

SHORT DURATION SUSTAINABLE HIGH YIELD FUND

RESPONSIBLE INVESTING FOR A SUSTAINABLE FUTURE

Q1 Sustainability Reporting

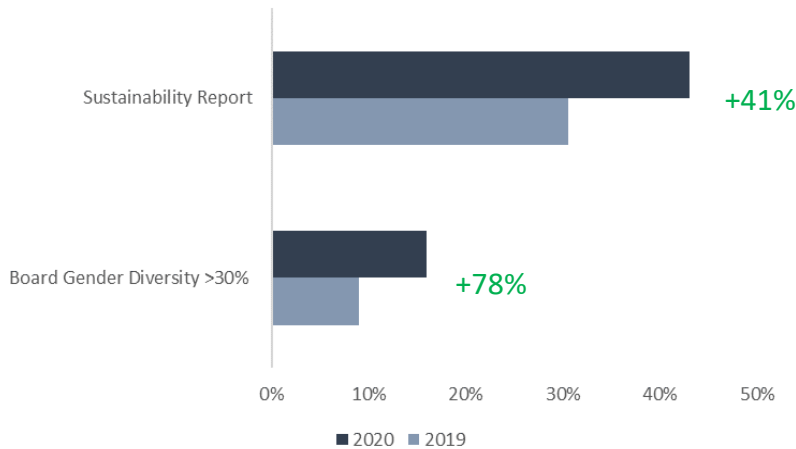


Awarded April 1, 2021 – March 31, 2022

March 31, 2021

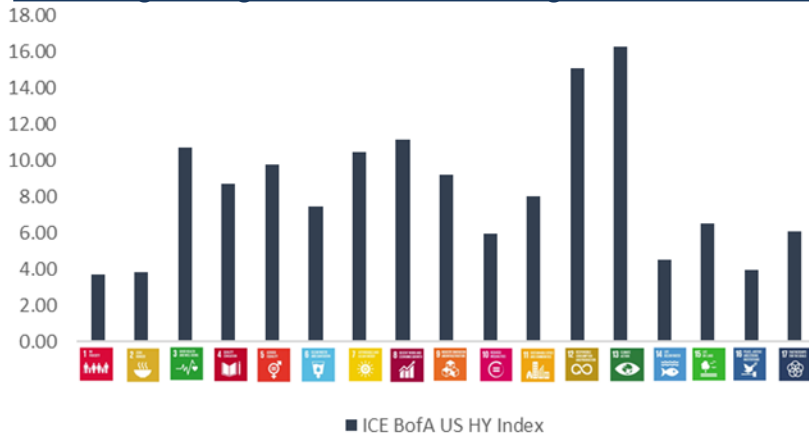
“ESG” risks are not new to the high yield market

Product liability (asbestos, tobacco, and now opioid), EPA Superfund liabilities, excess pension and health benefit claims, and malfeasance have been high yield market risks since inception



High yield issuers are accelerating the adoption of sustainability principles and increasing their transparency and reporting

Issuer Weighted High Yield Public Acknowledgement of various SDGs



Only 26% of high yield issuers publicly recognize any contribution to any SDGs

WE SUPPORT ORGANIZATIONS THAT SHARE OUR VALUES AND AIM TO BE PART OF THE SOLUTION



Joined:
October 2015



June 2017



September 2017



February 2018



June 2018



February 2019



February 2020



January 2021



March 2021

Joined Ceres in March 2021 to add our support for their mission to solve the world's greatest sustainability challenges

We believe in Ceres' mission to transform the economy to build a just and sustainable future for people and the planet

Ceres membership gives us the ability to:

- Coordinate deep stakeholder engagements and dialogue across the Ceres network
- Receive science-based research and tools to enhance our best practices
- Participate in global initiatives to drive collective action
- Participate in advocacy campaigns to advance strong global policy and regulatory actions

ENGAGEMENT TRACKER: MORE COMPANIES ARE INTEGRATING ESG INTO THEIR CAPITAL MARKET PRESENTATIONS BUT ENGAGEMENT REMAINS CRITICAL FOR A BETTER UNDERSTANDING OF RISKS AND OPPORTUNITIES

Direct engagements

Engagement with companies to better understand risks and drive improvement on ESG behaviors

Topics: consistent quarter over quarter

Objective: engage with 45-60 companies annually

Trailing 12-month direct: 45

Sector	Number of Engagements	Topics Covered			
		Transparency and Disclosure	Governance	Diversity and Inclusion	Community Engagement
Basic Industry	3	√	√		√
Capital Goods	1	√			
Leisure	1			√	
Services	2	√			
Total	7				

Collective engagements



Collective engagement targeting specific high yield protein producers to discuss working conditions in global meat supply chain addressing how the impacts of COVID19 has illustrated risks with labor conditions and worker health and safety. The group has offered to engage directly with senior management teams to strengthen labor policy, safety policy and improve management and enforcement of polices that support the ability of workers to communicate risks.

