

# GLOBAL SHORT MATURITY SUSTAINABLE HIGH YIELD FUND

*RESPONSIBLE INVESTING FOR A SUSTAINABLE FUTURE*

## Q1 Sustainability Reporting

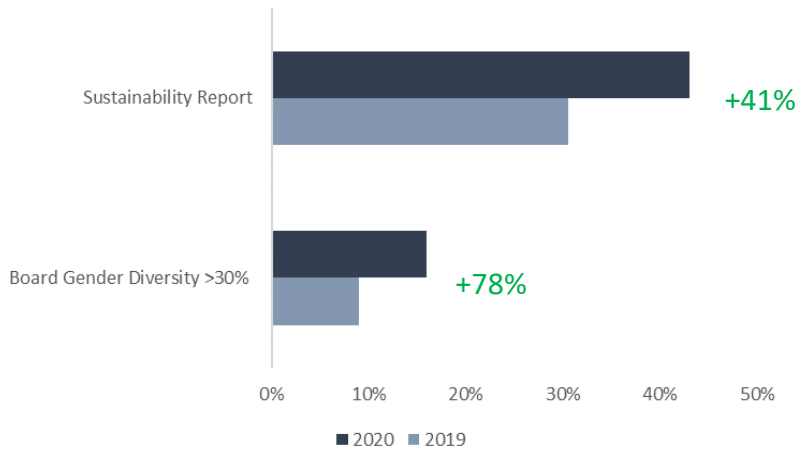


**Awarded April 1, 2021 – March 31, 2022**

March 31, 2021

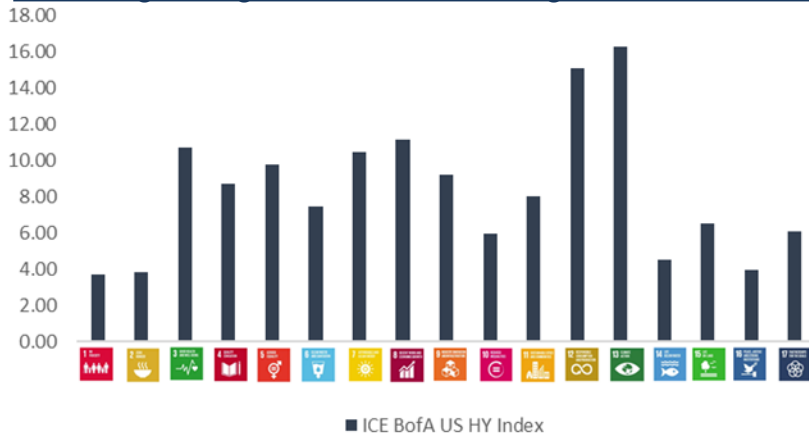
“ESG” risks are not new to the high yield market

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 TO 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	√			
<b>Total</b>	<b>7</b>				

## 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.

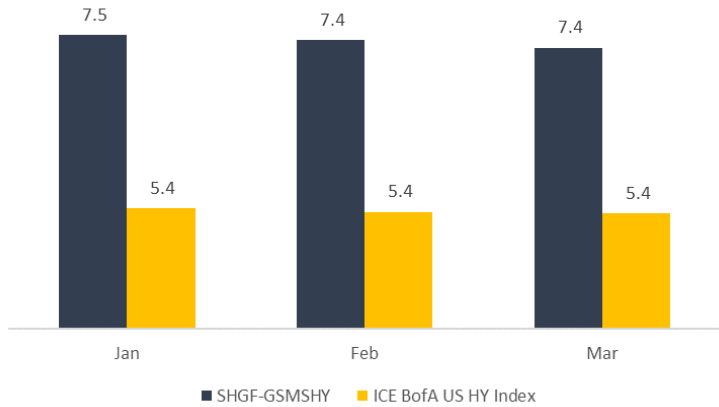
SKY Harbor participated in letters to: JBS USA, Marfrig and BRF and has volunteered to be part of direct dialogue with any of these companies



