SKY Harbor Global Funds

Responsible Investing for a Sustainable Future

Sustainability Policies and Procedures

US Short Duration Sustainable High Yield Fund
Global Sustainable High Yield Fund
Global Short Maturity Sustainable High Yield Fund

Our Purpose

To grow our clients' assets by investing in high yield sustainable corporations that have committed to benefit all their stakeholders and society as a whole.

How We Do It

By compounding current income over time, protecting principal and giving our clients the returns they expect and the information they need.

Why We Do It

We believe that Sustainable Corporations will prosper over the long term, attract lower cost capital, and generate superior returns to their investors.

Pillar I:
ESG Integration

Pillar II:
Negative Exclusions

Pillar III:
Engagement

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Key Defined Terms and Abbreviations

CSSF	*Commission de Surveillance du Secteur Financier,* the Luxembourg securities regulator
SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
Taxonomy Regulation	Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate investment, and amending Regulation (EU) 2019/2088
Investment Manager or SKY Harbor," "us", "our," or "we"	SKY Harbor Capital Management, LLC
ESG	Environmental, social and governance matters
Sustainability Risk	An ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment
Sustainability Factors	Environmental, social, governance, and employee matters, respect for human rights, anti-corruption and anti-bribery matters
RBC	Responsible business conduct
OECD Guidelines	OECD Guidelines for Multinational Enterprises
FASST	Fundamentals, Asset values, Sentiment, Sustainability, and Technical factors
SDGs	UN Sustainable Development Goals
Compact	UN Global Compact
SASB	Sustainability Accounting Standards Board
TCFD	Task Force on Climate-related Financial Disclosures
PRI	UN-backed Principles for Responsible Investment

I. Introduction

1.1 SKY Harbor Global Funds: socially responsible investment strategies

SKY Harbor Global Funds (the "Fund") is a socially responsible investment fund established in Luxembourg and regulated by the CSSF pursuant to the Luxembourg transposition of the EU Undertakings for the Collective Investment in Transferable Securities Directive ("UCITS") and the local laws and regulations promulgated thereunder. The Fund offers a variety of sustainable US and non-US corporate high yield strategies, all of which promote, among other characteristics, a combination of environmental or social characteristics, and good governance practices in the corporations in which investments are made. Detailed information of the Fund's sub-funds and their investment objectives, risk factors, subscription and redemption procedures and other important information are set forth in the Fund's Prospectus and on the Fund's website available at www.skyharborglobalfunds.com. Past performance is not necessarily indicative of future results.

This document describes how the above characteristics are met; the manner in which sustainability risks are integrated into the Fund's investment decisions; the results of the assessment of the likely impacts of sustainability risks on the Fund's returns; and in doing so seeks to satisfy the pre-contractual and website disclosure obligations set forth in the SFDR, as amended by the Taxonomy Regulation.

To implement the Fund's social responsibility investment objectives, the Fund's Investment Manager employs (i) ESG integration as a core element of its financial evaluation of companies chosen for inclusion in the Fund; (ii) negative exclusions of certain industry sectors based on unredeemable negative externalities, and (iii) engagement, which seeks to influence investee companies to voluntarily embrace the principles of responsible business conduct, and implement and disclose efforts to identify, prevent or mitigate and account for ESG risk in a transparent and readily accessible manner.

The Fund shall publish and distribute a combination of periodic reports on its sustainable activities on its website, through periodic investor communications and the Fund's pre-contractual communications and offering materials.

1.2 Environmental, social and governance factors

Safeguarding investors' assets and helping them achieve consistent superior risk-adjusted returns are paramount considerations for the Fund and Fund's Investment Manager. To that end, socially responsible investment principles are deeply rooted in SKY Harbor's investment philosophy and processes, which reflects our belief — and experience — that corporate debt issuers exhibiting positive environmental, social and governance ("ESG") risk factors are better positioned to achieve long-term value; have less propensity to default; and can expect to continue attracting capital well into the future.

Although there is no standard definition of ESG, SKY Harbor views the component parts broadly. For example, environmental factors include, where relevant, climate change, greenhouse gas ("GHG") emissions, water use and waste management, recycling, deforestation, water and air pollution, agriculture, biodiversity, energy use and the like. Social considerations include notions of ethical sourcing, combating and avoiding complicity in human trafficking or forced or child labor, promoting occupational and workplace health and safety, diversity and inclusion, equal pay, gender equality, data use and privacy, and prohibiting discriminatory workplace or occupational practices. Traditional corporate social responsibility activities such as community engagement and charitable endeavors continue to be relevant social considerations as well. Governance factors refer to the framework for control and oversight of a corporation beginning with the board of directors and senior management and includes board diversity and leadership, gender equality, director independence, employee composition and compensation, human resource management, political engagement, and corporate purpose. The terms "*corporation*" and "*company*" are used interchangeably in the text.

1.3 Likely impacts of sustainability risks on the Fund's returns

Studies that have examined the impact of ESG companies on investor returns have generally reported a correlation between positive investment performance and positive ESG risk attributes. These studies highlight "the growing body of evidence that investors do not have to sacrifice risk or returns to invest in ESG investment vehicles."[1] Some studies have gone further finding that, "sustainable funds delivered higher returns than equivalent conventional funds over the past decade."[2] Most of these studies, however, focus on equity funds, while there are fewer studies on fixed income funds particularly with respect to corporate high yield strategies. Our own research, nevertheless, provides evidence that is generally consistent with the above-mentioned studies.

Our simulations of high yield indices (passive basis) excluding energy and gaming suggest that risk-adjusted returns may have improved (all things being equal) had the Fund's strategies excluded the energy and gaming sectors upon inception. Because of the lack of data, the simulations were not able to include all of the current negative exclusions. The analysis concededly is in hindsight; not based on actual trades with transaction costs; and similar results in the future cannot be assured. Notwithstanding these caveats, the above comparison since the inception of the Fund in April 2012 to September 2020 suggests that the ICE BoA 1-5 Year BB-B US Cash Pay High Yield Constrained Index (JVC4)[3], ex-energy and ex-gaming, would have generated risk-adjusted returns of 1.35% per annum compared with 0.89% per annum when including energy and gaming in the JVC4. Similarly, the ICE BoA US High Yield Index (H0A0), ex-energy and ex-gaming, would have generated risk-adjusted returns of 1.22% per annum compared with 0.86% per annum when including energy and gaming in the H0A0. To re-iterate, these are not actual historical performance metrics and similar results going forward are not assured but are offered here as additional support of our judgment concerning the likely positive impact of considering sustainability factors on the risk and returns of the Fund.

1.4 Responsible business conduct

A related and closely aligned but distinguishable concept is that of responsible business conduct ("RBC"). RBC as expressed in the OECD Guidelines for Multinational Enterprises ("OECD Guidelines")[4] invites corporate enterprises to voluntarily identify, prevent, address or mitigate adverse externalities related generally to human and labor rights, the environment and corruption. Unquestionably an overlap exists between ESG and RBC risk factors but the main distinction is that ESG risk factors are aimed at identifying risks that are financially material to a corporation's valuation — it is an inward-facing perspective. RBC risk on the other hand is essentially looking outward at negative externalities that arise directly or indirectly from an enterprise's activities, products or services. The term "exernalities" captures the distinction. An externality is a "social or monetary consequence or side effect of one's economic activity, causing another to benefit without paying or to suffer without compensation. Also termed *spillover; neighborhood effect.*"[5] Unlike ESG risks, which pose more immediate and financially material consequences, a corporation's negative externalities (a/k/a adverse impacts) may not necessarily impinge on its stock price or creditworthiness, at least in the near-term investment horizon.

