific broker-dealer. All trading activity is pursued with the intent of seeking best execution as fiduciary for the benefit of our clients unless directed otherwise.

#### D. New Issues

To the extent that we participate in new issues, private placements, or initial public offerings (IPOs) ("new issues"), we seek to treat eligible client accounts fairly and equitably. Generally the trade order will be placed before the offering prices and all participating accounts are identified, while also taking into consideration each client's investment objectives, restrictions and tax circumstances; a client's tolerance for risk and high portfolio turnover; the nature, size and investment merits of the limited offering; the size of a client's account and the client's cash availability and other holdings; and other current or expected competing investment opportunities. For equity accounts, if the allocation for the new issue is less than that requested, the securities received will be allocated pro-rata based on the amount initially requested for each account. In allocating new issues to fixed income clients, we first determine that the securities are consistent with guidelines and a particular

style of account. We then address specific account needs, which generally include, among other factors, a review of portfolio duration, sector exposure, security characteristics, maturity, credit ratings, cash positions and typical size of positions within the account.

### VIII. Correcting Trade Errors

As a fiduciary, RBC GAM-US has an obligation to place trades correctly and will incur the cost of correcting any trade error caused by its failure to do so. To correct a trade error we do not use soft dollars, directed trades, or attempt to correct an error using another client account. When an error is identified before settlement, we can move the trade to our error account. Any funds remaining in our error account are donated to a charitable organization on a periodic basis.

If the client incurs a gain because of a trade error correction, the gain will be maintained in the client account unless RBC GAM-US is specifically instructed that the client does not wish to retain the gain. If the client incurs a loss as a result of correcting a trade error, RBC GAM-US will contribute sufficient funds or securities to the client account to establish the same financial position as would have been the case absent the trade error.

## Item 13 – Review of Accounts

### I. Overview

RBC GAM-US provides daily and ongoing monitoring and oversight of the accounts we manage through our trade order management and portfolio compliance platforms. Portfolio managers, Client Service personnel, investment policy compliance personnel, investment risk personnel, as well other relevant RBC GAM-US employees, periodically review accounts as detailed below. Reviews monitor for consistency with the investment mandate applicable to the account in terms of (1) allocation and diversification of portfolio assets; (2) duration and maturity for fixed income accounts; (3) effect of client cash flows on the management of the portfolio to its targeted benchmark; (4) compliance with any specific restrictions established by the client; (5) the performance of individual securities or asset classes compared against a targeted benchmark; (6) material economic or market events; (7) changes in a client's financial profile as communicated to RBC GAM-US; and/or (8) changes that are recommended in overall investment policy or strategy by RBC GAM-US portfolio managers.

Investment policy compliance is monitored daily through the use of the Charles River Investment Management System ("CRIMS"), a trade order management and investment policy compliance system. Each client's investment policy statement is modeled in CRIMS. Investment policy compliance personnel monitor

and regularly review system results with the investment and service teams to verify the portfolio holdings are in line with the client's investment policy statement.

Additionally, to help monitor investment risk at the strategy level, the Risk Management team is responsible for developing independent measures of absolute and benchmark relative risk, creating and aggregating performance attribution analysis and reporting performance and risk profiles through formal investment scorecards. On a quarterly basis, performance and risk characteristics are provided to management.

Generally, unless more frequent meetings are requested by the client, we seek to meet with each client on an annual basis to review goals, objectives, holdings, and portfolio performance to ascertain the continued appropriateness of the client's investment strategy.

## II. Client Reporting

RBC GAM-US delivers written client reports as directed by each client. Our client reports generally include portfolio and benchmark performance and characteristics; portfolio holdings; portfolio activity for the period; and market commentary.

At least quarterly, written client reports are made available through our secure client-only website (and if requested, are delivered in hard copy). Clients receive e-mail notifications when new client reports are posted and available. RBC GAM-US encourages clients to review their reports and to promptly notify us if they identify any discrepancies or have questions.

Investors in Private Funds will receive audited financial statements annually. Investors in CLOs generally receive monthly trustee reports and quarterly note valuation reports from the CLO's trustee. These reports are reviewed for accuracy and completeness by RBC GAM-US. Certain investors in Private Funds or CLOs could request additional information regarding the Private Fund or CLO, which RBC GAM-US could elect to provide subject to any limitations imposed by confidentiality agreements and legal and regulatory restrictions. This can result in some investors having greater information about the Private Fund or CLO than others.

## Item 14 – Client Referrals and Other Compensation

### I. Referrals

We engage in third-party referral arrangements, which include arrangements with our affiliates and in limited circumstances, unaffiliated broker/dealers, investment advisers, or other referring entities, whereby RBC GAM-US pays the referring entity a referral fee for successful referral of clients. These arrangements create a conflict

of interest by providing an incentive for the affiliate or third-party solicitor to recommend us over another investment adviser. RBC GAM-US also has agreements with broker/dealers and investment advisers, including affiliates, whereby RBC GAM-US receives a referral fee in exchange for referring clients. In all cases, these arrangements are disclosed to clients and do not result in additional fees paid by the client. All of our referral and marketing relationships meet the requirements of Rule 206(4)-1 and 206(4)-5 under the Advisers Act.

### II. Payments to Others

As part of its ordinary business, RBC GAM-US or related persons sometimes send small corporate gifts or pay for meals and entertainment, such as golf fees or tickets to cultural or sporting events, for clients who engage in business with us or our affiliates. RBC GAM-US employees also receive small corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to value limitations as outlined in our Gifts and Entertainment Policy.

All gifts given by RBC GAM-US or our employees to our business partners or received by RBC GAM-US personnel must comply with all applicable regulations and are subject to review by the Compliance Department.

RBC GAM-US also makes charitable contributions and sponsors charitable events at the request of others. Payments can vary by organization, depending on the nature of our and our affiliated investment advisers' managed account activities with the recipient and the amount of client assets under RBC GAM-US or its affiliated investment advisers' management. Payments are subject to internal review and approval by RBC GAM-US or its affiliates.

RBC GAM-US receives recommendations from consultants who are hired by their clients to evaluate and recommend investment advisers. RBC GAM-US does not compensate consultants for these referrals or recommendations. However, RBC GAM-US has other relationships with some of these consultants or their affiliates that include (1) paying for research or educational services and (2) providing investment management services to a pooled investment vehicle sponsored by an affiliate of the consultant. RBC GAM-US evaluates these relationships periodically to assess that (1) payments made are for legitimate business needs and (2) consultants (or their affiliates) do not receive preferential treatment for advisory services RBC GAM-US provides.

## Item 15 – Custody

We previously disclosed in Item 5 (Fees and Compensation) that clients can select to have fees deducted from their assets. As part of this billing

process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

In the event of an inadvertent receipt of a check or other financial instrument payable to a client, RBC GAM-US reserves the right, when permissible, to send the check or instrument to the client or its custodian rather than back to the original sender when we believe that such procedure provides the best overall protection for the underlying assets.

RBC GAM-US does not have actual custody of client accounts.

Under SEC rules regarding investment advisers and custody, RBC GAM-US could be deemed to have custody of client assets in select and limited cases, including instances in which clients have selected to custody their assets with one of our affiliates, as well as for certain Private Funds for which we or an affiliate act as general partner, managing member or in a similar capacity. For such client assets, RBC GAM-US complies with all disclosure and regulatory requirements related to such deemed custody and has contracted with an external third-party auditor to conduct surprise annual audits in compliance with applicable SEC rules. For Private Funds, RBC GAM-US engages an independent public accountant to audit the financial statements, which are then provided to each Private Fund investor within 120 days of fiscal year end.