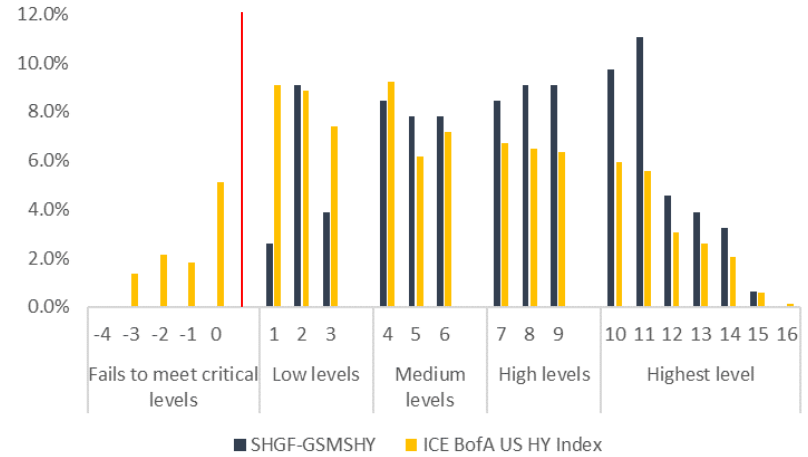
Published inaugural transparency code for SKY Harbor Global Funds

# SKY SUSTAINABILITY FACTOR SCORECARD

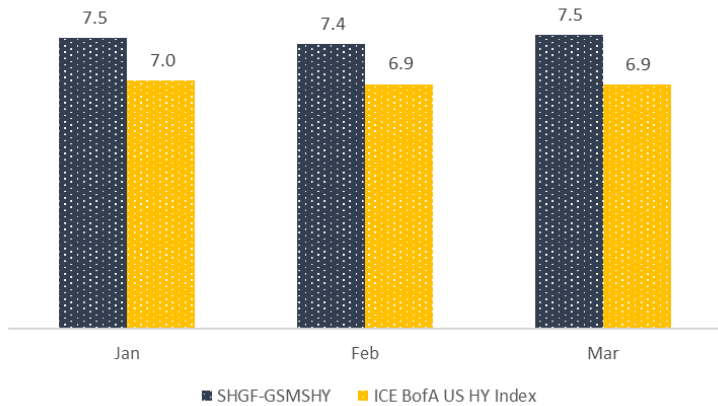
## Equal Weighted Average SKY Sustainability Score



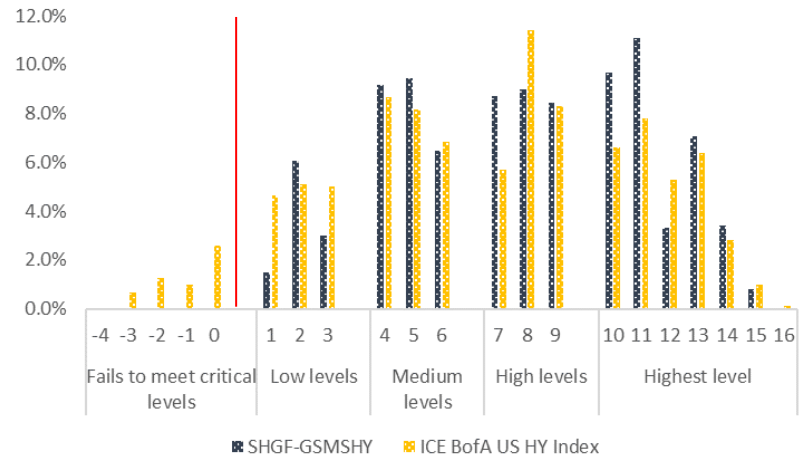
## Equal Weighted SKY Sustainability Score Distribution



## 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
<b>Total High Yield Market Excluded</b>	<b>21.05</b>	<b>22.41</b>