The OECD Guidelines encourage companies to undertake RBC risk-based due diligence, which can be implemented through a company's existing risk management frameworks.[6] Studies and anecdotal events over many years demonstrate that "strong RBC practices have been proven to be correlated with stronger financial performance."[7]

Because “there is often a strong alignment between financial materiality and RBC risk,”[8] to the extent such information is available and relevant, the Investment Manager shall seek to integrate RBC matters in its investment decision-making. Moreover, attempting to identify and integrate RBC matters into the investment decision-making process is encouraged by recent events that suggest a shortened time period for negative RBC practices to impinge on a company’s ESG risk. The fossil fuel industry is a good example, where decades of externalities have finally translated into loss of financial and equity valuations in a relatively accelerated fashion as the world has become conscious of the costs imposed on the climate by the industry’s heretofore uncompensated externalities. That gradual but inevitable reckoning has resulted in a re-pricing of an entire sector, the manifestations are increasingly obvious to this very day.

In seeking to identify and integrate RBC risk factors, concededly the notion of what externalities can be objectively measured or evaluated in a meaningful manner during the investment decision-making process can at times be an elusive concept. By its nature, externalities subject to RBC risk management frameworks are to some extent a matter of judgment, estimation or subjective opinion. In this regard, we agree with the formulation expressed by OECD responsible business conduct for institutional investors:

> “What is considered material to determining these financial interests is a dynamic concept. The materiality of RBC issues, with respect to investment, evolve over time, driven by changes in legislation and policy, changes in risk and understanding of risk, changes in the social, environmental and economic impacts of specific businesses or industries and changes in societal (and beneficiary) expectations and norms. The analysis of RBC issues as an integral part of the investment process enables investors to make a full assessment of the risks and opportunities associated with particular investments.”[9]

Thus, we firmly believe that both ESG and RBC risk factors are important and can overlap in many circumstances. Both types of risk implicate potentially financially material negative impacts on a corporation, and both types of risk play essential roles in the investment decision-making processes regardless of whether a portfolio is being designed for a socially responsible objective.

1.5 A history of successfully investing in sustainable high yield issuers

From the earliest days in the history of the corporate high yield market investors have been faced with companies threatened by the prospect of business models that often seemed on the brink of failing as going concerns or were seen strolling in the neighborhood of bankruptcy or insolvency. Such corporations were often burdened with excessive employee post-retirement health benefits and pension obligations, waste contamination clean-up costs, long-tailed product liabilities, fraudulent accounting due to lax or non-existent oversight, and were thus poorly positioned for a digital world with rapidly changing consumer behaviors. These risks, viewed by some as characteristic of the corporate high yield (non-investment-grade) issuer universe, are often magnified by high relative financial leverage, small scalability and limited organic growth opportunities.

Yet, these risks, while formidable, are not insurmountable and have been and continue to be successfully managed with the right tools, expertise and experience — the hallmarks of SKY Harbor's profile and history.

In a sense, the high yield issuer universe can be viewed as a way station, an intermediate stopping place if you will, for corporate issuers transitioning to a better place and a more stable business model — or not. Those issuers that are able to successfully manage that transition, however, ultimately reward the investors who correctly assessed their potential to succeed.

1.6 Stewardship, Sustainability Risk and Sustainability Factors

In the wake of the Financial Crisis in 2008 and the Great Recession, the notion of "stewardship" was born and led by the United Kingdom, which has formalized the concept of stewardship as: "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."[10] SKY Harbor's stewardship activities seek to increase long-term risk-adjusted returns to the Fund's investors by performing due diligence activities, publicly disclosing how we expect to discharge our stewardship responsibilities, monitoring the companies in which we invest, conducting engagement, acting collectively and collaboratively, and reporting periodically on our stewardship activities (e.g., the PRI Reporting Framework).

Because a successful transition in the high yield space can take time — in some instances many years as with some sectors faced with secular decline — the notion of stewardship captures the nature of corporate high yield bond investing. Stewardship implies creating value over time and multiple market cycles; all of which is consistent with a broad-based holistic and forward looking investment process that incorporates both financial and non-financial risk factors. Key among these non-financial risks is Sustainability Risk, which is defined as an ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. These Sustainability Risks may emanate from a number of Sustainability Factors such as, by way of illustration and not exclusion, questionable practices in or violations of internationally proclaimed human rights, labor and industrial relations, environmental practices such as unaddressed or unfettered GHG emissions or other forms of environmental degradation. Ineffective corporate oversight resulting in corruption or bribery are yet further examples of important Sustainability Factors relating to corporate governance.

The DNA of SKY Harbor's leadership and investment process in corporate high yield investment management traces back to the earliest days of the high yield market and has long internalized the notion of stewardship in managing our clients' assets. Over decades of investing in the corporate high yield market we have come to firmly believe that the companies most likely to make the successful transition to financial stability are companies that look beyond their walls, publicly articulate their corporate purpose and internalize the belief that lasting profitability follows from purposeful actions to support the people, planet, and communities in which they belong — in short, discharging their ethical obligations to their primary stakeholders. We believe that the explicit consideration of Sustainability Factors in the investment process can realize benefits beyond the high yield asset class and even beyond financial markets. As prudential regulators the world over increasingly acknowledge, the benefits of corporate sustainability can increase the resilience of the real economy and the stability of the global financial system, which in turn benefits society as a whole.[11] With these laudable benefits in mind we next turn to defining corporate sustainability.

1.7 Corporate Sustainability: financial value is necessary but not sufficient

SKY Harbor is a signatory to the United Nations Global Compact (the "Compact") and is aligned with the Compact's perspective that Corporate Sustainability is defined as a company's delivery of long-term value in financial, environmental, social, governance and ethical terms.[12] Corporate Sustainability can also be thought of as business resiliency. This holistic view of corporate sustainability and the Compact's Ten Principles form the foundation upon which SKY Harbor's socially responsible investment strategies are built. Much of the remainder of this document involves unpacking the meaning of Corporate Sustainability and providing context to end investors of how and why Corporate Sustainability is an essential feature of SKY Harbor Global Funds' socially responsible investment strategies.

To begin, as a global financial investment manager and steward of our clients' assets, the delivery of long-term financial value is first and foremost top of mind. Delivering financial value goes to the heart of SKY Harbor's long-held investment philosophy that seeks superior risk-adjusted returns built through the compounding current income over time and avoiding principal losses. The definition of Corporate Sustainability also reminds us that, although the delivery of financial value is necessary, it is not sufficient without ensuring that all materially relevant Sustainability Risks are integrated and expressly considered in the due diligence and deliberative process that characterizes SKY Harbor's investment process.