For CLOs, RBC GAM-US is not deemed, under Federal securities laws, to have custody of the assets of its CLOs by virtue of its status as collateral manager. RBC GAM-US does not have actual physical custody of any CLO assets; rather, the CLOs' assets are held in the custody of their respective unaffiliated trustees and RBC GAM-US has no ability to deduct fees or expenses from the CLOs.

However, pursuant to SEC Staff guidance, where an affiliate of RBC GAM-US acts as an administrative agent or loan agent ("Agent") with respect to one or more loans (or interests in loans) held by clients, RBC GAM-US

could be deemed to have custody of certain funds related to the loan (but, if not by virtue of such arrangement, deemed to have custody of any of the client's other assets) held in an account established by our affiliate for that purpose.

In these arrangements, which are common for CLOs, our affiliate performs a variety of traditional services under the related loan documents for the benefit of the loan syndicate participants (including the clients who hold an interest in the relevant loan) in accordance with negotiated guidelines regarding, among other things, collection and distribution of loan proceeds and payments.

For this purpose, the Agent establishes one or more accounts with a bank (each an "Agent Account") into which are deposited funds related to the loans for which our affiliate so acts. An Agent Account will commingle funds related to loans held by, and attributable to, clients with funds related to loans (including loans in which clients also have an interest) attributable to others (including affiliates and third-party lenders). The Agent Accounts hold only funds and not loans or securities. No account statements for the Agent Accounts are provided to clients.

As Agent, our affiliate can receive and disburse cash into and from the Agent Account only as permitted by the relevant loan agreements and generally for such purposes as receiving, allocating and disbursing principal and interest payments or loan proceeds. The Agent must apply the terms of the relevant loan agreement when dealing with funds in the Agent Account and has no authority to determine how any monies are used, allocated and distributed. However, other than the terms of the loan agreements, nothing prevents the Agent from withdrawing cash from an Agent Account for unrelated purposes.

## Item 16 – Investment Discretion

Before RBC GAM-US will accept discretionary authority for a client, the client and RBC GAM-US must enter into an IMA that grants us authority to execute trades on behalf of the client. A client can request in writing that RBC GAM-US apply reasonable restrictions, such as those regarding particular security classes, specific issuers and other guidelines, such as asset allocation ranges, as well as statutory restrictions. Such restrictions can impact performance relative to an unrestricted account with a similar mandate.

With the exception of account restrictions discussed above, for accounts that have granted us investment discretion, we are generally authorized to make the following determinations, consistent with each client's investment goals and policies, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, including (where applicable) dealer spreads or mark-ups and other transactions costs.

However, there are instances where RBC GAM-US accepts accounts for which it has discretionary authority to purchase and sell securities for the account, but not the authority to select the executing broker-dealer for the transactions. Refer to Item 12 for more information on client direction.

In some cases, a client's custody agreement contains authorizations with respect to the transfer of client funds or securities that are broader than those described above or permitted under the client's IMA. The authority of RBC GAM-US is limited to that set forth in the client's IMA, regardless of any broader authorization described in the client's custody agreement. Any monitoring performed by the client's custodian is governed by the client's relationship with its custodian.

Generally, RBC GAM-US does not invest in securities of issuers in the cannabis or private prison industries, engaged in the manufacturing of land mines or chemical weapons or that are sanctioned by the government of applicable jurisdictions in which we operate.

## Item 17 – Voting Client Securities

Many of our clients have contractually delegated us discretion to vote proxies on their behalf. RBC GAM-US has adopted proxy voting policies and procedures including specific proxy voting guidelines that set forth the general principles we use to determine how to vote in client accounts for which we have proxy voting responsibility. The Proxy Voting Guidelines are updated each year.

In general, we vote proxies in accordance with the RBC GAM Proxy Voting Guidelines; however, there could be a situation where we vote differently than recommended by the Proxy Voting Guidelines, withhold our vote or do not vote, because we believe that to do so would be in the best interest of the client. We generally will not vote on ballots with share blocking requirements that "lock up" securities, which would limit liquidity or access to market opportunities.

In the event that we identify a perceived or actual conflict of interest, we follow procedures to ensure that a proxy vote is exercised in the best interest of the client, free from any undue or external influences.

To assist us with the management and execution of our proxy voting process, we rely on ISS and Glass, Lewis & Co., which are our primary resources for proxy research. ISS provides voting recommendations based on our Proxy Voting Guidelines or its local proxy voting guidelines, where applicable. The RBC GAM Responsible Investment team makes all proxy voting decisions, independent of ISS and Glass Lewis & Co.

The Proxy Voting Guidelines are updated annually and based on leading corporate governance standards. For the Proxy Voting Guidelines, we engage (a) ISS as our voting service provider and (b) our affiliate, RBC GAM Inc., to perform research, analysis and administrative functions. The RBC GAM Responsible Investment team reviews ISS' custom voting recommendations to confirm adherence to the Proxy Voting Guidelines, where applicable, and works directly with RBC GAM-US investment teams to ensure votes are cast consistent with our fiduciary duty.

A client may instruct RBC GAM-US to vote its proxies in accordance with Taft-Hartley Advisory Services ("T-HAS") guidelines: These guidelines are based on the AFL-CIO proxy voting policy.

For the T-HAS Guidelines, we engage (a) Taft-Hartley Services of ISS as our research and voting service for clients who elect T-HAS as their proxy voting guidelines and (b) our affiliate, RBC GAM Inc., to perform administrative functions.

We have instructed ISS to use its automated voting platform to cast client proxy votes prior to the market cut-off date for each shareholder meeting. If, in advance of the shareholder meeting, a company files additional soliciting materials with local regulators or publishes a response to the research or vote recommendations of ISS or Glass, Lewis & Co., we have implemented a process to review those responses and consider them in our voting decision on a best efforts basis.

RBC GAM-US has a detailed process to manage the review and approval of vote instructions. The RBC GAM Responsible Investment team manages the internal review of proxy voting to ensure that the custom recommendations made by ISS correctly reflect the intentions of our Proxy Voting Guidelines.

Additional information about our proxy voting process can be found in the RBC Global Asset Management Proxy Voting Guidelines document on our website. You can also contact us directly for a copy of the Proxy Voting or T-HAS Guidelines. In addition, a record of all proxy votes cast on behalf of a client's account(s) is available upon request.

Clients who have not granted us discretion to vote proxies on their behalf will receive proxies directly from their custodian or transfer agent.

## **Item 18 – Financial Information**

To the best of our knowledge, RBC GAM-US has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. RBC GAM-US has not been the subject of a bankruptcy proceeding at any time during the past ten years.