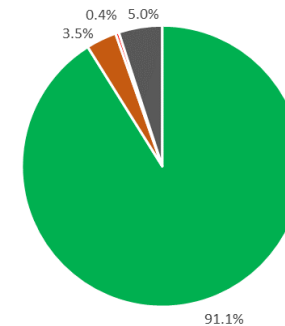
**Compliance: Do not invest in controversial and unsustainable sectors**

Category	Restriction	SHGF-GSMSHY 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

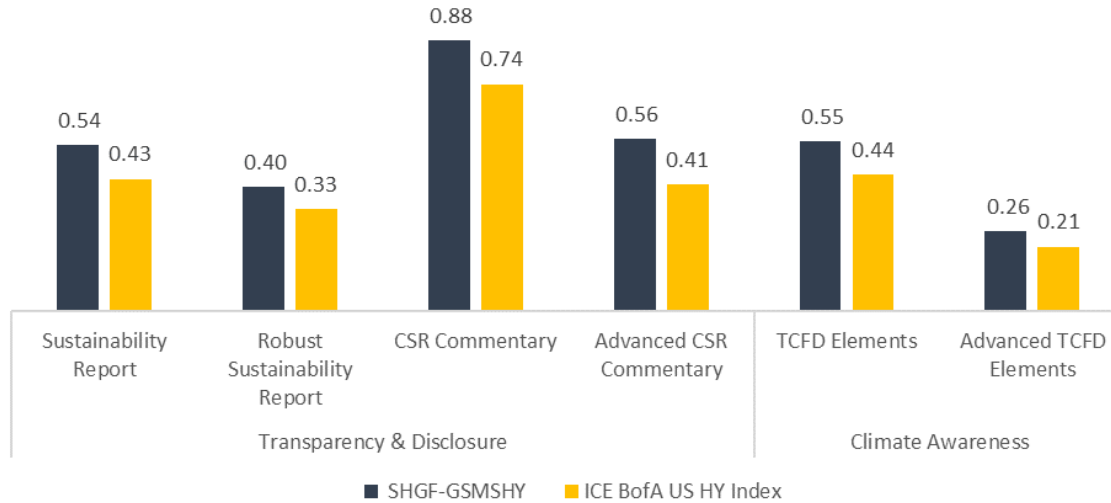
Not covered

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

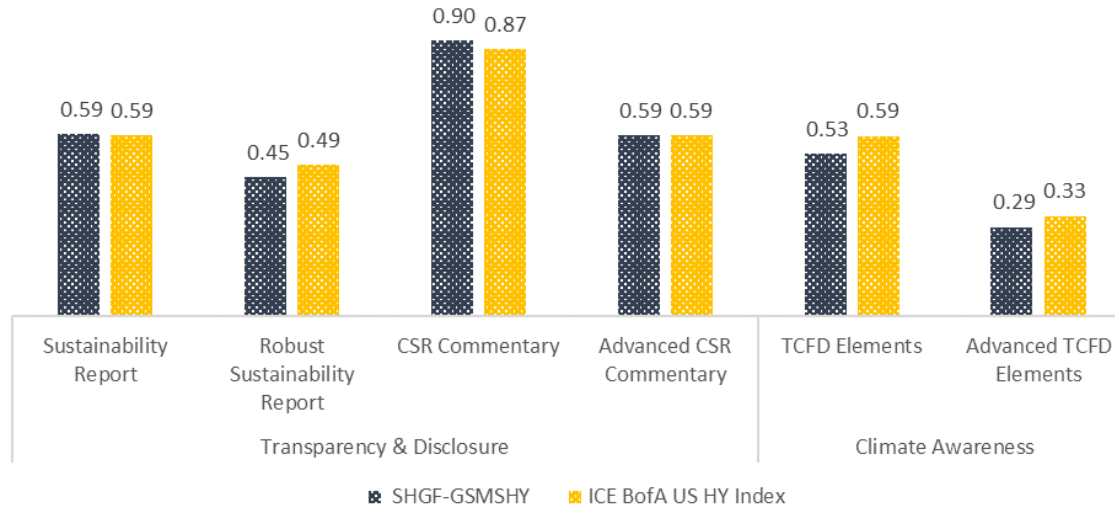
The Fund is not benchmarked. Comparative data is the ICE BofA US High Yield Index SKY Harbor, ICE BofA, ISS-ESG as of March 31, 2021