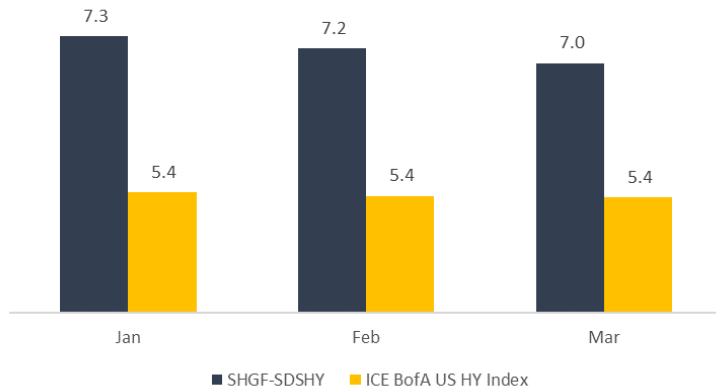
SKY Harbor participated in letters to: JBS USA, Marfrig and BRF and has volunteered to be part of direct dialogue with any of these companies

Published inaugural transparency code for SKY Harbor Global Funds

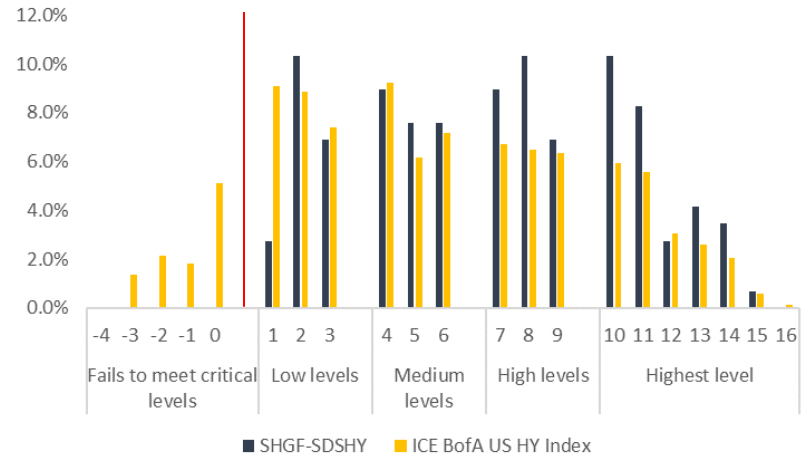


SKY SUSTAINABILITY FACTOR SCORECARD

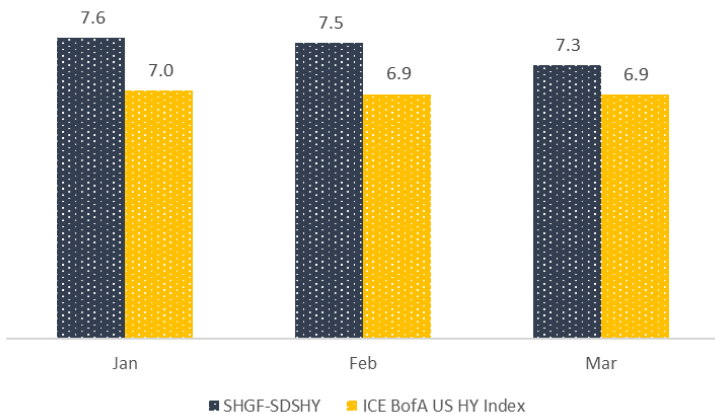
Equal Weighted Average SKY Sustainability Score



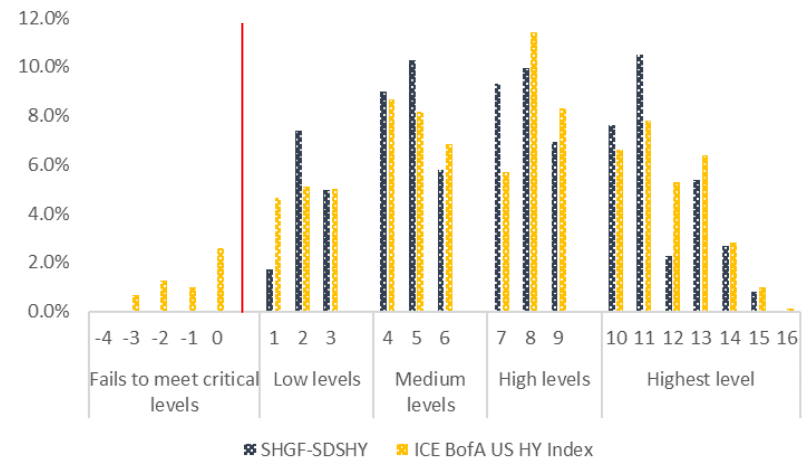
Equal Weighted SKY Sustainability Score Distribution