## Fee Schedule Appendix

**US EQUITIES****Microcap Core**

1.15% on first \$25 million of assets  
1.00% on assets exceeding \$25 million  
*Minimum Account Size: \$10 million*

**SMID Cap Growth**

0.85% on first \$25 million of assets  
0.75% on next \$25 million of assets  
0.65% on assets exceeding \$50 million  
*Minimum Account Size: \$10 million*

**Small Cap Growth, Small Cap Value & Small Cap Core**

0.90% on first \$25 million of assets  
0.80% on next \$25 million of assets  
0.70% on assets exceeding \$50 million  
*Minimum Account Size: \$10 million*

**FIXED INCOME****Cash Management**

0.12% on first \$100 million of assets  
0.10% on assets exceeding \$100 million  
*Minimum Account Size: \$100 million*

**Ultra-Short Duration**

0.20% on first \$50 million of assets  
0.15% on next \$50 million of assets  
0.10% on assets exceeding \$100 million  
*Minimum Account Size: \$50 million*

**Short Duration**

0.25% on first \$25 million of assets  
0.15% on next \$25 million of assets  
0.10% on next \$50 million of assets  
0.08% on assets exceeding \$100 million  
*Minimum Account Size: \$25 million*

**Intermediate Government Fixed Income & Government Fixed Income**

0.30% on first \$25 million of assets  
0.20% on next \$25 million of assets  
0.15% on next \$50 million of assets  
0.10% on assets exceeding \$100 million  
*Minimum Account Size: \$25 million*

**Core Fixed Income & U.S. Investment Grade Corporate**

0.30% on first \$50 million of assets  
0.20% on next \$50 million of assets  
0.15% on assets exceeding \$100 million  
*Minimum Account Size: \$25 million*

**Intermediate Municipal Fixed Income**

0.30% on first \$25 million of assets  
0.25% on next \$25 million of assets  
0.20% on next \$50 million of assets  
0.15% on assets exceeding \$100 million  
*Minimum Account Size: \$15 million*

**High Yield Bond**

0.46% on first \$100 million of assets  
0.40% on assets exceeding \$100 million  
*Minimum Account Size: \$100 million*

**Intermediate Core Fixed Income**

0.30% on first \$25 million of assets  
0.25% on next \$25 million of assets  
0.20% on next \$50 million of assets  
0.15% on assets exceeding \$100 million  
*Minimum Account Size: \$25 million*

**CLO/Securitized Loans**

0.65% on first \$100 million of assets  
0.60% on assets exceeding \$100 million  
*Minimum Account Size: \$35 million*

**Core Plus Bond**

0.29% on first \$100 million of assets  
0.22% on assets exceeding \$100 million  
*Minimum Account Size: \$100 million*

**Unconstrained Bond (aka Strategic Income)**

0.50% on first \$100 million of assets  
 0.45% on assets exceeding \$100 million  
*Minimum Account Size: \$100 million*

**IMPACT AND COMMUNITY INVESTING****Impact Liquidity**

0.15% on first \$100 million of assets  
 0.12% on next \$200 million of assets  
 0.10% on assets exceeding \$300 million  
*Minimum Account Size: \$100 million*

**Access Capital Community Investment**

0.40% on first \$25 million of assets  
 0.30% on next \$25 million of assets  
 0.25% on assets exceeding \$50 million  
*Minimum Account Size: \$50 million*

**Impact Bond**

0.35% on first \$25 million of assets  
 0.25% on next \$25 million of assets  
 0.20% on assets exceeding \$50 million  
*Minimum Account Size: \$50 million*

**STRUCTURED CREDIT STRATEGIES**

The current prospectus for the structured credit strategies provides details of the specific schedule of fees payable for the relevant Private Fund structure or share class. The standard fee structures applicable to long-only and alternative Private Funds are a management fee only or a management fee plus performance fee. Fees within the various Private Fund structures will differ between share classes, depending on share class characteristics (e.g. minimum investment levels, lock-ups, performance fees). However, the following criteria generally apply with regards to fees:

- An annual management fee of up to 2% of the net asset value is payable and these fees will be payable monthly or quarterly in arrears; and
- A performance fee, which is based upon the performance of the relevant share class, could be payable annually in arrears in accordance with the Fund Documentation, if the Private Fund achieves an absolute or relative positive return or exceeds a specific agreed return over the previous annual accounting period. The performance fee is generally set up to be within a range of 10%-30% of the net outperformance.

**CLOs**

Each CLO's Governing Documents provide details of the specific schedule of fees payable for the relevant CLO. In most cases, CLO management fees consist of (i) a senior collateral management fee; (ii) a subordinate collateral management fee (both of which typically begin to accrue at closing and are paid quarterly in arrears); and (iii) an incentive collateral management fee. The fees typically range from 0.25% to 0.50%, depending on the specific terms of each CLO. Senior and subordinate collateral management fees begin to accrue at closing of the CLO and are payable quarterly in arrears to the extent that funds are available for that purpose, in accordance with the priority of payments waterfall described in the relevant CLO Documents (the "CLO's Waterfall"). The senior collateral management fee occupies a higher priority in the CLO's Waterfall than the subordinate collateral management fee and, where present, the incentive collateral management fee. Incentive collateral management fees are a form of performance-based compensation and would typically be only payable to the extent that (i) funds are available in the CLO's Waterfall for such purpose on each payment date and (ii) certain specified returns hurdles are achieved, as described in the applicable CLO's Governing Documents.

## Investment Strategies Appendix

## Equity Strategies

Equity Strategy	Investment Approach	Material Risks
<b>Microcap Core</b>	Fundamental, bottom-up security selection from a universe of microcap companies with 50-80 equity holdings. Seeks to provide returns while taking a low-risk approach to microcap investing. We believe portfolios of neglected microcap companies with low valuations having long-term attractive business fundamentals, and near-term profitability improvement potential should produce strong risk-adjusted returns.	Active Management Risk Equity Market Risk Market Risk Micro Company Risk Small Company Risk
<b>Small Cap Core</b>	Utilize fundamental, bottom-up security selection. We seek to provide returns while taking a low-risk approach to investing in small cap companies. We believe portfolios of neglected companies with low valuations, long-term attractive business fundamentals and potential for improved profitability in the near term should produce strong absolute and risk-adjusted returns.	Active Management Risk Equity Market Risk Market Risk Micro Company Risk Small Company Risk
<b>Small Cap Growth</b>	Seeks long-term capital appreciation through careful security selection utilizing a bottom-up fundamental approach. We believe that profitable companies with consistent, sustainable revenue and earnings growth along with high margins and returns on equity relative to industry peers will outperform companies with erratic revenue and earnings growth and below average profitability. We believe our low turnover and diversified portfolio is designed to generate superior risk-adjusted returns over a market cycle.	Active Management Risk Equity Market Risk Growth Investing Risk Market Risk Small Company Risk
<b>Small Cap Value</b>	Using fundamental, bottom-up security selection and experienced active portfolio management the strategy looks to identify undervalued companies in the small cap universe, while taking a low-risk approach to investing in small cap companies. We believe portfolios of companies with long-term attractive business fundamentals, strong finances, strong management, potential for improved profitability and low valuations should produce strong absolute and risk-adjusted returns over time.	Active Management Risk Equity Market Risk Market Risk Small Company Risk Value Investing Risk

Equity Strategy	Investment Approach	Material Risks
<b>SMID Cap Growth</b>	Seeks long-term capital appreciation through careful security selection utilizing a bottom-up fundamental approach. We believe that profitable companies with consistent, sustainable revenue and earnings growth along with high margins and returns on equity relative to industry peers will outperform companies with erratic revenue and earnings growth and below average profitability. We believe our low turnover and diversified portfolio is designed to generate superior risk-adjusted returns over a market cycle.	Active Management Risk Equity Market Risk Growth Investing Risk Market Risk Mid-Sized Company Risk Small Company Risk