1.8 Fiduciary duty to consider Sustainability Risks in the investment process

SKY Harbor believes it has a fiduciary duty to conduct a continuous and regular assessment of all relevant financial and Sustainability Risks as part of the investment process. The integration of Sustainability Risks (a/k/a ESG Integration) in our investment process is driven by our conviction and experience that sustainable corporations are destined to prosper over the long term, attract lower cost capital, and generate superior returns to their investors.

1.9 Stakeholder primacy: a defining characteristic of Corporate Sustainability

When the OECD updated the G20/OECD Principles of Corporate Governance in 2015, it recognized that the "competitiveness and ultimate success of a corporation is the result of teamwork that embodies contributions from a range of different resource providers including investors, employees, creditors, customers and suppliers, and other stakeholders."[13]

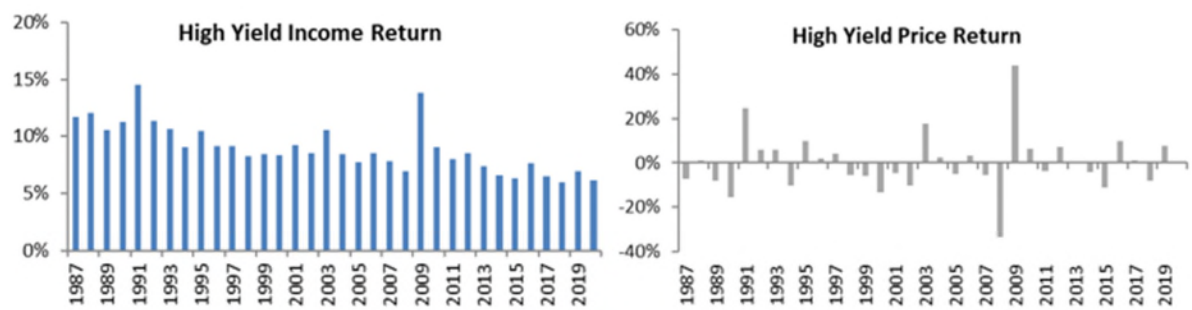
We submit that a defining characteristic of Corporate Sustainability is a public commitment by a corporation's board of directors and C-suite executives to meeting their ethical obligations to their stakeholders including to the communities in which they operate, the environment and society as a whole. Put another way, we believe that companies destined to make successful transitions in the high yield universe are those whose boards of directors and senior management have evidenced a world-view of stakeholder primacy[14] consistent with the Ten Principles of the Compact and supportive of the 17 Sustainable Development Goals ("SDGs"). These Ten Principles and SDGs are derived from internationally proclaimed norms and standards in the areas of human rights, labor practices, the environment, and governance, particularly with respect to anti-corruption and anti-bribery.

II. SKY Harbor Investment Process

2.1 Investment Philosophy: compounding current income and protecting principal

As indicated, SKY Harbor's investment process is guided by an investment philosophy that seeks superior long-term returns built through the compounding of current income over time and avoiding principal losses. Our investment research seeks to identify, value, and manage high yield market risks, which in large part involves investing in debt issued by sustainable corporations that meet or exceed our financial objectives, portfolio constraints and ESG standards.

Our investment philosophy finds support in the return history of the high yield market, as shown in the below graphic, which demonstrates the long-term predominance of income returns over price returns.[15]



Average Income Return	8.99%
Average Price Return	0.03%
Average Total Return	9.02%

Source: ICE BofA US High Yield Index, Average Annual from 1987 through 2020

The consistent and repeatable investment process that seeks to identify high yield issuers with sufficient income and low probabilities of default — qualities necessary to generate long-term superior risk-adjusted returns — is a multi-faceted process in which ESG Integration plays a co-starring role alongside traditional financial analysis.

2.2 Identifying, assessing and managing Sustainability Risks

SKY Harbor's ESG-integrated investment process is designed to identify, assess, and manage specific high yield market risks including Sustainability Risks. Complementing traditional financial analysis methods, ESG integration strives to mitigate investment risks arising from a range of Sustainability Factors. The investment process incorporates an efficient top-down assessment of prevailing macroeconomic and market risks and opportunities. This process informs our risk-taking and dovetails with the fundamental analysis of issuer-specific risk and technical analysis of specific debt securities. Quantitative analysis further identifies valuation-based risk. The entire range of analytics is bolstered by a panoply of quantitative risk monitoring tools.

SKY Harbor's top-down, bottom-up process of analyzing prevailing macroeconomic and market trends alongside idiosyncratic issuer risk is summarized by the acronym *FASST*, which stands for Fundamentals, Asset values, Sentiment, Sustainability, and Technical factors. The goal of the FASST process is to synthesize its various components into an understanding of prevailing macroeconomic and market conditions and how these conditions are likely to impact fundamentals and asset values of issuers. This view is refined through a quantitative valuation process that focuses our risk-taking in specific sectors of the economy and market that offer in our judgment the best opportunities over the planned investment horizon.

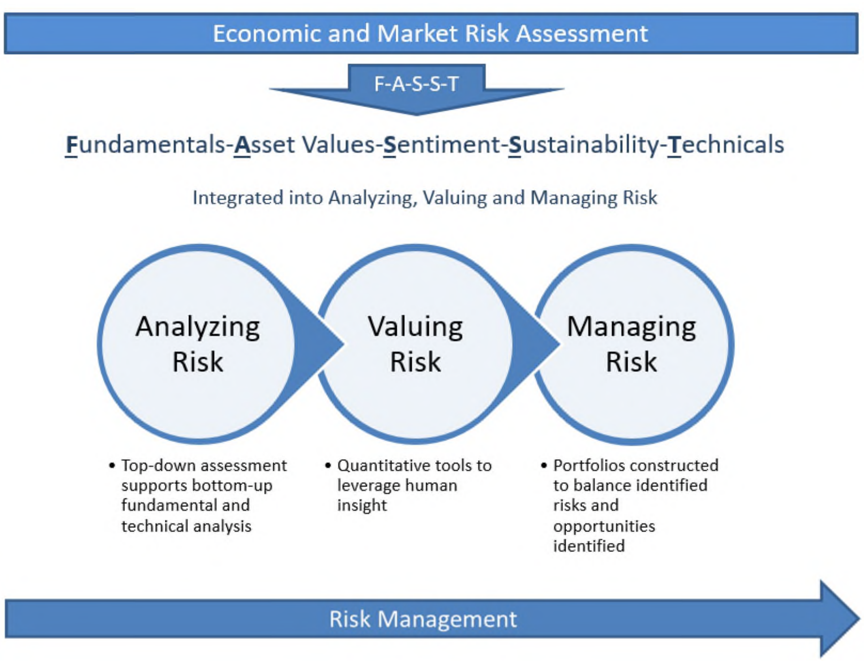
2.3 Debated Consensus: a deliberative investment decision-making process

In addition to the aforementioned macro level analysis, our analysts screen individual portfolio candidates for further study. SKY Harbor screens for companies we believe have sustainable business models, sufficient financial flexibility and a stakeholder primacy orientation. Companies that meet this initial screen undergo more detailed, multi-faceted analysis before they may be seriously considered for inclusion in a portfolio. The analysis is performed by our in-house investment professionals and includes a deliberative process we call "debated consensus," which is designed to subject investment ideas to strict scrutiny and ensures the highest levels of confidence in the investment team's ultimate choice of securities to include in the Fund's investment portfolios.