Market Weighted Average SKY Sustainability Score



Market Weighted SKY Sustainability Score Distribution



KEY COMPLIANCE AND AVOIDANCE HIGHLIGHTS

Goal: Exclude >20% of the High Yield Market through negative screening and minimum ESG scores

Description	Market-Value Weighted	Issuer-Count Weighted
Negative Screening (Cont. & Unsus. Sectors)	18.57	17.75
Below minimum ESG Scores	5.66	10.81
Below minimum ESG not Negatively Screened	2.49	4.66
Total High Yield Market Excluded	21.05	22.41

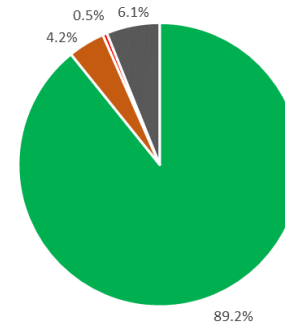
Compliance: Do not invest in controversial and unsustainable sectors

Category	Restriction	SHGF-SDSHY Exposure
Environment	Fossil Fuel	0
	Thermal Coal	0
	Coal powered utilities	0
Harmful Products	Alcohol	0
	Tobacco	0
Exploitation of Human Behaviors	Gaming	0
	Adult Entertainment	0
	Private Prison Operators	0
Geneva Convention	Controversial Weapons	0
	Cluster Bomb manufacturers	0

Goal: Avoid high-risk controversies

Goal: Own green/sustainable linked bonds when appropriate

ISS-ESG Norms-Based Controversy Screening
No new controversies observed



GREEN _____

- 1 No Allegation
- 2 Past Involvement
- 3 Involvement Beyond Scope
- 4 Undergoing Remediation
- 5 Under Observation

AMBER _____

- 6 Fragmentary Information
- 7 Verified Failure to Respect Established Norms, Undergoing Remediation
- 8 Alleged Failure to Respect Established Norms
- 9 Imminent Failure to Respect Established Norms

RED _____

- 10 Verified Failure to Respect Established Norms

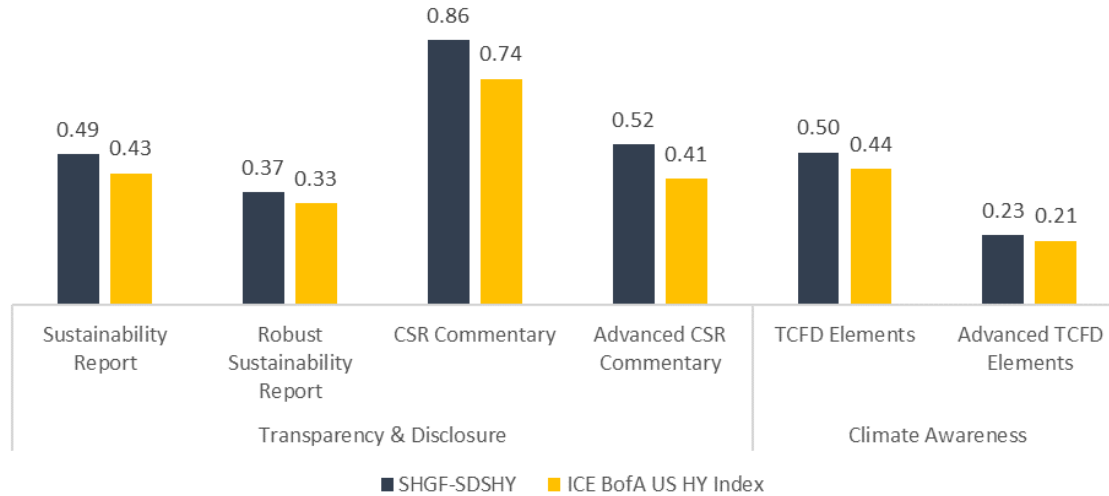
GREY _____

Not covered

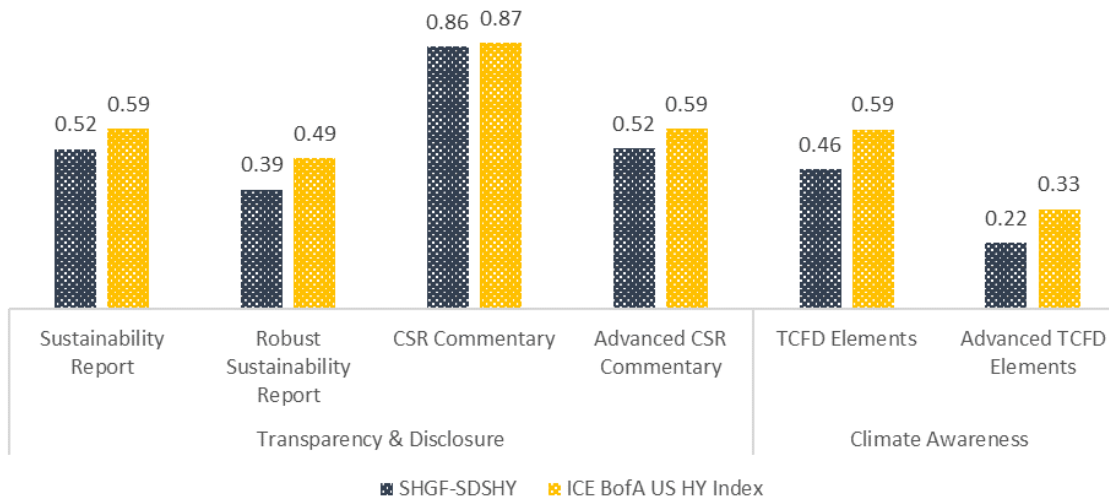
SKY Harbor uses ISS-ESG to help screen for norms-based violations and performs the analysis internally