## Fixed Income Capabilities

Fixed Income Capabilities	Investment Approach	Material Risks
<b>Cash Management (Liquidity Management)</b>	This approach, which focuses on the preservation of capital and immediate liquidity, is customized for primary liquidity accounts with high cash flow needs and an investment horizon of 0 to 6 months. Strategies included in this approach: <ul style="list-style-type: none"> <li>• Cash Management: Treasury</li> <li>• Cash Management: Government</li> <li>• Cash Management: High Quality Credit</li> </ul>	Active Management Risk Concentration Risk Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk Prepayment Risk U.S. Government Obligations Risk Variable Rate Demand Note Risk
<b>Ultra-Short Duration (Liquidity Management)</b>	This approach, which focuses on enhanced return and preservation of capital, is customized for transitional liquidity accounts with medium cash flow needs and an investment horizon of 6 months or longer. Strategies included in this approach: <ul style="list-style-type: none"> <li>• Ultra-Short Duration: Government</li> <li>• Ultra-Short Duration: High Quality Credit</li> <li>• Ultra-Short Duration: Full Style</li> </ul>	Active Management Risk Asset-Backed Securities Risk Credit Spread Risk Derivatives Risk General Economic and Market Conditions Risk High Yield Securities Risk Interest Rate Risk Investment Grade Securities Risk Issuer/Credit Risk Liquidity Risk Market Risk Mortgage-Related Securities Risk Prepayment Risk U.S. Government Obligations Risk Valuation Risk

Fixed Income Capabilities	Investment Approach	Material Risks
<b>Short Duration (Liquidity Management)</b>	<p>This approach, which has greater emphasis on maximizing return potential compared to the cash management or ultra-short approaches, is customized for core cash accounts with low cash flow needs and an indefinite investment horizon. Strategies included in this approach:</p> <ul style="list-style-type: none"> <li>• Short Duration: 1-3 Year Government</li> <li>• Short Duration: 1-3 Year High Quality Credit</li> <li>• Short Duration: 1-3 Year Full Style</li> <li>• Short Duration: 1-5 Year Government</li> <li>• Short Duration: 1-5 Year High Quality Credit</li> </ul>	<p>Active Management Risk Asset-Backed Securities Risk Credit Spread Risk Derivatives Risk High Yield Securities Risk Interest Rate Risk Investment Grade Securities Risk Issuer/Credit Risk Liquidity Risk Market Risk Mortgage-Related Securities Risk Prepayment Risk U.S. Government Obligations Risk Valuation Risk</p>
<b>Core Fixed Income</b>	<p>This approach, which has greater emphasis on maximizing return potential compared to the cash management, ultra-short or short duration approaches, is customized for core cash accounts with low cash flow needs and an indefinite investment horizon. Strategies included in this approach:</p> <ul style="list-style-type: none"> <li>• Intermediate Government Fixed Income</li> <li>• Intermediate Core Fixed Income</li> <li>• Intermediate Municipal Fixed Income</li> <li>• Government Fixed Income</li> <li>• Core Fixed Income</li> <li>• U.S. TIPS</li> <li>• U.S. Investment Grade Corporate</li> </ul>	<p>Active Management Risk Asset Backed Securities Risk Concentration Risk Credit Spread Risk Derivatives Risk Interest Rate Risk Investment Grade Securities Risk Issuer/Credit Risk Liquidity Risk Market Risk Mortgage-Related Securities Risk Municipal Obligations Risk Prepayment Risk Sovereign Debt Risk Tax Risk U.S. Government Obligations Risk</p>
<b>Impact Investing</b>	<p>Impact Investing provides investors a fixed income strategy that seeks a traditional risk and return profile while optimizing positive social and environmental footprint. Impact measurement and reporting brings transparency to the footprint and can be targeted geographically. The approach allows investors to align their investments with their values. Specifications of social, geographic, community and environmental goals can be integrated into portfolios across all fixed income security types.</p> <p>Duration range: cash to intermediate duration, depending on strategy, but can be customized shorter or longer.</p> <ul style="list-style-type: none"> <li>• Impact Bond</li> <li>• Impact Liquidity</li> </ul>	<p>Active Management Risk Asset-Backed Securities Risk Credit Spread Risk Impact Investing Risk Interest Rate Risk Investment Grade Securities Risk Issuer/Credit Risk Market Risk Mortgage-Related Securities Risk Municipal Obligations Risk</p>

Fixed Income Capabilities	Investment Approach	Material Risks
<b>Community Investing</b>	<p>Community Investing provides investors a fixed income strategy that seeks to manage credit risk with instruments that are primarily guaranteed by the US government or its agencies or by municipalities with high credit ratings. The approach allows investors the ability to geographically target investments to underserved communities across the U.S.</p> <ul style="list-style-type: none"> <li>• Access Capital Community Investing</li> </ul>	<p>Active Management Risk            Concentration Risk            Coordination of Investments Risk            CRA Strategy and Qualification for CRA            Credit Risk            Derivatives Risk            Interest Rate Risk            Issuer/Credit Risk            Leverage Risk            Market Risk            Prepayment Risk            U.S. Government Obligations Risk</p>
<b>High Yield</b>	<p>This approach, which focuses on the non-investment grade segment of the fixed income market, is driven by rigorous proprietary bottom-up fundamental analysis with an emphasis on downside stress testing. As part of the credit risk assessment, environmental, social and governance (“ESG”) considerations are integrated into the analysis of each issuer. Single name credit analysis is supplemented by economic, policy and political inputs which combine to help determine the sectoral and geographic composition of the strategies as well as the overall beta of the strategy. The approach for investing in high yield securities places strong emphasis on downside risk management and capital preservation, with dynamic, pro-active, and repeatable proprietary research driving the credit selection. Strategies included in this approach:</p> <ul style="list-style-type: none"> <li>• US High Yield Debt</li> <li>• Global High Yield Debt</li> <li>• Global High Yield ESG Debt</li> <li>• Global Leveraged Finance Total Return</li> </ul>	<p>Active Management Risk            Currency Risk.            Credit Spread Risk            Derivatives Risk            Foreign Risk            High Yield Securities Risk            Interest Rate Risk            Investment Grade Securities Risk            Issuer/Credit Risk            Leverage Risk            Liquidity Risk            Market Risk            Valuation Risk            Loan Settlement Risk            High Portfolio Turnover Risk            Sovereign Debt Risk            Emerging Markets Risk            Investing in the European Union Risk</p>

Fixed Income Capabilities	Investment Approach	Material Risks
<p><b>CLOs</b></p>	<p>The CLOs we manage invest primarily in a diversified pool of senior secured term loans and revolver loans to non- investment grade companies with typically between \$40 million and \$ 1 billion in earnings before interest, taxes, depreciation, and amortization (“EBITDA”). The minimum tranche size typically considered for investment is greater than \$150 million, with certain exceptions, in an attempt to maintain adequate liquidity. RBC GAM-US employs a comprehensive framework to analyze each credit and debt structure. In selecting individual securities, RBC GAM-US’s analysis typically includes the following categories, where applicable:</p> <ul style="list-style-type: none"> <li>• Top Down Analysis: macroeconomic environment, industry cyclical and volatility, competitive framework, third-party diligence and loan market conditions.</li> <li>• Bottom Up Analysis: strength of products and services, company / sponsor strategy, industry position, barriers to entry, long-term prospects, peer comparisons and management track record.</li> <li>• Quantitative Analysis: financial performance and health, project cash flows, plans to de-lever, ability to meet obligations &amp; repay debt, collateral valuation, downside analysis and recovery analysis.</li> <li>• Instrument Analysis: seniority, covenant analysis, liquidity and collateral valuation.</li> <li>• Ratings: We utilize a proprietary ratings model that seeks to replicate rating agency methodologies,</li> </ul> <p>We can also utilize total return swaps in connection with bank loans, typically 1 to 3 years in duration.</p>	<p>Active Management Risk            Concentration Risk            Conflicts of Interest Risk            Counterparty Risk            Currency Risk            Credit Spread Risk            Derivatives Risk            Investments in Loans; Lack of Liquidity and Transparency            Issuer/Credit Risk            Leverage Risk            Liquidity Risk            Loan Settlement Risk            Lower Credit Quality Securities            Market Risk            Non-Investment Grade Loans            Other Debt Instruments – CBOs and CLOs Risk            Participations Risk            Prepayment Risk            High Portfolio Turnover Risk            Sovereign Debt Risk            Emerging Markets Risk            Investing in European Union Risk</p>

