RPIA

Investment Integration Overview 2023

RPIA

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ESG Memberships

Signatory of:

UN Principals for Responsible Investing

FSB Task Force on Climate-related Financial Disclosures

The Sustainability Accounting Standards Board

Canadian Coalition for Good Governance

30% Club

Climate Engagement Canada

Alternative Investment Management Association

Women in Capital Markets

100 Women in Finance

United Way ILEO Charter

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Background

As global fixed income experts and stewards of our investors' capital, we believe Environmental, Social, and Governance ("ESG") factors can materially impact the risk and return profile of the corporate fixed-income securities in which we invest. Understanding these factors supports our primary fundamental and credit analysis to help us manage downside risk and present new opportunities to create value for investors.

This overview aims to demonstrate how we consider ESG factors from an investment integration perspective.

Founded in **2009**	**9B+** Assets Under Management	**$526M** ESG-Focused Assets[1]	**UN PRI** Signatory Since 2018

Our Investment Process

We apply a disciplined, repeatable four-step investment process to evaluate and execute investment opportunities:

Identify Top-Down Investment Themes

The **Investment Committee** identifies macro opportunities to focus our research efforts.

Fundamental Analysis

The **Reseach Team** supplements financial analysis with ESG analysis to determine what we believe to be the most compelling issuer(s).

Security Selection

We utilize **proprietary technology and expertise** to select the optimal security within an issuer's capital structure.

Size and Execute Position

The **Execution Team** sizes the investment based on conviction level, liquidity considerations, and existing portfolio exposures.

Continuous Engagement from the Risk Management Team & Oversight Through the Risk Committee

[1]Assets invested in private pooled strategies with a fossil fuel exclusion mandate, namely, RP Broad Corporate Bond (Fossil Fuel Exclusion) and RP Broad Corporate Bond (BBB, Fossil Fuel Exclusion).

RPIA ESG Integration Framework

Our ESG integration approach emphasizes our belief that supplementing our fundamental and technical analysis with relevant ESG factors is important in assessing risks and opportunities across our strategies. Incorporating ESG factors into our investment process – both at the issuer-level and in the context of specific sectors and regions – enables us to have a complete view of material credit risks. While ESG integration is an important consideration in managing our strategies in support of their primary investment objectives, the application of integration can vary in weight and prominence between strategies.[2]