TRANSPARENCY & DISCLOSURE AND CLIMATE AWARENESS KPIS

Equal Weighted Average SKY Sustainability Factor Weights

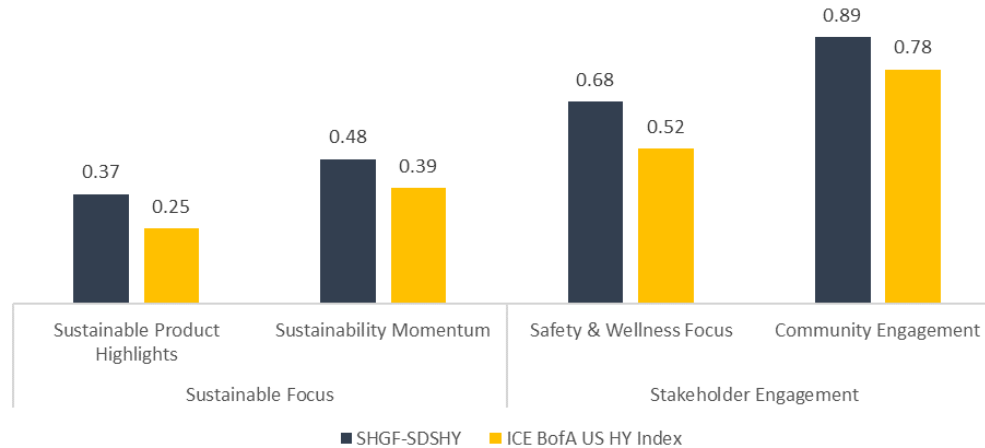


Market Value Weighted Average SKY Sustainability Factor Weights

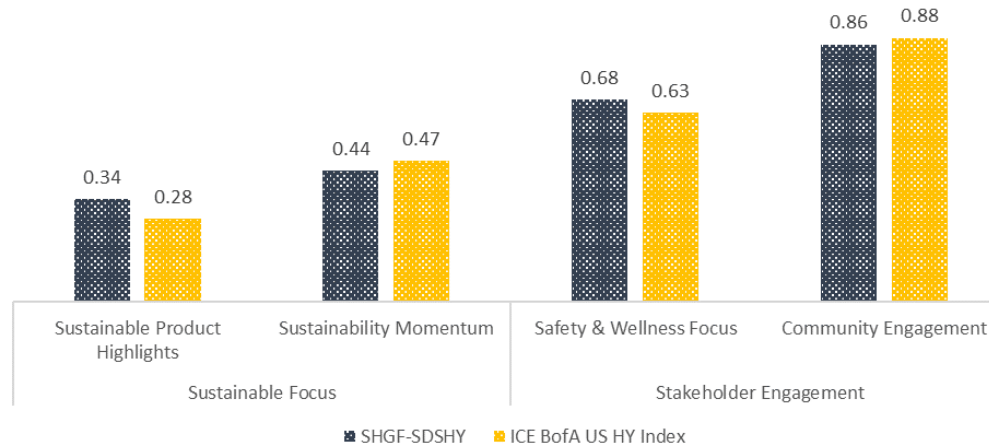


SUSTAINABILITY AND STAKEHOLDER ENGAGEMENT KPIS

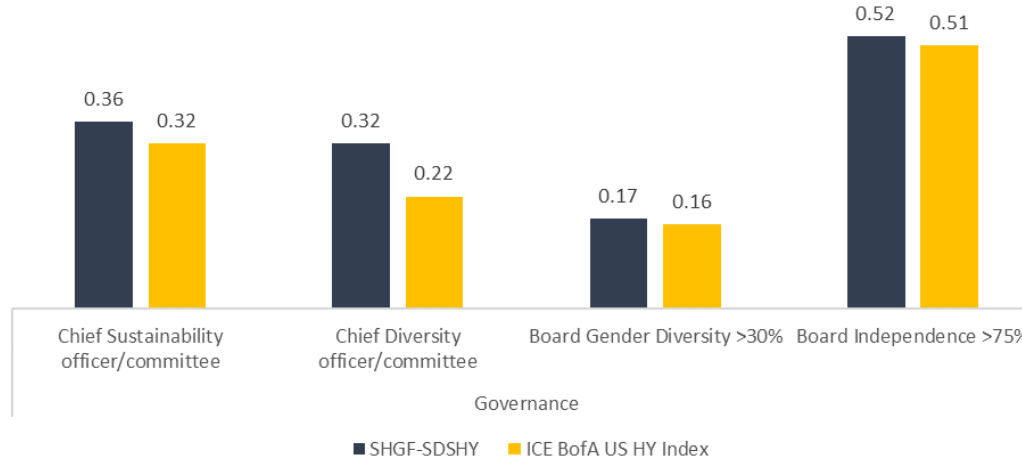
Equal Weighted Average SKY Sustainability Factor Weights



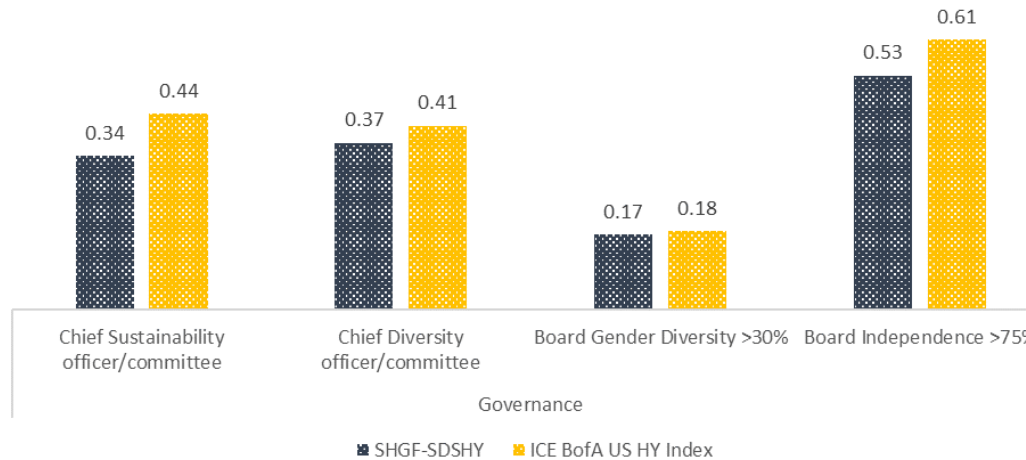
Market Value Weighted Average SKY Sustainability Factor Weights



Equal Weighted Average SKY Sustainability Factor Weights



Market Value Weighted Average SKY Sustainability Factor Weights