Fixed Income Capabilities	Investment Approach	Material Risks
<b>CLO/ Securitized Loans</b>	<p>We invest primarily in a diversified pool of senior secured term loans to non-investment grade companies with typically between \$0 million and \$100 million in EBITDA. The minimum tranche size typically considered for investment is less than \$500 million, with certain exceptions. The strategy also invests in “BB” Rated CLO tranches of third-party funds. RBC GAM-US employs a comprehensive framework to analyze each credit and debt structure. In selecting individual securities, RBC GAM-US’s analysis typically includes the following categories, where applicable:</p> <ul style="list-style-type: none"> <li>• Top Down Analysis: macroeconomic environment, industry cyclicalities and volatility, competitive framework, third-party diligence and loan market conditions.</li> <li>• Bottom Up Analysis: strength of products and services, company / sponsor strategy, industry position, barriers to entry, long-term prospects, peer comparisons and management track record.</li> <li>• Quantitative Analysis: financial performance and health, project cash flows, plans to de-lever, ability to meet obligations and repay debt, collateral valuation, downside analysis and recovery analysis.</li> <li>• Instrument Analysis: seniority, covenant analysis, liquidity and collateral valuation.</li> </ul>	Active Management Risk Concentration Risk Currency Risk Credit Spread Risk Conflicts of Interest Risk Derivatives Risk Foreign Risk High Yield Securities Risk Interest Rate Risk Investments in Loans; Lack of Liquidity and Transparency Issuer/Credit Risk Leverage Risk Loan Settlement Risk Liquidity Risk Loan Risk Lower Credit Quality Securities Market Risk Non-Investment Grade Loans Other Debt Instruments – CBOs and CLOs Risks Participations Risk Prepayment Risk High Portfolio Turnover Risk Sovereign Debt Risk Emerging Markets Risk Investing in European Union Risk
<b>Core Plus Bond</b>	<p>This approach has a greater emphasis on maximizing total return potential compared to the core fixed income approach. The strategy invests in fixed income securities, including a limited amount of non-dollar and non-investment grade securities. The investment team may also employ the use of derivatives. Returns are expected to come from active management, based on high quality forensic proprietary research on term structure, beta, and alpha credit and currency decisions.</p> <ul style="list-style-type: none"> <li>• U.S. Core Plus Bond</li> </ul>	Active Management Risk Asset Backed Securities Risk Currency Risk Credit Spread Risk Derivatives Risk Emerging Markets Risk Foreign Risk High Portfolio Turnover Risk High Yield Securities Risk Interest Rate Risk Investing in the European Union Risk Investment Grade Securities Risk Issuer/Credit Risk Liquidity Risk Loan Risk Loan Settlement Risk Market Risk Valuation Risk Mortgage-Related Securities Risk Municipal Obligations Risk Prepayment Risk Sovereign Debt Risk U.S. Government Obligations Risk



Fixed Income Capabilities	Investment Approach	Material Risks
<p><b>Unconstrained Bond</b></p>	<p>This approach has a greater emphasis on maximizing total return potential compared to core plus fixed income approach. The strategy is not managed to an index and invests in fixed income securities, including opportunistic investment in non-dollar and non-investment grade securities. The investment team may also employ the use of derivatives. Returns are expected to come from active management, based on high quality forensic proprietary research on term structure, beta, and alpha credit and currency decisions.</p> <ul style="list-style-type: none"> <li>• US Unconstrained Bond</li> </ul>	<p>Active Management Risk                      Asset Backed Securities Risk                      Currency Risk                      Credit Spread Risk                      Derivatives Risk                      Emerging Markets Risk                      Foreign Risk                      High Portfolio Turnover Risk                      High Yield Securities Risk                      Interest Rate Risk                      Investing in the European Union Risk                      Investment Grade Securities Risk                      Issuer/Credit Risk                      Liquidity Risk                      Loan Risk                      Loan Settlement Risk                      Market Risk                      Valuation Risk                      Mortgage-Related Securities Risk                      Municipal Obligations Risk                      Prepayment Risk                      Sovereign Debt Risk                      U.S. Government Obligations Risk</p>

## Risk Disclosures Appendix

Clients and investors should be aware that political, social, and economic uncertainty creates and exacerbates risks and could impact our investment strategies, processes, and methods of analysis. Social, political, economic, and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments, and other systems, including the financial markets, to which our clients and their investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets. These impacts can be exacerbated by failures of governments and societies to respond adequately to an emerging event or threat.

Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit, and currency; a decrease in the reliability of market prices and difficulty in valuing assets; greater fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives, and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of certain hedging techniques (including as to currencies); substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

Although it is impossible to predict the precise nature and consequences of these or similar events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our Clients and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact Clients and issuers and in many instances the impact will be adverse and profound. Certain companies in which our Clients invest or could in the future invest are or will be significantly impacted by these emerging events and the uncertainty caused by these events. With respect to the debt of such companies, Clients will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments; (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently; and/or (iii) the value of loans or other instruments held by a Client decreases as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause a Client to suffer a loss of any or all of its investments or interest thereon. Clients would also be negatively affected if our operations and effectiveness or those of our affiliates or an issuer, obligor, or borrower (or any of the key personnel or service providers of the foregoing) is compromised, or if necessary or beneficial systems and processes are disrupted.

This uncertainty has exacerbated, and will likely continue to exacerbate, many of the material risks described below:

**Active Management Risk.** The Adviser and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these decisions will produce the desired results. Additionally, legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available in connection with managing the strategies and may also adversely affect the ability of the strategies to achieve their investment objectives.

**Asset-Backed Securities Risk.** Payments on asset-backed securities depend upon assets held by the issuer and collections of the underlying loans. The value of these securities depends on many factors, including changing interest rates, the availability of information about the pool and its structure, the credit quality of the underlying assets, the market's perception of the servicer of the pool, and any credit enhancement provided. In certain market conditions, asset-backed securities may experience volatile fluctuations in value and periods of illiquidity.

**Concentration Risk.** Investments are expected to be closely tied to a specific name, industry, or benchmark. As a result, performance could be more volatile than the performance of a portfolio that does not concentrate its investments in a particular economic industry or sector. With respect to CLOs, the concentration of investments in any one obligor would subject CLO portfolios and investors to a greater degree of risk with respect to defaults by such obligor, and the concentration of investments in any one industry or country would subject CLO portfolios and investor to a greater degree

of risk with respect to economic downturns relating to such industry or country. Any concentration with respect to any particular obligor, industry or country could ultimately result in significant losses to CLO portfolios and investors.