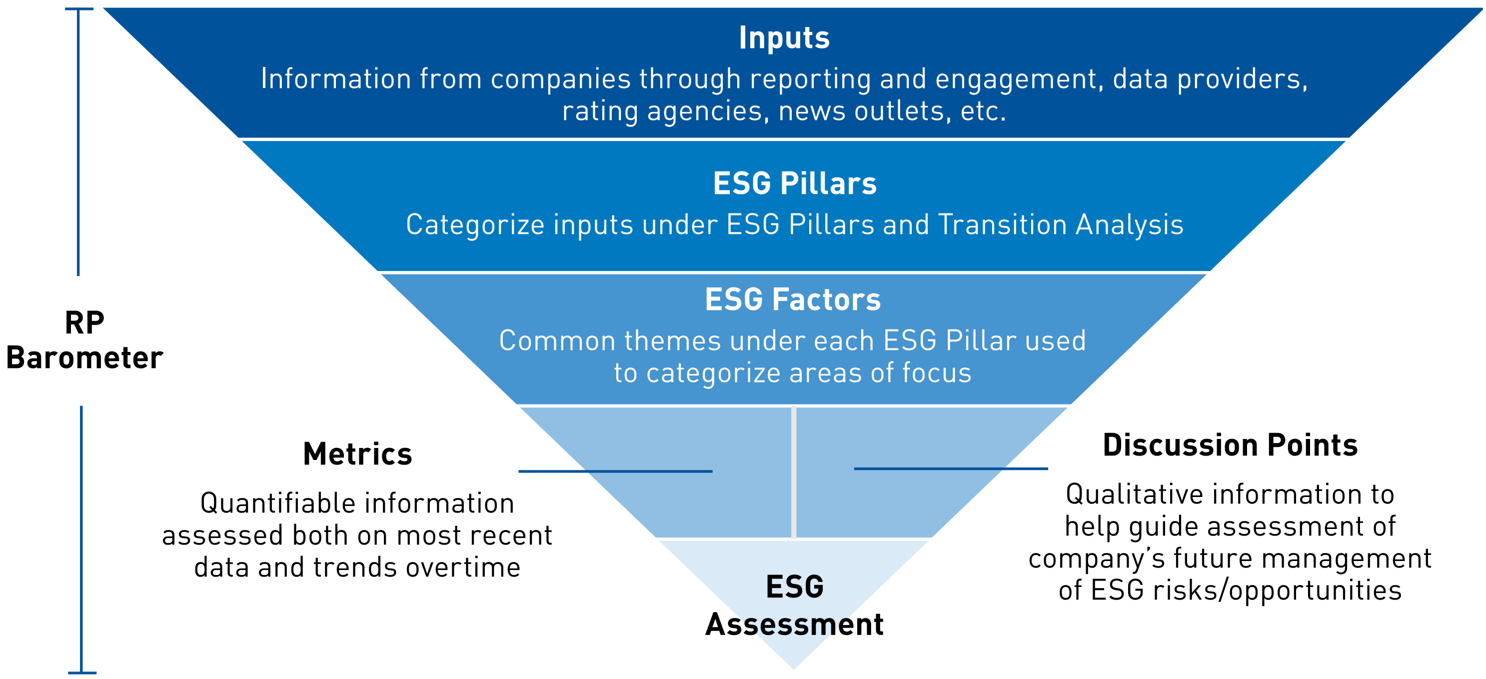
With the exception of our Fossil Fuel Exclusion strategies (as described in the Thematic Portfolios section in the document), our approach to integrating ESG considerations does not impose investment limitations. We are able and willing to invest in companies that are still developing their ESG practices or are early in their ESG journeys. Recognizing the magnitude of efforts required to address global sustainability challenges, such as climate change, we aim to support corporations in adapting to meet these demands, rather than avoiding the challenges they face.

In assessing ESG risks within a particular company or sector, we are likely willing to accept less spread compensation for a lower risk profile, and vice versa. There is considerable nuance involved in balancing the probability and potential severity of ESG risks against the need for additional compensation. To navigate this complexity, we rely on our investment team's expertise and experience for guidance.

How We Consider ESG Factors

To incorporate ESG considerations into our investment research and decision-making activities, we employ our ESG Integration Framework across our strategies.

ESG Integration Framework[2]



[2] Please see the Important Information section at the end of this document for additional information on our ESG Integration Framework.

The RP Barometer

The RP Barometer ("the Barometer") is a proprietary tool that aggregates relevant ESG data. Built on the SASB Standards, the Barometer supports our ESG integration approach, aiding in the identification of material ESG factors and presenting them in a consistent format.[3]

The Barometer is a data-driven tool designed to complement the financial analysis of issuers with a focus on ESG factors. Some highlights of the barometer are:

- Peer relative rankings for current and momentum metrics,
- Suggested discussion topics for engagement discussions, and
- Thematic modules that address specific areas such as transition risk and workplace equity.

When we believe engaging with an issuer on ESG factors would be valuable to our analysis, the Barometer can help us direct conversations toward the most material ESG risks and opportunities, ensuring that we address the issues that are most likely to be relevant and impactful.

The Barometer evaluates current and trend metrics as they relate to environmental risk factors in addition to assessing how an issuer compares against its peer group. Moreover, the Barometer assesses transition risks based on carbon budget trends in the sector versus the overall market, and for issuers verses their sector. Transition risks are also evaluated in the context of an issuer's carbon profile and trajectory of both an absolute and intensity basis for scopes 1, 2, and 3 emissions.

The Barometer also includes a framework which grades workplace equity based on five key pillars: workforce participation, equal pay, upward mobility, representation, and leadership. Governance considerations underpin the data analyzed for both environment and social factors, including assessing policies and action plans published by the company.