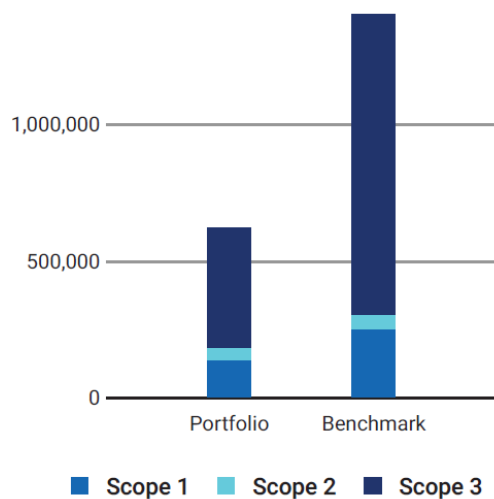


SIGNIFICANTLY LESS CARBON EXPOSURE RELATIVE TO THE OVERALL HIGH YIELD MARKET

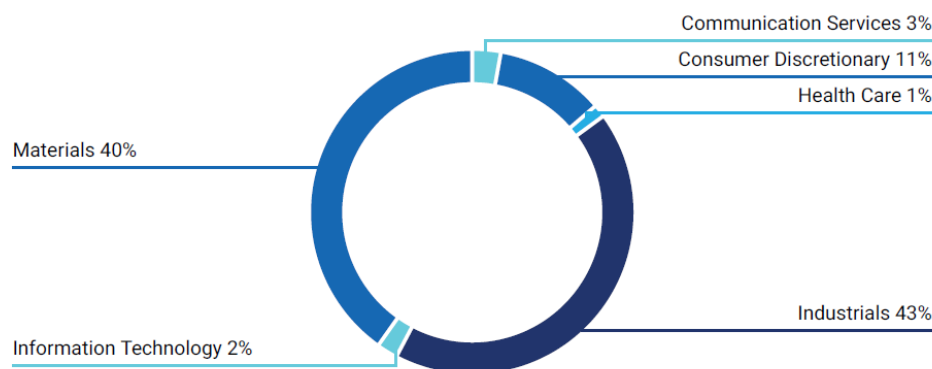
Disclosure Number/Weight	Emission Exposure tCO ₂ e		Relative Emission Exposure tCO ₂ e/Mio USD Revenue			Climate Performance Weighted Avg	
	Share of Disclosing Holdings	Scope 1 & 2	Incl. Scope 3	Relative Carbon Footprint	Carbon Intensity	Weighted Avg Carbon Intensity	Carbon Risk Rating ¹
Portfolio	33% / 35.8%	178,925	621,346	95.29	150.29	187.70	40
Benchmark	35.3% / 47.1%	299,581	1,406,453	159.55	280.58	322.63	39
Net Performance	-2.3 p.p. / -11.4 p.p.	40.3%	55.8%	40.3%	46.4%	41.8%	—