**Conflicts of Interest Risk.** Affiliates of the Adviser participate in the primary and secondary market for loan obligations. Because of limitations imposed by applicable law, the presence of the Adviser's affiliates in the loan obligations market could restrict a strategy's ability to acquire certain loan obligations or affect the timing or price of such acquisitions. Also, because the Adviser might wish to invest in the publicly traded securities of a borrower, it could determine to refrain from having access to material non-public information regarding the borrower to which other lenders have access.

**Coordination of Investments Risk.** Many of the fixed-income private placement debt securities purchased in the strategy are developed by a variety of organizations that rely on other entities. A lack of interest of other entities in developing investments could adversely affect the economic and financial objectives of the strategy. A limited or dwindling supply of funds available for credit enhancement on investments may adversely affect full realization of the strategy's investment objective. Regulatory or statutory changes may affect the willingness or ability of housing related entities to work in the affordable housing private placement area.

**Counterparty Risk.** A counterparty, or a clearinghouse or guarantor to the portfolio could fail. The inability or unwillingness of others to honor obligations to a client could result in credit losses incurred from late payments, failed payments and default. In times of general market turmoil, even large, well-established financial institutions can fail rapidly with little warning. Clients will be subject to the credit risk of counterparties with whom the Adviser trades. If a trading counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, trade term disputes or other reasons, clients should expect significant delays in obtaining a recovery and there is a risk of no, or reduced, reduced recovery in such circumstances.

**CRA Strategy and Qualification for CRA Credit Risk.** CRA qualified securities in geographic areas sought by a portfolio might not provide as favorable return as CRA qualified securities in other geographic areas. In addition, a portfolio could sell securities for reasons relating to CRA qualification, at times when such sales might not be desirable for investment purposes. Further, a portfolio can hold short-term investments that produce relatively low yields pending the selection of long-term investments believed to be CRA-qualified.

For an institution to receive CRA credit with respect to investments, the portfolio must hold CRA qualified securities that relate to the institution's delineated CRA assessment area. All investments for clients pursuing an objective that includes CRA qualification are expected to be considered eligible for regulatory credit under the CRA. There is no guarantee, however, that an investor will receive CRA credit if, for example, a state banking regulator does not consider an account eligible for regulatory credit. If CRA credit is not given, there is a risk that an investor will not fulfill its CRA requirements.

**Credit Spread Risk.** A portfolio's investments may be adversely affected if any of the issuers it is invested in are subject to an actual or perceived (whether by market participants, rating agencies, pricing services or otherwise) deterioration to their credit quality. Any actual or perceived deterioration may lead to an increase in the credit spreads of the issuer's securities.

**Currency Risk.** Changes in foreign currency exchange rates will affect the value of the account's investments. Generally, when the value of the U.S. Dollar rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer U.S. Dollars. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

**Derivatives Risk.** Derivatives, including futures contracts, may be riskier than other types of investments and could result in losses that significantly exceed the original investment. The performance of derivatives depends largely on the performance of their underlying asset reference, rate, or index; therefore, derivatives often have risks similar to those risks of the underlying asset, reference rate or index, in addition to other risks. However, the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, reference, rate or index. Many derivatives create leverage thereby increasing volatility. Over-the-counter ("OTC") derivatives are traded bilaterally between two parties, which increases liquidity risk, valuation risk and counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty. Certain derivatives are subject to exchange trading and/or mandatory clearing (which interposes a central clearinghouse to each participant's derivative transaction). Exchange trading, central clearing and margin requirements are intended to reduce counterparty credit risk and increase liquidity and transparency, but do not make a derivatives transaction risk-free and may increase costs. The use of derivatives may not be successful, and certain transactions in derivatives may not perform as expected and could result in a loss to the client. In addition, given their complexity, derivatives increase risks of mispricing or improper valuation, as well as liquidity risk.

**Emerging Markets Risk.** The securities markets of most emerging market countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, auditing, financial and other reporting requirements as the securities markets of more developed countries. In addition, the Fund is limited in its ability to exercise its legal rights or enforce a counterparty's legal obligations in emerging markets countries. These risks are not normally associated with investments in more developed countries.

**Equity Market Risk.** Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. To the extent instruments provide exposure to equity securities (such as equity linked securities), those instruments are subject to the same risks as direct investments in the underlying equity securities. If an underlying equity security decreases in value, the value of the corresponding instrument will likely decrease; however, the performance of such an instrument may not correlate exactly to the performance of the underlying equity security that it seeks to replicate. Such instruments are also subject to counterparty risk.

**Foreign Risk.** Foreign securities may be subject to risk of loss because of less foreign government regulation, less public information, different auditing and legal standards and less economic, political, environmental and social stability in these countries. Loss may also result from the imposition of exchange controls, sanctions, trading restrictions, confiscation of assets and property and other government restrictions, or from problems in registration, settlement or custody. Foreign risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the Fund has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Additionally, foreign securities and dividends and interest payable on those securities may be subject to foreign taxes, including taxes withheld from payments on those securities.

**General Economic and Market Conditions Risk.** The success of an account's investment program can be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors can affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

**Growth Investing Risk.** Growth investing attempts to identify companies that the Adviser believes will experience rapid earnings growth relative to value or other types of stocks. The value of these stocks generally is much more sensitive to current or expected earnings than stocks of other types of companies. Short-term events, such as a failure to meet industry earnings expectations, can cause dramatic decreases in the growth stock price compared to other types of stock. Growth stocks may also trade at higher multiples of current earnings compared to value or other stocks, leading to inflated prices and thus potentially greater declines in value. The performance may be better or worse than the performance of equity strategies that focus on value stocks or that have a broader investment style.

**High Portfolio Turnover Risk.** The strategy may engage in active and frequent trading of its portfolio securities. High portfolio turnover (more than 100%) may result in increased transaction costs to the Fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities.

**High Yield Securities Risk.** High yield securities, which are non-investment grade fixed income securities and unrated securities of comparable credit quality (commonly known as "junk bonds") are considered speculative and have a higher risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the junk bond markets generally and less secondary market liquidity.

**Impact Investing Risk.** The impact investing criteria could cause the strategy to perform differently compared to strategies that do not apply such criteria. The application of these criteria may result in forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for impact investing reasons when it might be otherwise disadvantageous for it to do so. In addition, there is a risk that the securities identified by the impact criteria do not operate as expected in achieving the expected impact. There are significant differences in

interpretations of what it means for a security to achieve a positive impact. Although the Adviser believes its definitions are reasonable, the portfolio decisions it makes may differ with others investors' or advisers' views.

**Interest Rate Risk.** The values of some or all investments can change in response to movements in interest rates. If interest rates rise, the values of loans and debt securities will generally fall and vice versa. In general, the longer the average maturity or duration of an investment portfolio, the greater its sensitivity to changes in interest rates.

**Investing in the European Union Risk.** Investments in certain countries in the European Union are susceptible to economic risks associated with high levels of government debt. Adverse regulatory, economic and political events in European Union member states may cause the Fund's investments to decline in value. Separately, the European Union faces issues involving its membership, structure, procedures and policies. The exit of one or more member states from the European Union, such as the exit by United Kingdom (UK), would subject its currency and banking system to increased risk. The exit by a member state will likely result in increased volatility, illiquidity and potentially lower economic growth in the affected markets, which may adversely affect a Fund's investments. Additionally, the reintroduction of national currencies in one or more Eurozone countries or the abandonment of the Euro as a currency could have major negative effects on the Funds' investments as well as the ability of the Funds' counterparties to fulfill their obligations.