2.4 The FASST top-down, bottom-up methodology

Sustainability Risk is an important part of the FASST top-down, bottom-up investment process. Portfolios are designed by giving due consideration to the impact of macroeconomic factors on industry sectors alongside an assessment of market sentiment and technicals followed by deep fundamental analysis to identify and invest in specific issuers of high yield corporate bonds.

The FASST process is summarized in the following graphic:



This view of the economy and markets also drives SKY Harbor's positioning relative to the different sources of risk in the high yield market, which is further informed by our Custom

Market Segmentation methodology. This proprietary methodology evaluates groupings or "buckets" of securities based on similar market-type behavior and characteristics, which enables the investment team to set target positioning for different levels of risk. The Custom Market Segmentation further focuses research efforts on those investment ideas that we believe offer the optimal risk and return opportunities under prevailing conditions subject to applicable investment guidelines, such as, for example, Negative Exclusions or other considerations.

Our macro view along with sector and risk positioning targets is developed through monthly FASST roundtable discussions of the Investment Committee. The Investment Committee identifies risks and opportunities of investments through deliberative discussions that typically begin with analyst presentations of investment ideas at credit meetings. Once a consensus is reached on those risks and opportunities, portfolio managers assess if each risk-return profile will be additive to the current portfolio construct. Each portfolio has its own unique objectives and constraints. An approved investment can be increased in weight if its risk-return profile continues to be additive in meeting a portfolio's objectives and constraints, unless and until something in the credit profile changes, at which time the Investment Committee will re-evaluate the investment.

SKY Harbor's portfolio managers are charged with optimizing the targeted sector and risk positioning — as developed through our FASST process — for unique portfolio objectives and constraints using the consensus-derived view of fundamental credit risks. Investment strategies are organized by portfolio management working groups. The working groups meet prior to our firm-wide morning market meeting to review performance and set portfolio priorities and are in constant discussion throughout the day.

2.5 Risk Management Framework: a key component

As indicated in the graphic below, a robust risk management framework underlies the FASST investment process. SKY Harbor's risk management framework comprises four tiers, with each tier providing key components of the overall risk management structure while also providing independent oversight of the preceding tiers.

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The first tier of risk management monitors the embedded risk management within the investment process, ensuring that investment risks are properly identified by the Investment Team and that exposure to those risks is appropriate and intentional. The key risks associated with our high yield strategies are credit risk, interest rate risk and liquidity risk. We have specific embedded processes, tools and independent controls that address and mitigate each of these risks. In addition, SKY Harbor's portfolio managers perform daily performance analytics to monitor risks relative to our Custom Market Segmentation, sector, industry, issuer and ratings and to understand whether any unintended risks have been created through bottom-up security selection.

The second level of risk control is executed through an independent risk management function led by the Chief Risk Officer. This function includes reviewing the various reports and data that the investment team is using in their risk management process to ensure that procedures are followed.

The third level of the risk management framework — which includes Legal & Compliance — utilizes risk controls executed independently from the investment team through back and middle office functions. The operations group has overall responsibility for the quality of data and services utilized for all portfolio-related information. This control is structured around trade capture & settlement, adherence to portfolio guidelines and valuation integrity.

The fourth level of risk control is executed through independent third parties, which include regularly scheduled due diligence performed by the Fund's management company, administrator and depositary. The Fund's annual financial statement is audited by an independent Luxembourg-based auditor.

2.6 Industry Outlook, Operating Potential, ESG Risk, and Financial Flexibility

SKY Harbor's analysis of the risks associated with an issuer's industry incorporates cyclical and secular trends, the efficacy of industry sustainability, and the regulatory environment. The aim is to assess the external forces that may impact the outlook for an issuer and its peer group. Those external forces and their associated risks correspond to a company's industry outlook, operating potential, ESG risk factors, and its financial flexibility.

Our analysis of the risks associated with an issuer's operating potential takes the form of a full business/financial/sustainability due diligence designed to uncover the key financial and sustainability drivers of an issuer's business model, the soundness of its execution strategy and its sensitivity to various internal and external factors.

The risks associated with an issuer's financial flexibility are analysed using a robust proprietary financial model designed to assess an issuer's long-term ability to operate within its existing capital structure. This detailed model highlights an issuer's liquidity profile and credit trends using four to five years of historical financial data and full financial results projected out five years.

SKY Harbor employs quantitative analysis to identify potential mispricing and tactical valuation opportunities to help identify where our analysts should be spending more time. Our investment approach seeks to capitalize on opportunities created by the inefficient pricing of risk, which is often due to varying market views of fundamental issuer or market risks and/or by inefficiencies created by technical factors and investor constraints. These opportunities are tracked and updated regularly. The key tenets of our fundamental and technical analysis are consolidated by a disciplined and uniform process that summarizes the key strengths and weaknesses of a credit and seeks to highlight the dominant risks. Using this disciplined and uniform process allows us to efficiently identify the dominant risks and weigh different component parts of our analysis under prevailing economic and market conditions.

III. Three pillars of socially responsible investment

SKY Harbor Global Funds' socially responsible investment strategies rest on three pillars: ESG Integration, Negative Exclusions, and Engagement.

3.1 ESG Integration

ESG Integration is the first pillar and refers to the explicit consideration of Sustainability Risks alongside traditional financial analysis, which typically includes analysis of fundamentals, asset values, sentiment and technical factors. ESG Integration is part of the investment research analysis that seeks to identify Sustainability Risks associated with a company's or industry sector's Sustainability Factors. We expressly attempt to assess — through our Value Rubric as set forth in more detail below — an issuer's impact and relationship with its primary stakeholders including the environment, its workforce, customers, suppliers (including capital suppliers) and society overall. In our view, companies that acknowledge their ethical obligation to their primary stakeholders; embark on sustainable and responsible business practices; promote diversity and inclusion; practice responsible use of natural resources; and act to moderate carbon emissions are companies that are more likely to achieve sustainable growth, attract capital, and deliver long-term financial value. Conversely, companies that fail to support a transition to a more sustainable economy, in our opinion, face increased risk of being penalized by regulators, customers, investors, employees, and climate change.

Because no one size or indicator fits all, not all Sustainability Risks or Sustainability Factors are relevant or applicable and not all apply at the same time or the same magnitude. Each company or industry can be expected to have idiosyncratic Sustainability Risks and Sustainability Factors. The goal of an ESG-integrated investment process is to identify, assess and manage the most relevant and financially material Sustainability Risks to the extent possible and practical given the reality of widely disparate and often incomparable or inconsistent data, sources, and disclosure.

The focus on ESG Integration should not, however, be viewed as predominating over or diminishing the critical importance of traditional financial analysis, which remains the bedrock of credit picking in the high yield space. Rather, in performing fundamental analysis of a company's financial statements and business model, the firm's in-house investment analysts seek to uncover Sustainability Risks, risk mitigation measures, or investment opportunities that might not otherwise surface by traditional fundamental financial metrics alone.