Emission Exposure Analysis

Emissions Exposure (tCO₂e)



Sector Contributions to Emissions²



¹ Note: Carbon Risk Rating data is current as of the date of report generation.

² Emissions contributions for all other portfolio sectors is less than 1% for each sector.

Source: SKY Harbor, SKY Harbor Global Funds Short Duration Sustainable High Yield, ISS ESG as of March 31, 2021
 "Benchmark" is ICE BofA US High Yield Index for relative comparison only. The Fund is not benchmarked.

PORTFOLIO IS SDS BUDGET ALIGNED IN THE SHORT RUN, BUT REMAINS MISALIGNED RELATIVE TO 2050 GOALS

Portfolio and Benchmark Comparison to SDS Budget (Red = Overshoot)				
	2021	2030	2040	2050
Portfolio	-41.13%	-11.03%	+71.95%	+226.91%
Benchmark	+89.95%	+125.31%	+239.43%	+337.01%

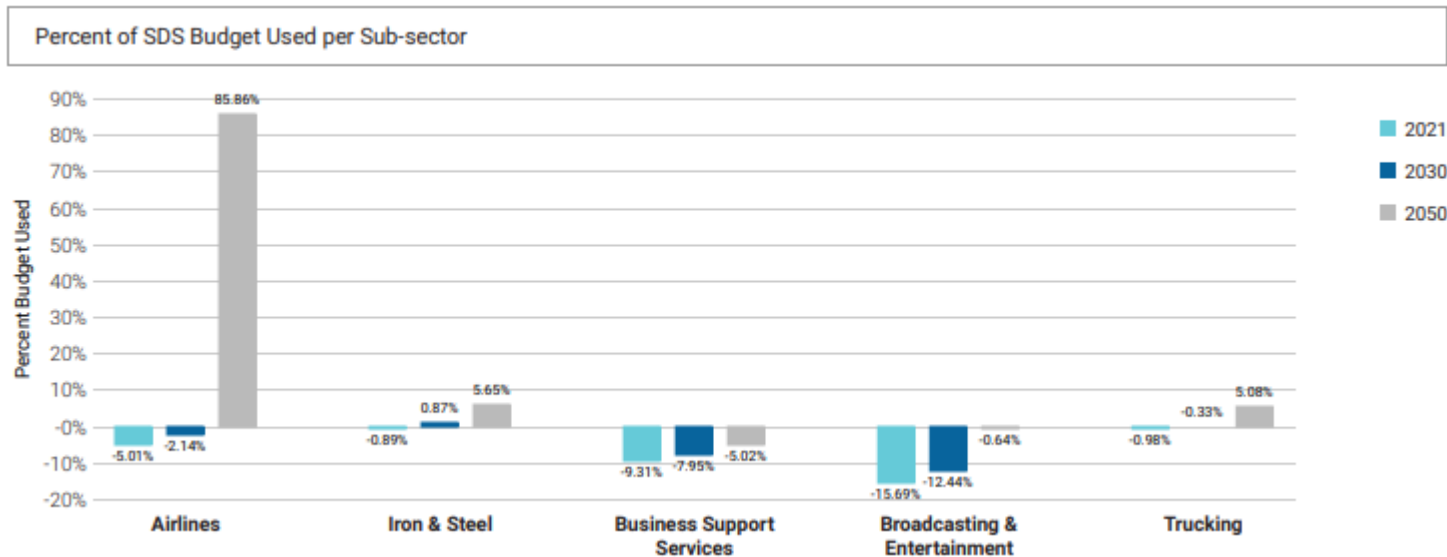
2032

The portfolio exceeds its SDS budget in 2032.