**Investment Grade Securities Risk.** Investment grade rated securities are assigned credit ratings by ratings agencies on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time, such assigned ratings of the securities and may subsequently downgrade the rating if economic circumstances impact the relevant bond issues.

**Investments in Loans; Lack of Liquidity and Transparency.** Leveraged loans and interests therein, including related derivatives and structured finance obligations, have significant liquidity and market value risks as they are not traded in organized markets or exchanges but rather over-the-counter by commercial banks and other institutional investors. Because leveraged loans are privately syndicated, loans are not purchased or sold as easily as publicly traded securities and purchasers and sellers do not have the protections and certainty provided by an established market or regulatory regime. Further, market data regarding trading activity and pricing is not as widely available as is the case for certain other investments.

**Issuer/Credit Risk.** Issuer/credit risk is the risk that the issuers of debt securities held by the Fund will not make payments on the securities or the counterparty to a contract will default on its obligation. Information about a security's credit quality may be imperfect and a security may have its credit rating unexpectedly downgraded at any time, which could adversely affect the volatility of the value and liquidity of the investment. With respect to United States government securities, there can be no assurance that the United States government will provide financial support to United States government sponsored agencies or instrumentalities where it is not obligated to do so by law.

**Leverage Risk.** Leverage can result from certain transactions, borrowing and reverse repurchase agreements and derivatives. Leverage can exaggerate the effect of a change in the value of the portfolio's securities, causing the portfolio to be more volatile than if leverage was not used. Losses incurred on leveraged investments will increase in direct proportion to the degree of leverage employed. CLO portfolios and investors also incur interest expense on borrowings used to leverage its positions. The use of leverage also can result in the forced liquidation of positions (which could otherwise have been profitable) as a result of margin or collateral calls. For CLO portfolios and investors, to the extent the Adviser can adjust leverage levels, the Adviser could increase (or decrease) leverage at times when it is not advantageous to do so and, as a result, the value of certain securities issued by the CLO could decrease.

**Liquidity Risk.** Investments in illiquid securities or repurchase agreements with maturities longer than seven days could be difficult or impossible to sell at desirable prices due to lack of marketability.

**Loan Risk.** A portfolio may invest in loans including loans that are rated below investment grade or the unrated equivalent. Like other high yield, corporate debt instruments, such loans are subject to an increased risk of default in the payment of principal and interest as well as the other risks described under "Interest Rate Risk," "Issuer/Credit Risk," and "High Yield Securities Risk." Although certain loans are secured by collateral, we could experience delays or limitations in realizing on such collateral or have its interest subordinated to other indebtedness of the obligor. Loans are vulnerable to market sentiment such that economic conditions or other events may reduce the demand for loans and cause their value to decline rapidly and unpredictably. Loans that are deemed to be liquid at the time of purchase may become illiquid. No active trading market may exist for some of the loans and certain loans may be subject to restrictions on resale. The inability to dispose of loans in a timely fashion could result in losses. Some loans that we invest in may have a more limited secondary market and therefore liquidity risk is more pronounced than those that invest primarily in other types of fixed income instruments or equity securities. Typically, loans are not registered securities and are not listed on any

national securities exchange. Consequently, there may be less public information available about these types of investments and the market for certain loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. As a result, we may be more dependent upon the analytical ability of the Adviser.

**Loan Settlement Risk.** Leveraged loans are subject to settlement periods in excess of the securities standard of trade date plus two days and might not settle on a delivery versus payment basis as is common for other types of investments. Leveraged loan settlement periods can extend to trade date plus seven days or more depending upon a number of factors not in the control of the Adviser. Therefore, counterparties to leveraged loan trades, including CLOs, are subject to ongoing market risk to the extent that lengthy settlement periods occur. Moreover, settlement of leveraged loan trades can be a manual process, prolonging the settlement period and increasing operational risk. Further, during the prolonged settlements, the underlying credit outlook, positive or negative, or the terms of the loan evolve in accordance with the terms of the underlying credit agreement (i.e., LIBOR resets, pre-payments, etc.) or otherwise.

**Lower Credit Quality Securities.** CLO portfolios and interest could be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Other securities could have the lowest quality ratings or be unrated, have been downgraded or have been placed on “credit watch” for future downgrades. Lower rated and unrated securities can have large uncertainties or major risk exposures to adverse conditions and can be considered to be speculative. Generally, such securities offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of income and principal. The market values of portfolios or interests in CLOs also tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO can also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

**Market Risk.** One or more markets in which a portfolio invests could go down in value, sometimes sharply and unpredictably, and the value of the securities can fall or fail to rise. Market risk could affect a single issuer, sector of the economy, industry or the market as a whole. The success of a portfolio’s investment program could be affected by general economic and market conditions. These conditions can affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

In addition, global economies and financial markets are becoming increasingly interconnected, and political, economic and other conditions and events (including, but not limited to, natural disasters, pandemics, epidemics, and social unrest) in one country, region, or financial market can adversely impact issuers in a different country, region or financial market. Furthermore, the occurrence of, among other events, natural or man-made disasters, severe weather or geological events, fires, floods, earthquakes, outbreaks of disease (such as COVID-19, avian influenza or H1N1/09), epidemics, pandemics, malicious acts, cyber-attacks, terrorist acts or the occurrence of climate change, can also adversely impact the performance of a portfolio. Such events could result in, among other things, closing borders, exchange closures, health screenings, healthcare service delays, quarantines, cancellations, supply chain disruptions, lower consumer demand, market volatility and general uncertainty. Such events could adversely impact issuers, markets and economies over the short- and long-term, including in ways that cannot necessarily be foreseen. A portfolio could be negatively impacted if the value of the portfolio was harmed by such political or economic conditions or events. Moreover, such negative political and economic conditions and events could disrupt the processes necessary for a portfolio’s operations.

**Micro Company Risk.** Stocks of micro-cap companies involve greater risk than those of larger companies. These companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Therefore, the prices of micro-cap stocks are generally more volatile, and their markets less liquid, than larger companies. The trading volume of securities of smaller capitalization companies is normally less than that of larger capitalization companies, which may disproportionately affect their market price. These risks are enhanced for micro-cap securities. Many micro-cap companies tend to be new and have no proven track record. Some of these companies have no assets or operations, while others have products and services that are still in development or have yet to be tested in the market. An investment in the strategy may involve considerably more risk of loss and its returns may differ significantly from strategies investing in larger companies.

**Mid-Sized Company Risk.** Stocks of mid-sized companies can carry greater risks than those of larger companies because mid-sized companies often have less management experience, competitive strengths and financial resources than larger companies. Mid-sized companies could also be more vulnerable to adverse business or economic events and be more volatile than larger companies.

**Mortgage-Related Securities Risk.** Mortgage-related securities represent direct or indirect participation in, or are secured by and payable from, mortgage loans secured by real property, and include pass-through securities and Collateralized Mortgage Obligations (“CMOs”). Mortgage pass-through securities are securities representing interests in

“pools” of mortgages in which payments of both interest and principal on the securities are made monthly, in effect “passing through” monthly payments made by the individual borrowers on the underlying residential mortgage loans. Early repayment of principal on mortgage pass-through securities may result in a lower rate of return upon reinvestment of principal. CMOs are hybrid instruments with characteristics of both mortgage-backed bonds and mortgage pass-through securities. CMOs are issued in multiple classes, and each class may have its own interest rate and/or maturity. The value of some classes may be more volatile and may be subject to higher risk of non-payment. Like other fixed-income securities, when interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates decline, the value of mortgage-related securities with prepayment features may not increase as much as other fixed-income securities. Upward trends in interest rates tend to lengthen the average life of mortgage-related securities and also cause the value of outstanding securities to drop. Thus, during periods of rising interest rates, the value of these securities would tend to drop, and the portfolio-weighted average life of such securities may tend to lengthen due to this effect. Longer-term securities tend to experience more price volatility.