A. Sustainability Factors considered

As referenced above, depending on facts and circumstances unique to a company or industry sector, not all Sustainability Factors may be relevant or pose a financially material risk, but the following illustrates some non-exclusive Sustainability Factors considered in an ESG-integrated investment analysis:

(i) Environmental

- Greenhouse gas ("GHG") emissions
- Energy efficiency
- Waste and pollution awareness and controls
- Water use and conservation measures
- Deforestation
- Biodiversity

(ii) Social

- Human rights and Labor standards
- Product mix, safety, labelling, and liability
- Workplace safety
- Employee welfare and benefits
- Supply chain (forced and child labor prohibitions and compliance)
- Procurement practices
- Union relations
- Gender and racial equality
- Consumer privacy and security of personal data
- Community engagement

(iii) Governance

- Corporate behavior not inconsistent with Stakeholder Primacy
- Public recognition of ESG risk factors by the board and senior management

- Increasing transparency and disclosure
- Board independence
- Board diversity (gender and racial)
- Anti-corruption policies
- Shareholder rights
- Compensation structures
- Corporate social responsibility initiatives
- Presence of a Chief Sustainability Officer or its functional equivalent
- Responsible Business Conduct policies and practices

B. The Value Rubric: a proprietary sustainability scorecard

While commercial vendors are increasingly plentiful, we believe the lack of consistency and methodology even among the most well-known names in the industry warrants a more tailored approach. In this regard, SKY Harbor has developed a proprietary sustainability-oriented scoring methodology ("Value Rubric"), which seeks to capture in a quantifiable and deliberative fashion ESG factors to help identify high yield companies that are best positioned to benefit from the transition to a sustainable economy — or not. These ESG factors include among other things the degree to which a company has made express or implied commitments to the UN Sustainable Development Goals (SDGs). As we continue to evolve the Value Rubric we expect to apply increasing scrutiny of responsible business practices as well, recognizing that severe externalities associated with a company can suddenly convert into near-term Sustainability Risks.

The Value Rubric seeks to create a baseline ESG score that is intended to serve as a progress measure as targeted companies over time transition to a sustainable business model. The Value Rubric is also expected to provide data and trends on which to conduct engagement efforts. While no single factor or score is dispositive (for investment or divestment), a disproportionately negative ESG event (e.g., a massive product liability incident or a severe securities fraud occurrence), or unacceptable ESG scores in the Value Rubric would identify a security for possible divestment or exclusion. For further insight into the Fund's considerations of divestment and exclusion see Section 3.2 (F) below.

C. Applying the ESG-integrated investment process to 90% of the holdings

As set forth in the Fund prospectus, the Fund "shall seek to bindingly apply its ESG integrated investment process and its proprietary Value Rubric to at least 90% of the holdings in its Sub-Funds, and accordingly the Fund expects that 20% or more of the typical universe of High Yield debt securities (as measured by the ICE BofA US High Yield Index (H0A0), or appropriately equivalent index) will be excluded from the Fund's Sub-Fund portfolios as a result of the Fund's negative screening or the failure to meet the Investment Manager's minimum ESG thresholds." The Fund shall also provide periodic reports on its progress on these and other ESG-related metrics no less frequently than annually in keeping with its commitment to transparency.

D. Evolving SASB and TCFD frameworks

SKY Harbor is a SASB Alliance member and where issuer-specific data is available we will attempt to draw upon company-specific SASB metrics as part of our ESG-integrated analysis. SKY Harbor also is a signatory to the Task Force on Climate-related Financial Disclosures ("TCFD").

The SASB is a non-profit organization that has developed a complete set of globally applicable industry-specific standards in 77 industries that identify the minimal set of financially material sustainability topics for the typical company in an industry. The SASB focus on "financially material sustainability topics" dovetails with ESG integration, which seeks to identify whether the occurrence of an ESG event or condition could cause an actual or potential material negative impact on the value of the investment.

SKY Harbor is in the process of incorporating SASB metrics to the Value Rubric in conjunction with the disclosure framework promoted by the TCFD. Historically, many of the disclosures promoted by these two frameworks have been lacking among high yield issuers, particularly among private companies, which comprise a significant proportion of the high yield universe. We expect, however, the incorporation of sustainability data in the ESG-integrated analysis to increase as more corporations exhibit growing acceptance and willingness to provide this information publicly.

3.2 Negative Exclusions

Negative Exclusions form the second pillar of SKY Harbor's socially responsible investment strategy and consists of Negative Exclusions based on the environment (climate and GHG emissions), harmful products (tobacco and alcohol), addictive or exploitive behavior (gambling and adult entertainment) and for-profit correctional facilities management. The Negative Exclusions are supplemented by discretionary exclusions based on low or negative scores in SKY Harbor's proprietary Value Rubric or by verified and unredeemed material violations of internationally proclaimed norms and conventions regarding human rights, labor practices, the environment, and corporate governance.

A. Climate based exclusions based on fossil-fuel energy

By definition, fossil fuels are the result of a very long natural geological process that has transformed former living organisms into carbon-rich fuels. Coal, oil and natural gas (including tar sands and shale oil) account for some of the most common examples of such fuels. The processing and combustion of these fuels to generate energy produces carbon dioxide (CO_2). This is a key underlying concern associated with fossil fuels, as it has been extensively proven by scientific research – collated notably by the Intergovernmental Panel on Climate Change ("IPCC") – that CO_2 is a greenhouse gas (GHG) and as such contributes significantly to global warming and climate change.[16]

SKY Harbor concurs with the overwhelming evidence and conclusions of climate scientists the world over that GHG emissions, the vast majority which comes from anthropogenic sources, are the cause of global warming. The single largest contributor to GHG emissions is from the energy sector, specifically from the fossil fuel sector. Climate science predicts that a rise in the earth's temperature above 3 degrees Celsius will result in catastrophic changes in sea levels, weather and other dislocations including crisis-proportion population migration, famine and disease. GHG emissions at current rates are in a word, unsustainable. The Paris Agreement's target to limit the temperature rise by 2°C (and preferably 1.5°C) by the end of the century is an attempt to steer well clear of predicted consequences of a 3°C rise in the earth's temperature.

In recognition of climate science and in response to uncontrolled GHG emissions, SKY Harbor's socially responsible investment strategies shall expressly exclude investments with more than a *di minimis* revenue stream from fossil fuel-based energy sectors including companies that mine coal or utilize thermal coal in producing electricity.

B. Alcohol and tobacco exclusions

Alcohol and tobacco have long been proven to cause severe health issues and to be addictive in nature. They are a threat to their consumers but also to others. The World Health Organization concludes that the "tobacco epidemic is one of the biggest public health threats the world has ever faced, killing more than 8 million people a year."[17]

Similarly, alcohol is held responsible for north of 3 million deaths per year, according to the WHO, with significant gender discrepancies. As a matter of fact, it is one of the most addictive substances and sudden withdrawal has a high probability of being lethal.

Alcohol-related deaths either stem from illnesses associated with alcohol abuse (poisoning, cancers, cardiovascular diseases, cirrhosis, congenital malformations, depression and upwards of 200 other illnesses), or accidents caused by people under the influence. Alcohol-induced road accidents are particularly distressing because they tend to cause death or disability earlier in life than illnesses.