[3] Please see the Important Information section at the end of this document for additional information on our ESG Integration Framework and RP Barometer.

How We Engage With Issuers

As an active fixed income investor, we occupy an important position among capital providers to many corporations. We believe engaging with issuers is a valuable part of our role as stewards of capital. Engagements occur only as needed, and the nature and level of engagements may vary from issuer to issuer.

Engagement with issuers can be conducted at the pre-issuance or pre-deal stage, at pre-investment stage, during the holding period, at any new issue or refinancing stage, or if an issuer faces a material credit impact.

An important part of our ESG Integration Framework, our engagement process can be summarized in 4 steps: At the end of 2023, we began setting monthly targets for ESG engagements.

Step 1 Identifying the Issuer

Each Credit Research Portfolio Manager is responsible for identifying at least one issuer per month within their coverage universe. The issuer can be identified based on any or all of the following characteristics:

- **Size** – is there significant mandate/firm exposure to the issuer?
- **Acute Need** – is there currently or has there recently been headline risk pertaining to the specific issuer?
- **Theme** – would the issuer be impacted by a broader theme within one of the 3 ESG pillars?
- **Sector** – is there a broader trend occurring within the issuer's specific sector?

The proposed issuers for the upcoming month are reviewed by the broader investment team, with recommendations from our ESG Specialist and co-CIOs.

Step 2 Materiality

While some ESG Factors are common across many industries, we leverage the SASB standards along with our investment team's sector knowledge to determine the factors most likely to be material for a given industry. Our RP Barometer aids in the determination of what we believe are the most material ESG factors for a given credit, which we use to supplement our financial credit analysis of the issuer.

Step 3 Engagement

If we determine that an engagement is warranted, we speak with the issuer directly to gain data, context, and clarity on specific issue(s) and discuss how challenges may be addressed. This can include expressing a desire for improved disclosure around ESG-related metrics, outlining appropriate structures for sustainability-linked funding, and encouraging companies to take more proactive positions on critical risks such as emissions reduction.

Engagements can help us get a "fuller picture" when evaluating an issuer's ESG profile through the breadth and quality of disclosures across various metrics, forward-looking ESG plans, and how successful management is in executing these strategies.

Step 4 Evaluate and Monitor

The final step is to evaluate whether any ESG information gleaned from the data or the engagement requires us to reset our fundamental thesis. We aim to determine whether the severity, or lack thereof, of the ESG issue presents a short-term or mid-term acute risk, a longer-term challenge, or no material risk. We do not do "positive screening.[4]"

If a material risk is identified, we have adequate spread compensation given the ESG risks considered. Should ESG risks prove too substantial, we may decide that the risk-reward of the investment is skewed negatively. If we judge that the exposure should be adjusted based on this analysis, then the execution team will proceed with the necessary transactions.

[4] Positive screening favors investments in companies that have strong records in a particular area such as the environment, employee relations, or diversity.

Our Engagements

Below are some highlights of key engagements we completed in 2023:

Business Development Company
Q1 2023

Sector: Financials
Geography: USA
Factor: Governance

Engaged with the management team on the issuer's reporting and product governance relating to disclosure of ESG risks and exposures held by entities lower in the issuer's legal structure, the robustness of their sustainability reporting, and alignment with regulatory and voluntary sustainability frameworks. Provided recommendations regarding clarity on the measurement of its climate impact, creating an ESG Governance Framework, and expanding commitments to the social pillar.

Read the full report

Big Tobacco Company
Q2 2023

Sector: Consumer
Geography: UK (Europe)
Factor: Environment

Engaged with the company's treasury team to discuss its high-level ESG strategy, including financial impacts and key focus areas such as harm reduction, emission controls, and human rights. While the issuer has been affected by exclusionary mandates, we see potential for a long-term transformation story as this industry shifts away from cigarettes. We continue to identify and address critical issues to better understand the relative opportunity that may be missed by implicit exclusion.