# TRANSPARENCY & DISCLOSURE AND CLIMATE AWARENESS KPIS

## Equal Weighted Average SKY Sustainability Factor Weights

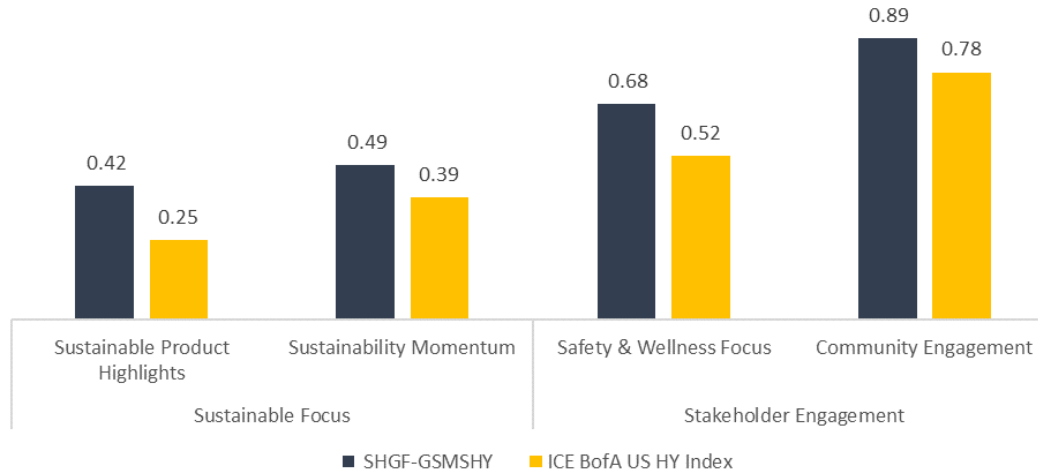


## Market Value Weighted Average SKY Sustainability Factor Weights

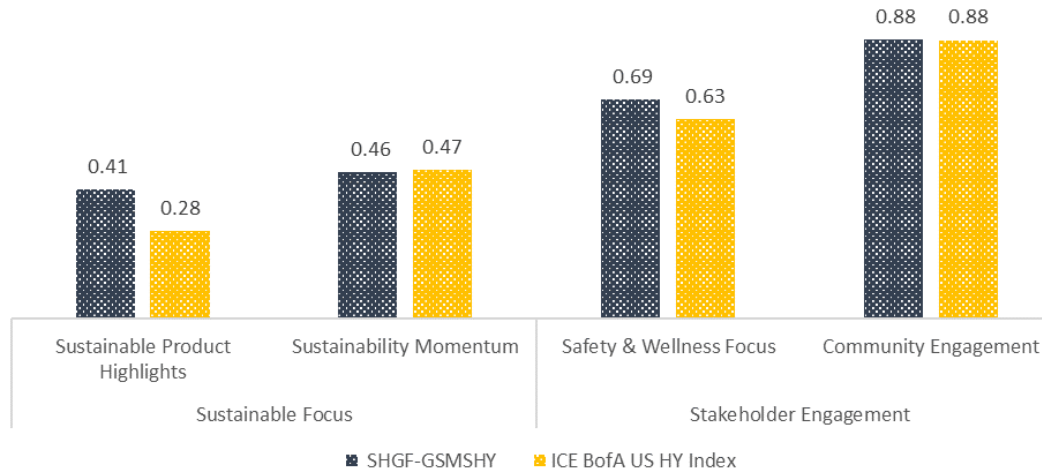


# SUSTAINABILITY AND STAKEHOLDER ENGAGEMENT KPIS

## Equal Weighted Average SKY Sustainability Factor Weights

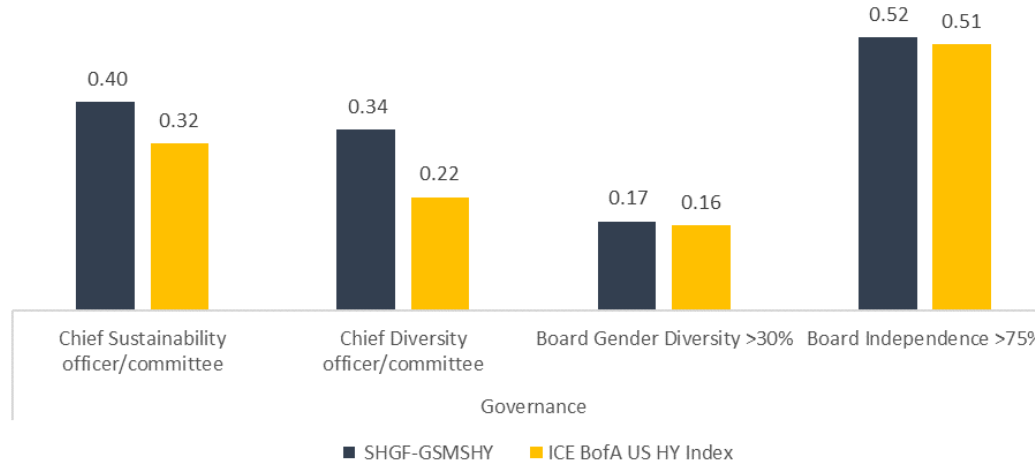


## Market Value Weighted Average SKY Sustainability Factor Weights

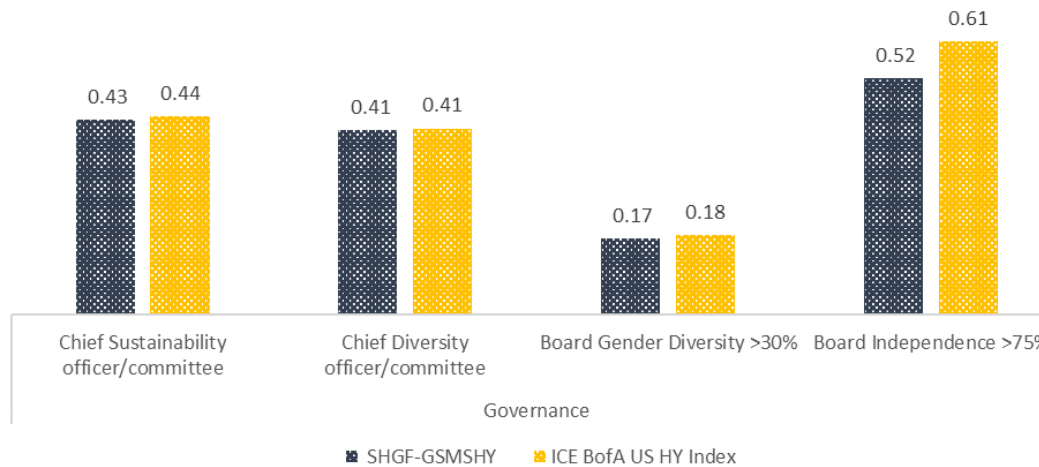