Alcohol abuse is also harmful to health and well-being causing serious behavioral and mental issues. Alcohol is directly responsible for many incidents of violence, notably domestic violence and abuse including sexual assaults that can also be associated with the spread of infectious STDs. The harmful use of alcohol is a causal factor in more than 200 disease and injury conditions.[18] In summary, the negative impact of alcohol is quite extensive in nature, spanning health, social and economic considerations.

C. Gambling and adult entertainment exclusions

While in many countries and jurisdictions gambling is considered a form of entertainment and associated with betting and wagering, repetitive gambling, like other addictive behaviors, can cause serious and harmful disorders, which in turn contribute to social breakdown through indebtedness and poverty.[19] Other risks pertain to underage gambling and the use of gambling as a means for money laundering, bribery or corruption as well as potentially other illegal activities.[20]

Apart from obvious religious and moral considerations, among the main issues linked to adult entertainment are the potential risk of human trafficking, forced labor and sexual slavery and violence, and child pornography. Moreover, the lack of regulation of online entertainment — notably with regards to privacy law and harassment — as well as addiction, money laundering and links to organized crime, are also potential issues that in our opinion do not warrant support from organized capital markets.

D. Defense industry exclusions

The philosophical debate pertaining to whether the use of military force can be positive is by all means not new, but the fact that peacekeeping operations have long been sanctioned by the international community is proof enough that it would be too simplistic and short-sighted to stigmatize or exclude the entire defense sector. The main issues here are associated with the manufacturing and selling (or re-selling) of controversial weapons (weapons banned by international conventions and tainted with severe harm to civilian population).

Controversial weapons are those that are prohibited by international conventions or are deemed particularly heinous because of humanitarian considerations.[21] Controversial weapons generally include weapons of mass destruction such as nuclear, chemical and biological weapons, particularly weapons that do not discriminate between civilians and combatants, or cause disproportionate harm such as cluster bombs, anti-personnel mines and the like.[22]

While it goes without explication that the Fund shall comply with applicable law that prohibits knowingly financing cluster bombs or anti-personnel mines, the Fund shall additionally not knowingly invest in any company that generates more than *di minimis* revenues derived from the manufacture, sale or distribution of controversial weapons or from trafficking in conventional or controversial weaponry.

E. For-profit prison exclusions

Private or for-profit correction facilities companies have been lobbying the state and federal US government for years to fund the construction of private prisons on the back of the growing need for prison beds. As these for-profit companies are interested in seeing the number of inmates rise over time, they have been lobbying for more stringent laws and effectively more sentencing. Also, in their aim to be deemed more competitive than government-run prisons, private facilities have been trimming down costs. Many critics are arguing that such cost-cutting has in fact led to a deterioration of the living conditions for inmates, an increase in violence, and a lowering of health standards. While the evidence may be inconclusive as to whether such facilities are cost-effective to taxpayers or result in sub-standard conditions for inmates, SKY Harbor believes this is yet another sector that appears inconsistent with the Compact with respect to human rights and thus, does not warrant support from the organized capital markets.

F. Applying negative exclusions

SKY Harbor Global Funds shall expressly exclude the following high yield debt issuers:

- Metals and Mining: issuers that derive more than 5% of reported revenue from thermal coal used in energy production (excluding metallurgical coal used in steel production).

- Utilities: issuers that derive more than 5% of reported revenue from coal used in energy production (excluding metallurgical coal used in steel production).

- Energy: issuers that derive more than 5% of reported revenue from coal, oil or natural gas used in energy production (i.e., fossil fuels).

- Alcohol and Tobacco: issuers that derive more than 5% of reported revenue from the production of alcohol or tobacco products.

- Gaming and Adult Entertainment: issuers that derive more than 5% of reported revenue from gaming and/or adult entertainment.

- Defense: issuers that derive more than 5% of reported revenue from the manufacture of controversial weapons, such as land mines and cluster bombs.

- Private Prisons: issuers that operate private or for-profit prisons.

G. Additional controversial activities

The foregoing negative exclusions operate automatically, but other controversial activities are not beyond the scope of scrutiny. While no bright-line litmus test operates to automatically exclude from the Fund's portfolios a legally permissible investment in a company (apart from the negative exclusions), we will look askance at companies who engage in other controversial activities such as:

- Animal testing that manifests animal cruelty or threatens endangered species.[23]
- Creating threats to biodiversity, for example through deforestation, agribusiness practices (e.g., pulp & paper, palm oil), overexploitation of marine and land resources, water usage, and all forms of environmental degradation
- Headquartering in tax havens known for tax evasion

The foregoing list of potentially controversial activities is not intended to be complete but serve only as examples. Controversial activities are subject to changes as emerging facts, practices, regulations, and social norms evolve, but generally we believe most if not all controversial activities can be viewed through the lens of the SDGs. Accordingly, the Fund shall seek to avoid or minimize investments in companies whose unmitigated business practices are inconsistent with or that culpably results in materially negative impacts on the SDGs.

H. Considering divestment and exclusion

Divestment and exclusion of an issuer's securities from the Fund's portfolios can result from a variety of reasons but generally they can be attributed to two main categories: purely financial- or price-related consideration is one; the other relates to the Fund's Negative Exclusions or failure to meet the Fund's sustainability-related standards.

As referenced elsewhere in this document, SKY Harbor's investment process is built around the unique risks of the high yield market and is guided by an investment philosophy that seeks superior long-term returns built through the compounding of current income over time and the avoidance of principal losses. Accordingly, we consciously and deliberately seek to avoid purchasing securities in default or bankruptcy or deemed to have a high risk of imminent default or imminent bankruptcy at the time of purchase. The ESG-integrated investment process targets Sustainable Corporations with long-term operating potential and financial flexibility, transparent governance and management teams attentive to improving creditworthiness. The Investment Manager employs an absolute and relative selling discipline premised on the unique risks of investing in high yield fixed income securities, which comprises four reasons for selling in whole or in part a security holding: (1) a materially negative change has occurred in an issuer's fundamental assessment; (2) the security becomes overvalued relative to other opportunities of similar risk; (3) to seek improved risk and return (relative value) in the portfolio by rotating from one sector or risk segment to another; or (4) a perceived failure by management to acknowledge or recognize material Sustainability Risks or a chronic failure to respond to engagement efforts. A materially negative change in an issuer's fundamental assessment can be due to significant ESG risks that have material negative financial consequences on an issuer's credit.

As signatories to the Compact, SKY Harbor shall also consider excluding issuers that have not in our judgment taken sufficient action to address, prevent or mitigate verifiably material breaches of internationally proclaimed norms and conventions regarding human rights, labor practices, the environment, and corporate governance (including but not limited to corruption, bribery, money laundering, and tax evasion).

According to the OECD Guidelines, however, "divestment should in most cases be a last resort or reserved only for the most severe impacts."[24] Although the Negative Exclusions shall operate to exclude those enumerated sectors from the Fund's portfolios, additional ad hoc divestment and exclusions of issuers that fail to satisfy the Investment Manager's minimum sustainability standards or appear in breach of RBC standards shall be escalated for possible divestment, but unlike the Negative Exclusions, the divestment is not intended to be automatic and mandatory.