Read the full report

Large Canadian Bank
Q3 2023

Sector: Financials
Geography: Canada; USA
Factor: Governance

Engaged with the management team to discuss the bank's U.S. AML compliance program, operational risks, and growth plans following the mutually agreed termination of their merger. Following our engagement and assessment of ESG and fundamental risk factors, we did not change our position in the issuer as the matter was not deemed material enough to change our view on the issuer as a whole.

Read the full report

German Automaker
Q4 2023

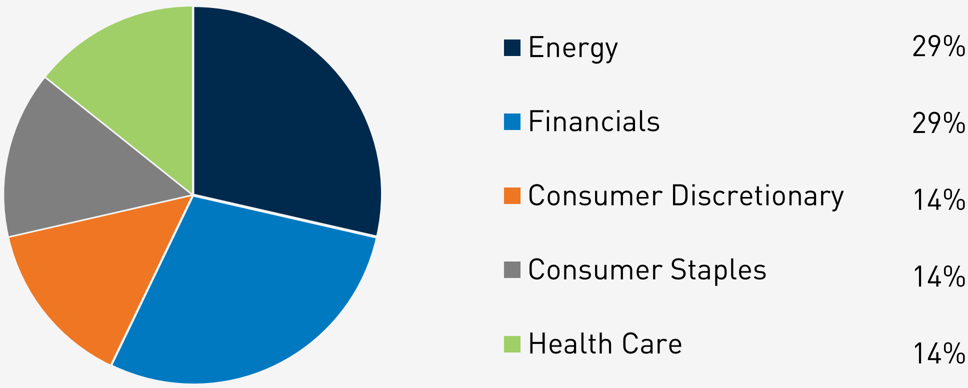
Sector: Consumer
Geography: Germany (Europe)
Factor: Governance, Social

Following allegations of forced labour, the company commissioned an independent audit that confirmed no indication of forced labour. However, after several senior staff at the auditor distanced themselves from the audit, we engaged with the company to determine the validity of the audit. During our engagement, the company confirmed that MSCI was pleased with the auditing process and that all required materials were included. This increased our confidence in the company's credit profile and allowed us to continue holding the company's bonds and invest in new bonds issued by the company.