**Municipal Obligations Risk.** The risk of a municipal obligation generally depends on the financial and credit status of the issuer. Changes in a municipality’s financial status may make it difficult for the municipality to make interest and principal payments when due. This could decrease income or adversely impact the ability to seek a high level of current income and capital growth over the long term.

**Non-Investment Grade Loans.** Certain accounts primarily invest in credit markets, including leveraged, noninvestment grade loans. Such loans are considered a higher risk than other types of investments because historically they have experienced a higher default rate than other asset classes. As a result, there can be no assurance that the ultimate recovery on a defaulted instrument will not result in a capital loss. If there is a default on a loan, reference loan, bond or other instrument held by a client, the defaulted borrower often ceases to fund its obligations as they become due. The defaulting borrower usually becomes subject to lengthy and substantial workout negotiations or restructuring, often resulting in a reduction in interest rates on obligations, a write-down of principal and/or change in the terms, conditions or covenants with respect to the defaulted obligation, all of which can be substantial; including the possibility that equity of the borrower will be issued in exchange for the original obligation, in whole or in part. While loans are often secured by collateral, losses can result from default and foreclosure. The value of the underlying collateral, the creditworthiness of the obligor and the priority of the lien will have a significant impact on the potential recovery of a defaulted asset. There is no assurance that the liquidation proceeds of collateral will be sufficient to satisfy the entire outstanding balance of principal and interest on a defaulted loan, resulting in a possible loss of all or part of an investment in a CLO portfolio or interest. When an obligor becomes bankrupt, lengthy and adversarial proceedings are commonplace. While creditors generally are afforded an opportunity to object to significant actions in bankruptcy proceedings, there can be no assurance that a bankruptcy court would not approve actions that are contrary to the interests of accounts holding a loan or debt instrument of the bankrupt party.

**Other Debt Instruments – CBOs and CLOs Risks.** Advisory Accounts may directly or indirectly invest in other investment grade or other debt instruments of companies or other entities not affiliated with countries or governments, including but not limited to, senior and subordinated corporate debt; investment grade equity tranches of CMOs; preferred stock; corporate securities; and bank debt. As with other investments made by an Advisory Account, there may not be a liquid market for these debt instruments, which may limit the Advisory Account’s ability to sell these debt instruments or to obtain the desired price. Advisory Accounts may also invest in collateralized bond obligations (“CBOs”) and CLOs, and other similar securities which may be fixed pools or may be “market value” or managed pools of collateral, including commercial loans, high yield and investment grade debt, structured securities and derivative instruments relating to debt. Depending upon the tranche of a CBO or CLO in which an Advisory Account invests, the returns may be extremely sensitive to the rate of defaults in the collateral pool, and redemptions by more senior tranches could result in an elimination, deferral or reduction in the funds available to make interest or principal payments to the tranches held by Advisory Accounts. In addition, there can be no assurance that a liquid market will exist in any CBO or CLO when an Advisory Account seeks to sell its interest therein. Also, it is possible that an Advisory Account’s investment in a CBO or CLO will be subject to certain contractual limitations on transfer. Further, a CBO or CLO may be difficult to value given current market conditions.

**Participations Risk.** Interests in loans could be acquired indirectly by purchasing a participation interest from a selling institution, which can be an affiliated entity or a Pooled Investment Vehicle. Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations in a selling institution’s portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the holder will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the holder generally will have no right to enforce

compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower or voting rights with respect to amendments or waivers and might not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the holder will assume the credit risk of both the borrower and the institution selling the participation, which remains the legal owner of record of the applicable loan.

**Prepayment Risk.** The value of some mortgage-backed and asset-backed securities could fall because of unanticipated levels of principal prepayments that can occur when interest rates decline. Principal and interest payments on such securities depend on payment of the underlying loans, though issuers can support creditworthiness via letters of credit or other instruments.

Leveraged loans are generally subject to pre-payment in whole or in part at any time at the option of the obligor, at par plus accrued unpaid interest. Prepayments on loans will occur as a result of a number of factors that are often difficult to predict, and not within the control of the Adviser. Consequently, there is a risk that loans purchased at a price greater than par will experience a capital loss as a result of a prepayment at par. Likewise, there is no assurance that proceeds received from a prepayment can or will be invested in other assets of comparable value or bearing at least the same rate of interest.

During periods of falling interest rates, a bond issuer or borrower has an incentive, where permissible, to call or repay a high-yielding bond or a loan with a relatively higher interest rate before its maturity date. If a loan or debt security is called, the proceeds could have to be reinvested at lower interest rates resulting in a decline in income for a client.

**Small Company Risk.** Stocks of smaller and less seasoned companies involve greater risks than those of larger companies. These companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Smaller companies may be more sensitive to changes in the economy overall. Historically, small company stocks have been more volatile than those of larger companies. As a result, a strategy's net asset value may be subject to rapid and substantial changes. Small company stocks tend to be bought and sold less often and in smaller amounts than larger company stocks. Because of this, if a strategy wants to sell a large quantity of a small company stock, the strategy may have to sell at a lower price than the Adviser might prefer, or it may have to sell in small quantities over a period of time.

**Sovereign Debt Risk.** Sovereign debt securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay nor are their bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

**Tax Risk.** The risk that the issuer of a security will fail to comply with certain requirements of the Internal Revenue Code, which would cause adverse tax consequences. Changes in federal or state tax laws could cause the prices of tax-exempt securities to fall and/or could affect the tax-exempt status of the securities. A portion of distributions could be subject to the federal alternative minimum tax.

**U.S. Government Obligations Risk.** Obligations of U.S. Government agencies, authorities, instrumentalities and sponsored enterprises (such as Fannie Mae and Freddie Mac) have historically involved little risk of loss of principal if held to maturity. However, the maximum potential liability of the issuers of some of these securities may greatly exceed their current resources and no assurance can be given that the U.S. Government would provide financial support to any of these entities if it is not obligated to do so by law. In September 2008, the U.S. Treasury and the Federal Housing Finance Agency ("FHFA") announced that Fannie Mae and Freddie Mac would be placed into a conservatorship under FHFA. The effect that this conservatorship will have on the entities' debt and securities guaranteed by the entities remains unclear. Fannie Mae and Freddie Mac are continuing to operate as going concerns while in conservatorship and each remains liable for all of its obligations, including its guaranty obligations, associated with its mortgage-backed securities. Should the FHFA take Fannie Mae and Freddie Mac out of conservatorship and return the entities to their shareholders, it is unclear what the new capital structures of the entities will be and whether the U.S. Treasury will continue to enforce its rights under the Senior Preferred Stock Purchase Agreement between it and the entities and what affect privatization of the entities will have on their ability to meet their respective obligations.

**Variable Rate Demand Note Risk.** The absence of an active secondary market for certain variable and floating rate notes could make it difficult to dispose of the instruments.



**Valuation Risk.** There is a risk that the value at which an unquoted and/or illiquid investment is sold may be significantly different from the estimated fair values of these investments.

**Value Investing Risk.** Value stocks might not increase in price as anticipated if they fall out of favor with investors or the markets favor faster-growing companies.

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