A number of factors will be considered when deciding if immediate divestment (other than the Negative Exclusions) is an appropriate response including but not limited to: the Fund's ability to effectively engage with the company; the severity of the impact; and whether divesting would cause other negative impacts to the portfolio. In some situations, we may decide that a company with low score in the Value Rubric or in breach of internationally proclaimed RBC standards will, nevertheless, remain in the portfolio. For example, this could hinge on the view that despite the infirmity, the company has made efforts to address and prevent or mitigate its adverse impact in the reasonably near-term horizon. Yet another example may be a determination that engagement efforts are beginning to have an influence on the investee company, and "it may be inappropriate to divest as it may deprive the company of an engaged investor."[25] This would be particularly relevant to private companies in the high yield market. Finally, with respect to achieving appropriate risk-adjusted returns, a company's or industry sector's weight in a relevant benchmark may make it difficult to exclude the company's securities in the Fund without diminishing investment performance. Finally, divestment need not be a binary decision. In some circumstances the appropriate response will be to decrease the weight in the Funds' portfolios without totally divesting of the breaching issuer's securities.

In most cases, however, a company causing or contributing to severe RBC impacts will likely also implicate Sustainability Factors that result in unacceptably elevated Sustainability Risk. In those instances, divestment would be more likely in accordance with SKY Harbor's selling discipline.

3.3 Engagement Policy

Engagement is the third pillar in the firm's socially responsible investing strategies.

A. The goals and roles of Engagement

As conveyed throughout this document, socially responsible investing is deeply rooted in SKY Harbor's investment process, and engagement is a critically important part of it. Our Engagement Policy is designed to help the investment research team achieve a comprehensive understanding of the often complex issues influencing a company's journey to Corporate Sustainability. Progress can be monitored in absolute terms or in relative terms by comparison to a high yield issuer's peer group.

Because below-investment-grade companies are at different stages of progress toward sustainability, our investment research team customizes our dialogue and expectations accordingly, but common purposes of our engagement efforts are not only to deepen our understanding of how corporations are managing the transition but also to advocate for improving the pace of change.

Notwithstanding the limited proxy voting rights afforded to bond investors, SKY Harbor shall engage directly with senior management of corporate bond issuers with the aim of performing due diligence, better understanding the ESG risks and opportunities of an issuer, and promoting investee companies to start, improve or bolster its ESG transparency and disclosure.

B. Direct engagement

Within the constraints imposed by the general dearth of sustainability data or corporate sustainability reports among high yield issuers, SKY Harbor's engagement attempts to focus on topics for which we believe will elicit responsive answers from the high yield issuers in which we invest. These topics are generally focused on transparency and disclosure, governance, community involvement both local and globally, and the management of financially material ESG risks as defined either by the SASB or our in-house investment research analysts.

(i) Transparency and Disclosure – For companies that have produced a sustainability report or have robust CSR[26] commentary, SKY Harbor typically analyzes the report and discusses any large discrepancies relative to the peer group and any material risks that SKY Harbor deems to be inadequately covered. For companies that have not produced a sustainability report or CSR commentary, SKY Harbor typically starts with management's explanation for the lack of disclosure, a timeline on when a report or some enhanced data may be delivered and a request for the company to move in this direction often with supporting peer group data. We then transition to discussing material risks to better understand company controls and assessments for these risks.

(ii) Governance – SKY Harbor will typically discuss Board composition and turnover when below peer averages, especially advocating for diverse candidates and introducing the Thirty Percent Coalition when applicable. SKY Harbor also focuses on the seniority of manager(s) responsible for the company's sustainability initiatives such as whether the chief sustainability officer (if there is one) reports to the CEO or the Board.

(iii) Community– SKY Harbor typically discusses some combination of a company's community engagement, charitable endeavors, diversity and inclusion efforts and overall stakeholder efforts.

We customize our engagements for every company depending on what information we have obtained prior to the engagement and look to advance the topic and advocate change when possible. Finally, an important benefit of direct engagement not to be overlooked is that it facilitates dialogue with senior management. An open channel of communication is an invaluable tool in our efforts to encourage Corporate Sustainability among the high yield issuers in which we invest.

C. Collaborative engagements

We supplement direct engagement efforts by collaborating with other institutional investors and like-minded organizations in joint letter-writing campaigns or other initiatives. We are not limited to a fixed income focus and will join collaborations when we believe the change is warranted. Illustrative of our collaboration engagements are the following initiatives:

- Principles for Responsible Investment ("PRI") sponsored collaborations
  - Statement on ESG in Credit Ratings
  - Climate Change Transition for Oil & Gas
- Thirty Percent Coalition sponsored collaborations
  - Increasing diversity on corporate boards
- Equity Asset Manager led
  - Board letter to large public cable media company advocating acknowledgement and reporting on material sustainability factors
- FAIRR (Farm Animal Investment Risk & Return) Initiative & Ceres
  - Focus on six quick-service restaurant companies, urging supplier policy on sustainable animal protein sourcing, setting quantitative time-bound targets to

reduce negative impacts from the supply chain and advocating for public disclosure on progress towards goals.

The firm's engagement activities will also attempt to encourage corporate bond issuers to support ESG disclosure frameworks promulgated by SASB, TCFD and PRI.

D. Promoting the UN Global Compact and PRI and reporting progress

As signatories to the Compact and the UN-backed PRI and the principles promulgated thereunder, SKY Harbor's engagement efforts will also aim to encourage high yield issuers to join us in supporting the Compact and the PRI.

As a signatory to the PRI, SKY Harbor is committed to tracking our engagements with companies and coalitions. We commit to following the progress on the topics we engage with, even when the engagement is limited to obtaining information and not advocating for action. We commit to report on the number of engagements we embark upon annually and when possible to report on progress made across key topics as part of our obligation to the Annual PRI Reporting Framework.

IV. Shareholder Voting Policy

SKY Harbor is a leveraged credit asset manager and our portfolios are not invested in equity securities to any meaningful extent. We have, nevertheless, a voting policy to govern our actions in the occasional instance we might be in a position to vote on a shareholder proxy proposal. Moreover, as investors of debt securities on behalf of its clients, SKY Harbor may have the right to vote on a corporate restructuring plan. Those requests are generally treated as corporate actions rather than proxy voting, and we respond accordingly.

To the extent that client investment guidelines provide for investment discretion in equity securities the right to vote on proxies follow in the ordinary course of business. These policies and procedures are designed to reasonably ensure that SKY Harbor votes proxies in the best interest of those client accounts and can be summarized as follows:

- All communications regarding proxy voting issues or corporate actions are for the sole purpose of expressing SKY Harbor's concerns for its clients' interests
- SKY Harbor will not announce its voting intentions and will not participate in proxy solicitations
- SKY Harbor may choose to not vote the proxy under certain circumstances where in our judgment voting on proxies are not cost-effective
- Voting against management recommendations requires approval of the CCO
- In absence of specific client instructions, SKY Harbor will vote proxies in the best interest of each client, even where such a result may differ from client to client
- SKY Harbor will maintain all appropriate records as required

V. Principal Adverse Impact Statement

5.1 Summary

SKY Harbor's due diligence policies with respect to principal adverse impacts of investment decisions on Sustainability Factors is an evolving component of the firm's ESG-integrated investment process. The investment research team comprising senior portfolio managers and research analysts perform detailed analysis that includes not only the firm's proprietary financial models but also an evaluation of available quantitative metrics and qualitative factors that potentially may uncover heightened Sustainability Risks, particularly as it relates to climate change risk viewed on a portfolio-wide basis. As part of the evaluation of principal adverse impacts the due diligence process also evaluates an investee company's voluntary adherence to Responsible Business Conduct practices.