## Equal Weighted Average SKY Sustainability Factor Weights



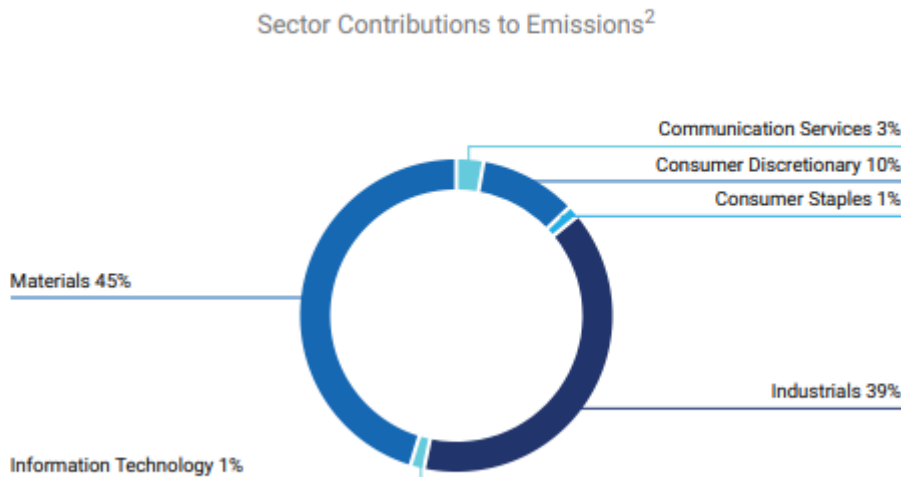
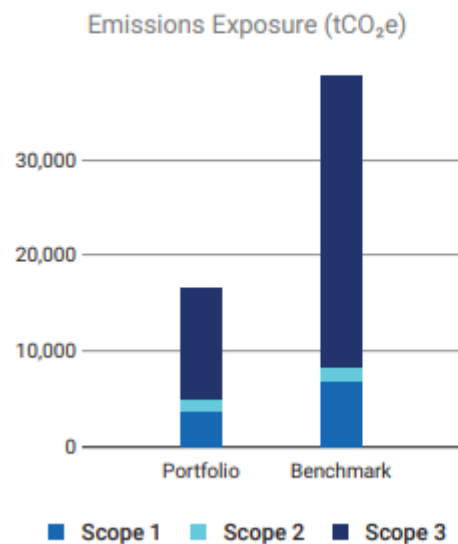
## Market Value Weighted Average SKY Sustainability Factor Weights



# SIGNIFICANTLY LESS CARBON EXPOSURE RELATIVE TO THE OVERALL HIGH YIELD MARKET

Disclosure Number/Weight	Emission Exposure tCO <sub>2</sub> e		Relative Emission Exposure tCO <sub>2</sub> 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 <sup>1</sup>
<b>Portfolio</b>	38.4% / 41.6%	4,923	16,591	95.34	140.63	170.64	40
<b>Benchmark</b>	35.3% / 47.2%	8,241	38,690	159.62	280.64	322.76	39
<b>Net Performance</b>	3.1 p.p. / -5.5 p.p.	40.3%	57.1%	40.3%	49.9%	47.1%	—

## Emission Exposure Analysis



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

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

Source: SKY Harbor, SKY Harbor Global Funds Global Short Maturity 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

	2021	2030	2040	2050
<b>Portfolio</b>	-42.79%	-12.71%	+71.92%	+219.95%
<b>Benchmark</b>	+89.98%	+125.34%	+239.46%	+337.04%

