Interval Fund Disclosure

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Wealth Management

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Definition

An interval fund is a type of closed-end mutual fund that can provide investors access to a wider range of illiquid investment strategies than a traditional open-end mutual fund. However, as a result, interval funds only provide periodic offers to repurchase shares ("**periodic repurchase offers**") which means shareholders may not have access to the invested assets for extended periods of time.

Investment benefits

The primary benefit of an interval fund is that, unlike a traditional mutual fund which cannot invest more than 15% of its assets in illiquid assets, interval funds are not subject to the same limits. As a result, interval fund portfolio managers can take advantage of investment opportunities in less-liquid sectors of the market and allocate larger percentages of their portfolios in these areas as they do not need to be positioned to meet daily redemption requests by investors. This can allow investors access to opportunities in securities such as high yield bonds, private equity, private credit, and real estate that might otherwise be available only to institutional investors and accredited investors. The results of these investments can provide opportunities for higher returns, greater income distributions and increased portfolio diversification.

Product comparisons

While interval funds are a type of closed-end fund, they have some unique characteristics when compared to both open-end and closed-end funds. Interval funds are constructed as a pooled investment vehicle wherein multiple investors are purchasing shares of a collection of securities as part of an investment strategy.

In most cases, and like open-end mutual funds, interval funds can be purchased daily on days the market is open. However, open-end mutual funds can also be redeemed daily, whereas interval funds are limited to periodic repurchase offers, typically quarterly.

Further, interval funds are only required to make available 5% of outstanding shares for the periodic repurchase offers. If the aggregated repurchase requests made by all fund shareholders exceeds the number of shares offered for repurchase, the shares may be repurchased on a pro rata basis and clients may not receive the full amount of their requested redemption.

Additionally, unlike typical closed-end funds, shares are not made available on an exchange like the NYSE or NASDAQ, limiting opportunities for liquidation of positions to the fund's periodic repurchase offers.

While interval funds may provide potential for higher returns, because of the active management related to the fund's underlying illiquid assets and the fund's illiquid asset structure, the fees and expenses associated with interval funds are often higher than those of traditional closed-end or open-end mutual funds. As with these other funds, fees for interval funds include management fees, service fees and other expenses associated with management of the portfolio and the fund. Interval funds may also assess a redemption fee on periodic repurchase offers to help offset costs associated with those transactions. These redemption fees typically do not exceed 2% of the amount redeemed. Additionally, front-end sales charges may apply for shares purchased in commission-based accounts.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

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Risks

Limited liquidity: Shareholders are not able to redeem shares of interval funds daily. Interval funds typically make periodic repurchase offers (i.e., quarterly) for a portion of outstanding shares (between 5% and 25%). Further, in the event the total aggregated shareholder requests for liquidation exceeds the number of shares being offered for repurchase by the fund, shareholders may only receive a prorated portion of their liquidation request.

As an example, assume an interval fund declares it will repurchase 5% of the fund's shares at the next quarterly repurchase offer. If the fund has 1,000,000 shares at a price of $50 per share outstanding, the fund would be offering to repurchase 50,000 shares, or $2,500,000 from shareholders. In the event the total amount of liquidation requests from shareholders for that quarter was less than 50,000 shares ($2,500,000), all investors would all receive the full amount of their requested redemptions. However, if shareholder redemption requests totaled 100,000 shares ($5,000,000), the fund would still only repurchase 50,000 shares. As a result, all investors would receive only a prorated portion of their requested redemption. In this case they would receive 50% of the amount requested.

Shares are not listed on any exchange for secondary market trading. Clients should expect not to have access to the assets invested for an indefinite period.

Further, clients holding interval fund shares in an Individual Retirement Account or other retirement vehicle, should understand that because the investment may be illiquid, the shares may not be available to satisfy required minimum distributions. Clients with these types of accounts should ensure they have sufficient liquidity from other holdings to satisfy required minimum distribution obligations.

Credit risk: Certain funds may invest in debt related securities. In some cases, an issuer may be unable to fulfill obligations to make principal and interest payments when due. This may negatively impact the value of the investment and any anticipated income.

Market risk: Markets in which a fund invests may go down in value, sometimes rapidly and unpredictably, which may negatively impact the value of the fund's shares.

Leverage risk: Interval funds may employ leverage within investment portfolios which may increase volatility of the fund's share price. Higher levels of leverage, combined with market or other risks could result in the fund needing to sell positions within the portfolio in a down market.

Legal and regulatory risk: Changes in laws and regulations by the government or a regulatory body relevant to the fund or its investments may impact the investments, sectors, or the broader market.

Complexity: Interval funds may invest in products that are deemed to be complex with features or characteristics that make them difficult for an investor to fully understand. This may result in funds performing in unexpected ways in various market or economic conditions.

Conclusion

Interval funds can provide benefits for investors seeking to diversify their investment portfolios. However, certain unique features of these investment vehicles must be understood and accepted when utilized in a client's portfolio.

Investors should consider the investment objectives, risks, charges, fees, and expenses of an interval fund before investing. Prospectuses and other offering documents containing this and other information about the fund are available by contacting an RBC WM financial advisor. Investors should read the documents carefully before investing to make sure that the fund is appropriate for their goals and risk tolerance.

Additional information

Please see the RBC Capital Markets, LLC "Client Relationship Summary", "Brokerage Disclosure Document", "RBC Wealth Management Advisory Programs Disclosure Document" for additional information about RBC WM's services at our website www.rbcwm.com/disclosures. There you will also find a copy of the "Mutual Fund Overview" which includes information on mutual fund investments at RBC WM.

RBC WM reserves the right to restrict purchases of interval fund shares within client accounts. Further, at its discretion, RBC WM may change an account's ability to purchase interval fund shares without notice to the client.

For additional information related to interval funds, visit the following websites:

- Financial Industry Regulatory Authority: www.finra.org
  - www.finra.org/investors/insights/interval-funds
- U.S. Securities and Exchange Commission: www.sec.gov
  - www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/investor-bulletin-interval-funds