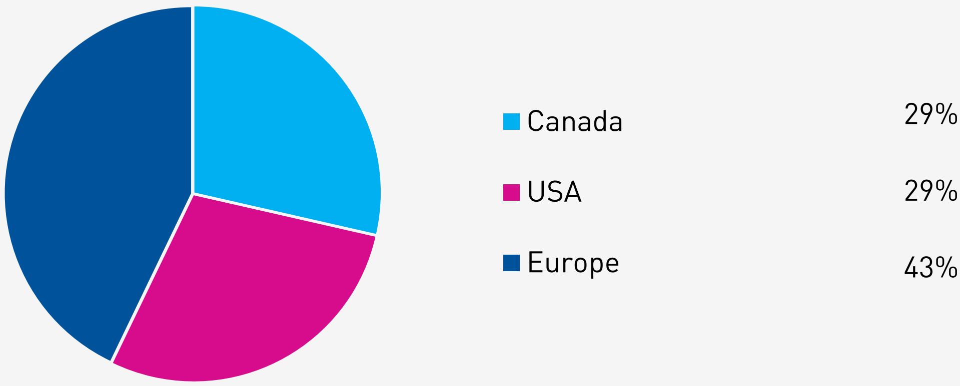
Read the full report

2023 Engagement Breakdown

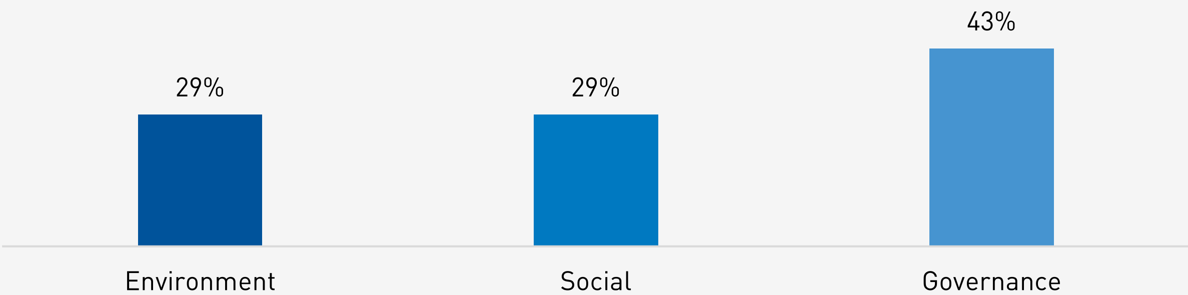
Engagements by Sector



Engagements by Geography



ESG Discussion Topics



Data has been rounded to the nearest number, and the sum may not equal to 100%.

Thematic Portfolios

We have two thematic strategies, RP Broad Corporate Bond (Fossil Fuel Exclusion) and RP Broad Corporate Bond (BBB, Fossil Fuel Exclusion). Both strategies employ a negative screening approach, in line with stated ESG-related investor objectives.

In partnership with one of our institutional investors, we developed a first-of-its-kind fossil fuel excluded corporate bond strategy for investors who take an exclusionary approach to ESG. The approach is an evolution of our RP Broad Corporate Bond strategy, which has a ten-year track record of adding over 175 bps of added value above the FTSE Canada All Corporate Bond Index (gross, annualized, since inception).

The RP Broad Corporate Bond (Fossil Fuel Exclusion) strategy was launched in July 2022 and takes a methodical approach to screening fossil fuel intensive issuers out of the fund and the benchmark. This strategy conducts a number of screens in addition to those within the "traditional" index.

As its name suggests, this strategy excludes all companies with direct involvement in or significant ownership of fossil fuel products within the Energy sector at the time of investment. We also screen for tobacco companies, issuers with cluster emissions, and those involved in controversial weapons.

The strategy maintains the performance target of the "original" strategy but has a secondary objective of maintaining a lower WACI (Weighted Average Carbon Intensity) than the already-carbon-reduced FTSE Canada All Corporate ex-Fossil Fuels Enhanced Bond Index.

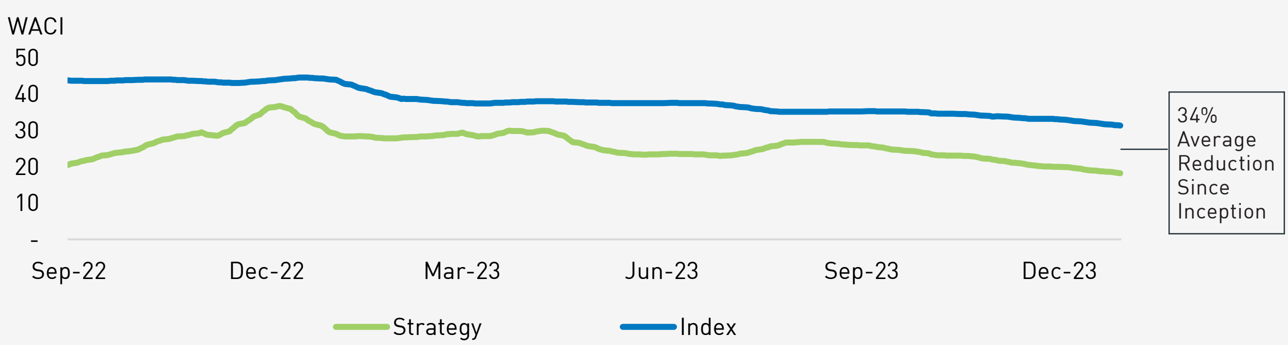
The strategy is an innovative solution through which our investors were able to achieve both reducing fossil fuel exposure and obtaining superior returns.