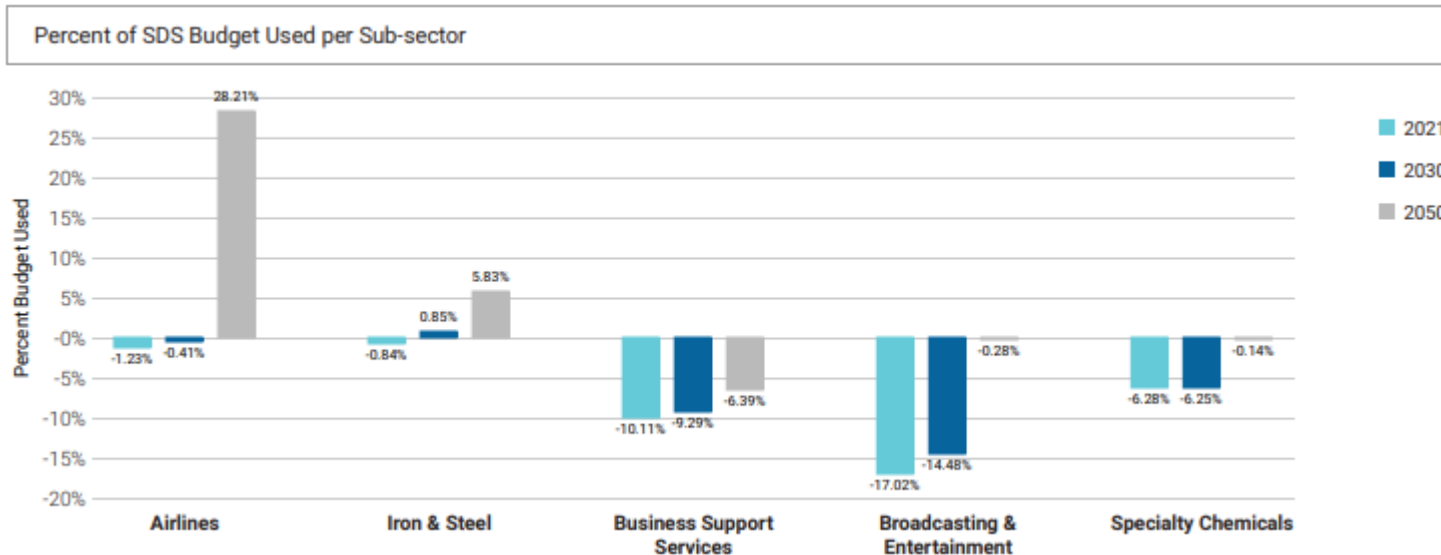
**2033**

The portfolio exceeds its SDS budget in 2033.

**2.8°C**

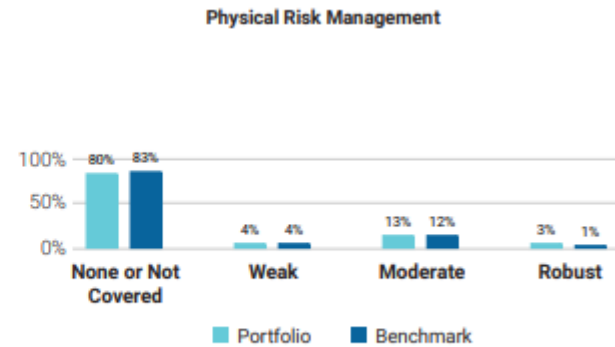
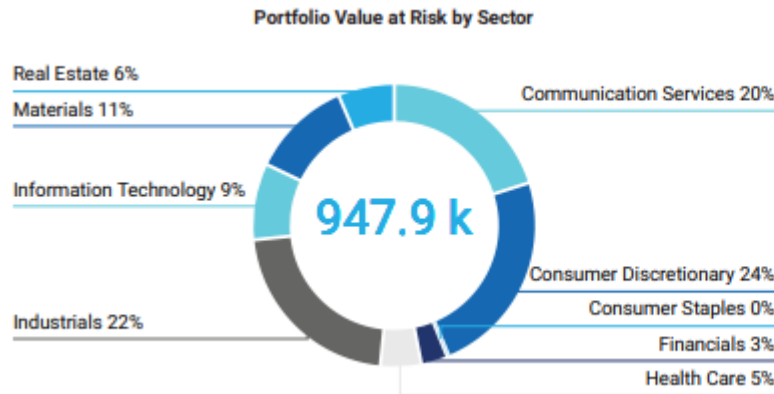
The portfolio is associated with a potential temperature increase of 2.8°C by 2050.