2.8°C

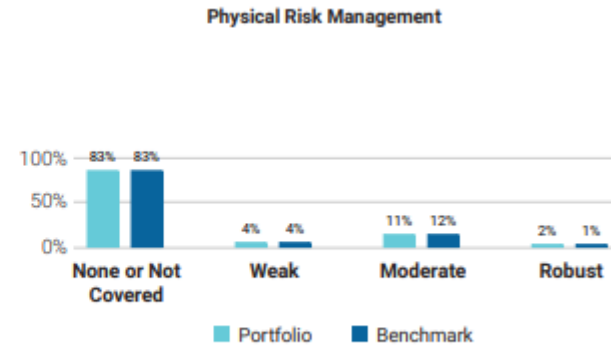
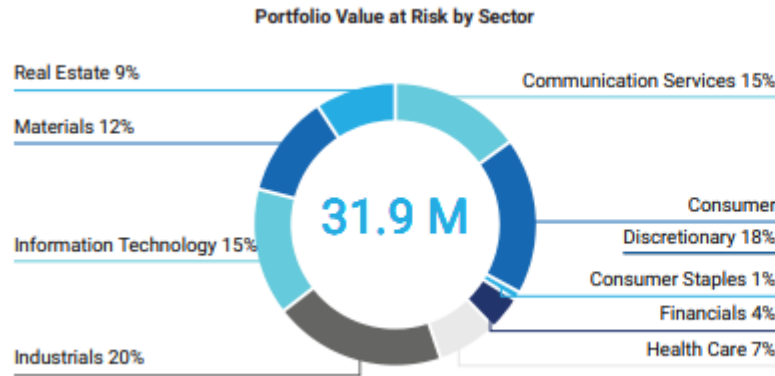
The portfolio is associated with a potential temperature increase of 2.8°C by 2050.

Airlines are the large detractor in the out years, though they are rapidly implementing plans to get to carbon neutrality by 2050 and sooner



Source: SKY Harbor, SKY Harbor Global Funds Short Duration Sustainable High Yield, ISS ESG as of March 31, 2021
 "Benchmark" is ICE BofA US High Yield Index for relative comparison only. The Fund is not benchmarked.
 IEA Sustainable Development Scenario (SDS)

PHYSICAL RISK ANALYSIS IS INLINE WITH MARKET THOUGH COVERAGE IS LOW



Sector	Range and Averages	Portfolio Avg Score	Benchmark Avg Score	Portfolio Value Change
Utilities		25	53	0%
Materials		48	58	0.2%
Financials		53	50	<0.1%
Industrials		55	58	0.3%
Communication Services		56	45	0.3%
Information Technology		57	55	0.2%
Real Estate		57	43	0.2%
Consumer Discretionary		60	57	0.3%
Health Care		61	65	0.1%
Consumer Staples		65	62	<0.1%
Other		-	-	0%

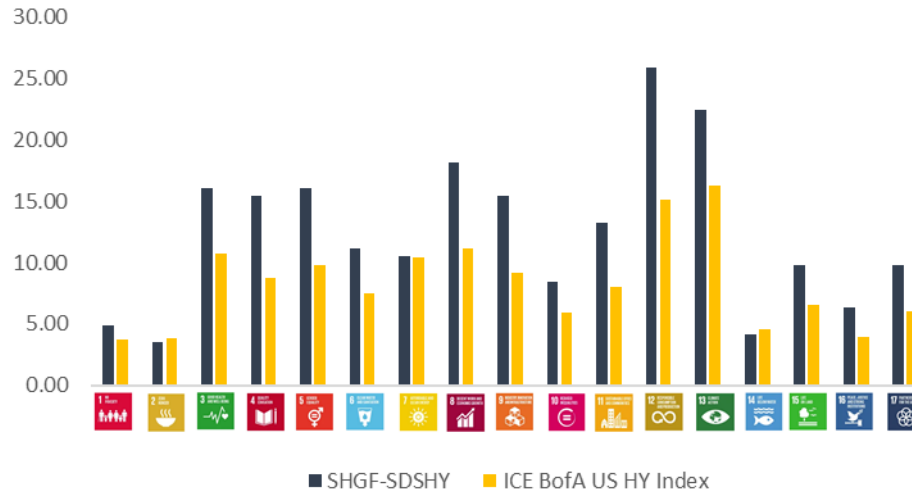
Higher Risk 0 10 20 30 40 50 60 70 80 90 100 Lower Risk

■ Portfolio Range ● Portfolio Average | Benchmark Average

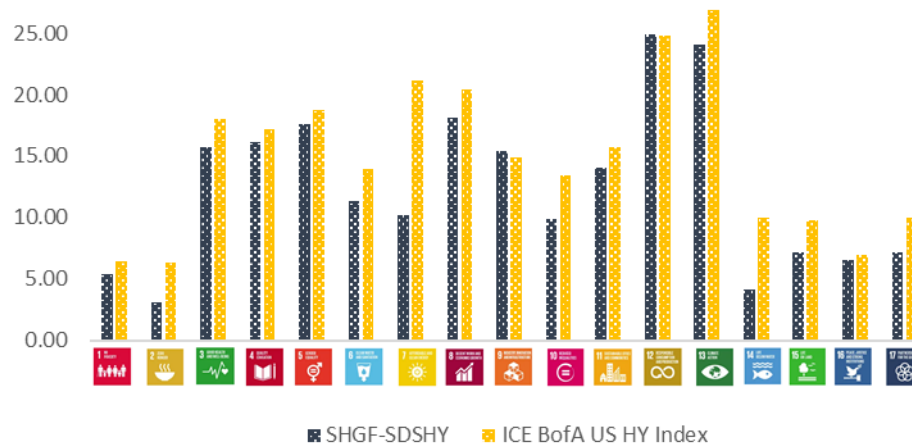
Source: SKY Harbor, SKY Harbor Global Funds Short Duration Sustainable High Yield, ISS ESG as of March 31, 2021
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HIGH YIELD COMPANIES ARE INCREASINGLY ACKNOWLEDGING SDGs