Performance as of December 31, 2023

					Annualized		
	1 Mo	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**	**SI**
RP BCB FFE	3.18%	7.86%	9.53%	9.53%	N/A	N/A	8.62%
Index	2.96%	6.98%	7.95%	7.95%	N/A	N/A	5.98%
Added Value	**0.22%**	**0.88%**	**1.57%**	**1.57%**	**N/A**	**N/A**	**2.64%**

RP BCB FFE= RP Broad Corporate Bond (Fossil Fuel Exclusion). Index = FTSE Canada All Corporate Ex Fossil Fuel Enhanced Bond Index. Source: FTSE.

RP BCB FFE Weighted Average Carbon Intensity (WACI) Relative to the Index



As at December 31, 2023. Index = FTSE Canada All Corporate Ex Fossil Fuel Enhanced Bond Index. Source: S&P TruCost.

Conclusion

At RPIA, we believe that ESG research is an integral component of an active investment process. Supplementing our in-depth fundamental research and analysis with targeted ESG integration can provide an additive and complementary lens through which issuers can be evaluated. Our mission is to consistently deliver strong risk-adjusted returns to our clients, and synthesizing ESG information further enhances our decision-making.

For more information about our Sustainable Investing Practice, TCFD alignment, and commitment to the UN PRI, please see our Annual Sustainability Report.

About RPIA

RPIA is an independent investment management firm, specialized in active, global fixed-income strategies. Founded in 2009 by a group of professionals with extensive international debt market experience, the firm has grown to over 100 team members, including 35 investment professionals, and manages approximately $9 billion of assets for institutions, high-net-worth individuals, and investment advisors.

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IMPORTANT INFORMATION

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RP Broad Corporate Bond (Fossil Fuel Exclusion) strategy is offered pursuant to available prospectus exemptions to eligible Canadian investors through units of RP Broad Corporate Bond (Fossil Fuel Exclusion) Fund. RP Broad Corporate Bond (Fossil Fuel Exclusion) performance presented represents the returns of RP Broad Corporate Bond (Fossil Fuel Exclusion) Fund, gross of management and performance fees. Investor level fund performance may differ from the strategy level performance presented. The index performance comparisons presented are intended to illustrate the historical performance of the indicated strategies compared with that of the specified market index over the indicated period. The comparison is for illustrative purposes only and does not imply future performance. There are various differences between an index and an investment strategy or fund that could affect the performance and risk characteristics of each. Market indices are not directly investable and index performance does not account for fees, expense and taxes that might be applicable to an investment strategy or fund.

RPIA is a signatory of the UN Principles for Responsible Investment and as part of our commitment, we consider Environmental, Social & Governance ("ESG") factors as part of our firm-level activities, including our investment process. ESG factors are important considerations in our investment management process but is supplemental to our primary financial and credit research and analysis functions.

ESG factors that may be considered as part of our investment process include matters relating to climate change, energy use, energy efficiency, emissions, waste, pollution, matters related to human rights, impact on local communities, labour practices, employee working conditions, health and safety of the employees and affiliates, employee relations and diversity, executive compensation, bribery and corruption, board independence, board composition and diversity, alignment of interest between the shareholders and the executives, shareholder rights, and companies' policies relating to ESG.

ESG integration, including components relating to issuer engagement, is a firm-wide investment approach but the weight and importance of it in our investment management process can vary across the investment funds we manage. The use of RP Barometer and issuer engagement may not apply equally to all issuers, securities and investment decisions made my RPIA. Engagement and trade examples are presented for illustrative purposes and do not necessarily reflect an investment decision for all strategies or funds managed by RPIA. Always refer to the relevant fund offering documents for important information on the investment objectives, strategies and associated risks of a particular fund. The consideration and implementation of ESG factors are also subject to RPIA's internal investment and risk management policies and may be revised as a result of investment suitability requirements, current portfolio positioning and external market and economic factors.

The consideration of ESG factors in the investment process for RP Strategic Income Plus Fund, RP Alternative Global Bond Fund, and RP Target 2026 Discount Bond Fund is weighted less than the core financial and credit analysis employed in the management of these funds. Please see the simplified prospectus for additional information.

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