RESPONSIBLE INVESTING POLICY

MACKAY SHIELDS CONVERTIBLES TEAM

EFFECTIVE SEPTEMBER 2022

Introduction

The MacKay Shields Convertibles Team ("the Team") is an equity-oriented convertible bond manager. Our products seek to provide participation in the equity markets while emphasizing downside protection. We combine a disciplined investment process with the fundamental judgment of seasoned professionals. Our overall strategy is designed to provide competitive performance with below-average market risk while focusing on those convertible securities that offer the best risk/reward profile.

In alignment with MacKay Shields' Responsible Investing Policy, the Team believes that Environmental, Social, and Governance (ESG) issues can be material to the risk/reward profile of every issuer under consideration. As such, in line with our fiduciary duty to act in the best financial interest of our clients, these factors have always been a meaningful part of our credit analysis.

Approach

The strategy utilizes analysis of the capital structure that seeks to determine which security provides the best risk/reward trade-off for investment. We employ a bottom-up approach which looks to identify the merits of convertibles relative to the underlying common stock.

CONVERTIBLE INVESTMENT PROCESS

	CONVERTIBLE UNIVERSE ~500 COMPANIES	ELIMINATE BUSTED AND "DEEP IN THE MONEY" CONVERTIBLES	SECURITY STRUCTURE AND MODELING	CONVERTIBLE CATALYST TEST	FOCUS LIST	CONVERTIBLE PORTFOLIO
OBJECTIVES	▪ Exclude illiquid convertibles	▪ Target balanced convertibles ▪ Reduce risk	▪ Stress test ▪ Up/down market capture to identify asymmetry of returns	▪ Determine timelines of investments	▪ Complement our quantitative tests with fundamental analysis	▪ Accumulate convertibles with the best risk/reward profile and favorable company fundamentals
CRITERIA	▪ Generally equity market cap above $300 million and at least $100 million of convertible bonds issued	▪ Equity sensitivity	▪ Model 60-80% Upside/30-50% Downside ▪ Bond Value ▪ Conversion premium ▪ Internal credit research	▪ Valuation ▪ Positive earnings trend ▪ Free cash flow ▪ Positive fundamental change in industry and/or company	▪ In-Depth Analysis ▪ Company contact ▪ Insider buying/ ownership	▪ ~80—100 companies

SCREENING OBJECTIVES WITH AN EMPHASIS ON RISK MANAGEMENT

Once the structure review is complete, we begin our fundamental equity analysis. Risk can present itself in many forms, including technological change, demand/supply characteristics, company positioning, undue leverage, regulatory issues, and ESG related factors. These, and other risk factors, are incorporated into the Team's research and decision-making processes.

When analyzing the ESG risks of any potential investment, the Team seeks to first identify potential material ESG risks, understand the weight of importance of each risk, and ascertain what impact such risks may have on the business, and in what time horizon.

We focus on finding core businesses that are solid and sustainable, management teams that are strong, experienced, and demonstrate good governance, underleveraged balance sheets, cash flow generation that exceeds capital expenditure, and earnings that are projected to increase over time. We must be able to find some catalyst that gives us confidence that the underlying stock price will appreciate in the near-term before we feel confident in buying the convertible. Further, we conduct an analysis of the sector in which the company operates.

In addition to our proprietary research into ESG related risks, we may also use screening tools and rating systems to identify ESG risk factors that may not have been captured through our own research.

ESG Risk Groups

The Team categorizes the securities that meet our investment criteria into four groups based on the assessed ESG risks associated with each security. Typical characteristics of ESG risk group classifications are as follows:

ESG RISK	ESG Risk Group 1 Low Risk	ESG Risk Group 2 Low Material Risk	ESG Risk Group 3 Material Risk	ESG Risk Group 4 Significant Risk
ENVIRONMENTAL	▪ Few significant past incidents and low potential for future incidents ▪ No material environmental liabilities ▪ Low risk of increased regulatory scrutiny and proposed legislation ▪ Full compliance with local standards and regulations	▪ May have had significant past incidents but low potential for future incidents ▪ May have some environmental liabilities ▪ Some risk of increased regulatory scrutiny and proposed legislation ▪ Full compliance with local standards and regulations	▪ May have had significant past incidents but low potential for future incidents ▪ Material environmental liabilities ▪ Some potential for increased regulatory scrutiny and proposed legislation ▪ Full compliance with local standards and regulations	▪ Significant past incidents and high potential for future incidents ▪ Material environmental liabilities ▪ High likelihood of increased regulatory scrutiny and proposed legislation ▪ May not be in full compliance with local standards and regulations
SOCIAL	▪ Excellent track record of worker safety ▪ Satisfactory relationship between management and unions ▪ Financial ability and willingness to pay out retirement benefits and obligations ▪ Minimal negative media or perception regarding company or business	▪ Excellent track record of worker safety ▪ Satisfactory relationship between management and unions ▪ Financial ability and willingness to pay out retirement benefits and obligations ▪ May have some negative media or perception regarding company or business	▪ May have had past issues with worker safety but proper measures taken ▪ Satisfactory relationship between management and unions ▪ Financial ability and willingness to pay out expected retirement benefits and obligations ▪ May have negative media or perception regarding company or business	▪ Poor track record of worker safety ▪ Tensions between management and unions ▪ Questionable financial ability and willingness to pay out retirement benefits and obligations ▪ Some negative media or perception regarding company or business
GOVERNANCE	▪ Transparent corporate structure and ownership ▪ Evidence of fair treatment for all stakeholders ▪ Transparent accounting practices ▪ Minimal significant related party transactions ▪ Management is available and willing to meet with investors	▪ Transparent corporate structure and ownership ▪ Evidence of fair treatment for all stakeholders ▪ Transparent accounting practices ▪ Full disclosure of related party transactions ▪ Management is available and willing to meet with investors	▪ Largely transparent corporate structure and ownership ▪ Evidence of fair treatment to creditors ▪ Transparent accounting practices ▪ Full disclosure of related party transactions ▪ Management is available and willing to meet with investors	▪ Opaque corporate structure and ownership ▪ No evidence of fair treatment to stakeholders ▪ Questionable reporting or accounting practices ▪ Significant related party transactions with poor disclosure ▪ Management does not make themselves available to investors

The portfolio managers are accountable for assigning individual ESG ratings of securities in their coverage area, with ultimate implementation and oversight being the responsibility of the Team's lead portfolio manager. To provide further focus on ESG factors, each portfolio manager seeks to also address the following questions prior to recommending the inclusion of any security into portfolios

1. What are the potential material ESG related risk factors associated with this investment?
2. What is management's response to these factors?
3. How, if at all, is the company addressing or managing these specific risk factors?
4. What is the probability and extent of downside risk associated with this investment owing to these ESG specific factors, and on what time horizon?

Active Ownership

As convertible investors, we recognize our position in the market, and, given the emerging nature of many ESG themes and issues, we find the way to have the greatest impact is to promote transparency and share best practices that we observe in the market within the normal course of management due diligence. When we meet with the management of companies in which we rate their ESG risks as high, we endeavor to discuss how management is addressing these risks. If our constructive dialogue with management does not sufficiently address our concerns regarding ESG risk mitigation, we may escalate by downsizing or exiting our position. In instances where we continue holding the security, it is with the understanding that this holding is now a riskier position and requires a higher expected rate of return to justify the elevated risk.

Expected Impact of ESG Factors on Research Conclusions and Portfolio Construction

The determination of whether specific securities warrant inclusion in the portfolio is always an assessment of the risk adjusted return potential versus other investment alternatives, as well as the impact on the return and risk profile of the portfolio in aggregate. The manner in which ESG related factors will impact security selection is qualitative. All else being equal, in the most straight forward of cases involving two securities that have the same return profile, but where one security has a superior ESG characteristics, the security with the superior ESG rating is prioritized.

As is the case with most investment decisions, considerable judgement will be required in weighing our clients' interest in strong returns against the risk factors associated with the portfolio. As it relates to ESG related risk factors, our commitment is to properly assess and to take into consideration such factors when constructing and managing client portfolios. We will work with clients on a case-by-case basis to determine whether additional ESG specific considerations should be taken into account in the construction of their respective portfolios (e.g., restricted security or industry list, or prohibition of investments with a certain ESG Risk Group rating).