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 Global Short Maturity 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
	Min	Q1	Q3	Max			
Utilities					25	53	0%
Financials					50	50	<0.1%
Materials					53	58	0.2%
Communication Services					54	45	0.4%
Industrials					56	58	0.4%
Consumer Discretionary					58	57	0.4%
Information Technology					58	55	0.2%
Real Estate					59	43	0.1%
Health Care					61	65	<0.1%
Consumer Staples					64	62	<0.1%

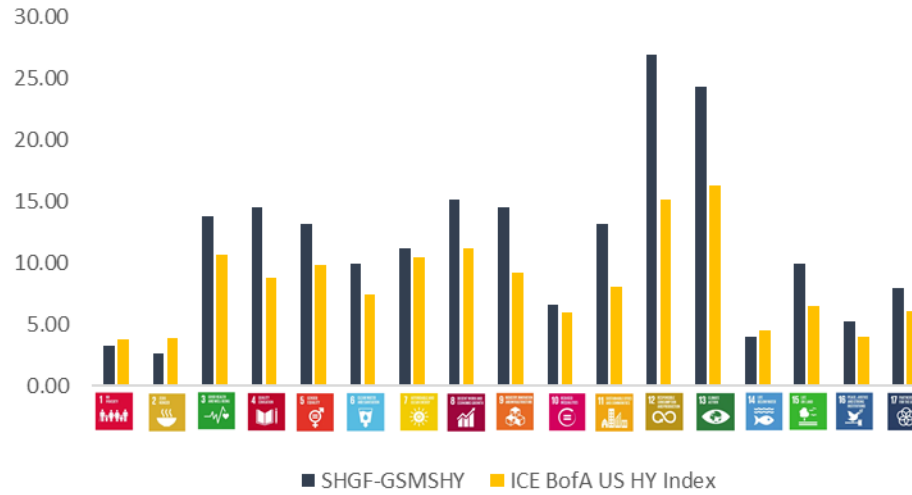
Higher Risk 0 10 20 30 40 50 60 70 80 90 100 Lower Risk

■ Portfolio Range ● Portfolio Average | Benchmark Average

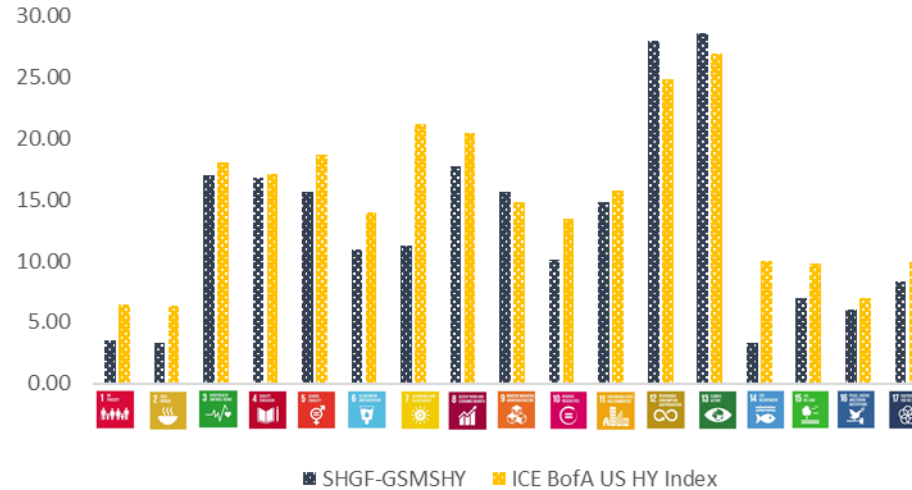
Source: SKY Harbor, SKY Harbor Global Funds Global Short Maturity Sustainable High Yield, ISS ESG as of March 31, 2021  
ICE BofA US High Yield Index for relative comparison only. The Fund is not benchmarked.

# HIGH YIELD COMPANIES ARE INCREASINGLY ACKNOWLEDGING SDGs

## Issuer Weighted Company Acknowledgement by SDG



## Market Value Weighted Company Acknowledgment by SDG



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

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



	SHGF- GSMHY	ICE BofA US HY Index	SHGF- GSMHY	ICE BofA US HY Index	SHGF- GSMHY	ICE BofA US HY Index
Issuer Weighted %	19.1	17.4	34.9	21.6	17.8	13.1
Market-Value Weighted %	18.3	18.1	35.0	28.0	19.3	22.7

Source: SKY Harbor, SKY Harbor Global Funds Global Short Maturity Sustainable High Yield 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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