Issuer Weighted Company Acknowledgment by SDG



Market Value Weighted Company Acknowledgment by SDG



Source: SKY Harbor, SKY Harbor Global Funds Short Duration Sustainable High Yield, ISS ESG as of March 31, 2021
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<http://www.skyharborglobalfunds.com/sustainability/>

SKY Harbor analysts identify what SDGs they believe an issuer most positively influences

We believe the most positively impacted SDGs collectively by the High Yield Universe and the portfolio are



	SDG 9: Industry, Innovation and Infrastructure		SDG 12: Responsible Consumption and Production		SDG 13: Climate Action	
	SHGF-SDSHY	ICE BofA US HY Index	SHGF-SDSHY	ICE BofA US HY Index	SHGF-SDSHY	ICE BofA US HY Index
Issuer Weighted %	18.9	17.4	33.6	21.6	16.1	13.1
Market-Value Weighted %	17.5	18.1	30.4	28.0	17.5	22.7

Source: SKY Harbor, SKY Harbor Global Funds Short Duration Sustainable High Yield, ISS ESG as of March 31, 2021
ICE BofA US High Yield Index for relative comparison only. The Fund is not benchmarked.

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a. The Company is committed to act at all times in accordance with its legal and fiduciary obligations in the best interest of the Fund’s investors. Accordingly, the Company has established policies reasonably designed to detect, prevent, manage, and if necessary disclose conflicts of interest between the Company and the Fund’s clients/investors or between one client/investor and another that may arise in the course of providing services. The Conflicts of Interest Policy and Procedures are regularly reviewed by the Compliance Department, senior management, Internal Audit, and at least annually by independent external auditors.

b. Within the scope of its business, the Company’s possible conflicts of interest may include:

- Incentive systems for company staff that encourage aggressive sales practices
- Misrepresentations or omissions of material information in communicating with current or prospective investors
- Favoring one investor over another in terms of service or selective disclosure of information because of the importance of that investor or sub-distributor relationship
- Employee use of material nonpublic information in personal securities transactions
- Impermissible gifts to or entertaining of investors or public officials
- Exercising more liberal discretion for an investor over another when granting permission to the Fund’s transfer agent/custodian/administrator to make accommodations for certain exceptions in transactions with the Fund
- Financial interest in Fund-Shares for which the Company acts as Principal Distributor
- Acting as Directors of the Fund and as MD/ Geschäftsführer of the Company at the same time

c. Measures to detect, prevent, and manage conflicts of interest mainly include:

- Mandatory periodic employee training in Compliance and Code of Ethics including Conflicts of Interest training
- Employee compensation practices designed to align investor interests not conditioned on AUM or sales metrics
- Appropriate rules and guidelines with business partners
- Continuous monitoring, pre-authorization and disclosure of all employees’ personal securities transactions
- Employees are discouraged from transacting in any securities issued by companies in which the Fund may invest
- Selective Disclosure governed by written confidentiality agreements supported by reasonable purposes
- Material information routinely made available to all investors through the Fund’s website and the Company’s periodic newsletter updates to ensure simultaneous access to information
- Requirement that all travel, gift, and entertainment expenses be documented and approved by the parent company
- Written rules of conduct govern disclosure and authorization of incentives, such as the receipt and acceptance of gifts and other benefits, political contributions, and outside business activities
- Periodic employee anti-bribery training
- Vetting and approval of all Marketing and Promotional literature by parent company’s Chief Compliance Officer
- Employees annually acknowledge compliance with global Compliance and other Policies and Procedures
- Annual internal audit performed by parent, SKY LLC
- Retention of independent auditor to perform the Company’s annual audit
- Director discretion in favoring any investor is subject to limitations imposed on the Fund transfer agent/custodian/administrator by the CSSF and relevant law and regulation
- Company’s ownership of Fund shares subject to outside auditor scrutiny
- Retention of external independent Director for the Board of the Fund

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SKY Harbor Capital Management GmbH
An der Welle 4,
60322 Frankfurt am Main, Germany
+49 69 75937169
skyharborgmbh@skyhcm.com