We expect the Value Rubric will continue to evolve over time as improving disclosure and transparency in the high yield corporate market develops.

5.2 Description of Principal Adverse Impact

SKY Harbor shall seek to identify and evaluate principal adverse impacts of a company's activities on matters covered by the OECD Guidelines with respect to negative externalities that may eventually implicate valuation risk and cause eventual loss of value or reputational harm if left unaddressed. The range of matters covered in the OECD Guidelines include the following matters: disclosure, human rights, employment and industrial relations, environment, bribery, bribe solicitation and extortion, consumer interests, competition, science and technology, and tax policy.

Broadly, key principal adverse impacts include failures or gaps in disclosure generally, failure to provide the public and workers with adequate, measurable and verifiable information on the potential environmental health and safety impacts of the investee company's activities, verifiable and material violations of internationally proclaimed human rights, abusive employment and labor practices, ethical sourcing, environmental degradation or pollution (of land, water and marine resources) and serious gaps in oversight and control as manifested by repeated or egregious instances of bribery, extortion and corruption.

With regard to specific investee companies, the identification of principal adverse impacts will be tailored to specific facts and circumstances of a company and the industry sector in which it belongs. The SASB Standards, which cover a complete set of 77 globally applicable industry-specific standards will be employed to identify the minimal set of financially material Sustainability Factors and their associated metrics for the typical company in an industry.

5.3 Policies to identify and prioritize principal adverse impacts

Each investee company is assigned to a research analyst who is responsible for evaluating a company's Sustainability Factors and Responsible Business Conduct policies and practices as part of the ESG-integrated investment process. The Sustainability Factors identified in the propriety Value Rubric must be addressed, evaluated and scored by each analyst as part of the investment research process. Moreover, the deliberative process styled as "debated consensus" shall include a specific team evaluation and discussion of Sustainability Risk and Responsible Business Conduct alongside the discussion of underlying fundamentals, financial condition and market risks.

The highest priority with respect to identifying and evaluating principal adverse impacts would be an unforeseen but severely damaging event or incident such as an industrial accident or chemical leak resulting in serious environmental damage, loss of life, significant financial liability, and reputational harm. While such impacts are not generally susceptible to prediction, their occurrence would merit an immediate re-evaluation by the investment team and depending on facts and circumstances may result in partial or complete divestment.

SASB metrics that implicate financially material Sustainability Risk shall have the next highest priority as those risks may have relatively near-term negative impact on the Fund's investment returns over a market cycle. The identification of Sustainability Factors that appear in need of improvement or lack appropriate disclosure and transparency will be next in priority. Finally, negative externalities that are not necessarily caused by the company but whose products or services may be used or produced in a manner to contribute to negative externalities have a less immediate priority but shall be flagged for periodic monitoring.

5.4 Actions to address principal adverse impacts

The primary action to address principal adverse impacts that potentially can impact the Fund's investment returns is initially through direct or indirect collaborative engagement where our efforts will remonstrate with investee companies to remedy perceived principal adverse impacts, such as failure or gaps in disclosure or other matters covered by the OECD Guidelines for Multinational Enterprises. Depending on the outcome of engagement efforts or because of other facts and circumstances, consideration of partial or complete divestment of the breaching company's securities would be in scope. However, unless the adverse impact is unusually severe, as indicated in Section 3.2 (F), divestment should generally be a last resort for the reasons cited in that section.

One of the primary purposes of engagement is to exert influence as an investor in a company's debt securities. Principal adverse impacts that do not rise to the level of complete divestment shall be given priority in SKY Harbor's engagement efforts both in terms of direct engagement and joining with other like-minded entities in collaborative efforts such as joint letters or appeals to a company's board and senior management.

A priority of the Fund's sustainable investment strategies involves climate action, which is addressed by the Negative Exclusions relating to Metals and Mining, Energy and Utilities. In this regard, SKY Harbor has retained ISS-ESG, an independent third-party vendor to perform a Climate Impact Assessment on each of the Fund's sustainable strategies.

While particularized climate metrics unique to a high yield issuer are generally not readily available such metrics can, nevertheless, be estimated on a portfolio-wide basis. In that regard, SKY Harbor performs a periodic Climate Impact Assessment on the Fund's sustainable investment strategies based on climate-related metrics provided by ISS-ESG.

The Climate Impact Assessment reports on each portfolio's CO_2 e (CO_2 equivalent) emissions exposure, which includes emissions from direct energy use, energy use from purchased electricity, and indirect energy use (a/k/a scope 1, 2, and 3 emissions respectively), relative carbon footprint and carbon intensity, culminating in a weighted-average carbon risk rating. The report analyzes CO_2 e emissions exposure by sector contributions, identifying those sectors in the portfolio with the greatest contribution to CO_2e emissions. These metrics are compared to a general high yield index such as the ICE BofA US High Yield Index (ticker: H0A0) benchmark. The analysis evaluates the top 10 companies in the portfolio that are the largest contributors of portfolio emissions and also provides an emission attribution analysis that highlights the top sectors to emission attribution exposure compared to the benchmark. The highest emission-intensive issuers in the combined portfolio and high yield universe (as represented in the benchmark) are also identified along with corresponding scope 1 & 2 emissions and carbon risk rating. A section of the Climate Impact Assessment estimates the GHG emission intensity (a ratio of tCO_2 scope 1 & 2 emissions to revenue) of the top 10 companies in the portfolio. The Climate Impact Assessment, among other things, also analyzes each portfolio's compliance with a carbon budget scenarios based on below 2 degrees Celsius as well as warming scenarios of 4 degrees and 6 degrees Celsius extending out to 2050.

A summary of the Climate Impact Assessment is expected to be issued as part of the Fund's periodic statement of principal adverse impacts.

5.5 Engagement policies

SKY Harbor's research analysts and portfolio managers seek to engage with the companies whose securities are purchased for client accounts. Engagement seeks, among other things, to obtain necessary information to enable scoring the subject company in accordance with Sustainability Factors set forth in the firm's proprietary Value Rubric. In some instances, multiple engagements with a subject company may be warranted as some topics may need more time or involve additional subject-matter experts from the company to participate. SKY Harbor's policy on engagements provide that an engagement must be two-way communication. An unanswered communication or a jointly signed letter for example, would not be deemed an engagement unless the subject company responds or acknowledges the attempted engagement in a manner that manifests a two-way communication.

5.6 International Standards

As signatories to PRI and the UN Global Compact, SKY Harbor supports the principles promulgated by those organizations including but not limited to the 17 Sustainable Development Goals. SKY Harbor is also a signatory to the Task Force on Climate-related Disclosures ("TCFD") and is a member of the SASB Alliance. See Section 3.3 (C) above for additional collaborative initiatives.

VI. Remuneration Policy

SKY Harbor's approach to compensation (salary, bonus, benefits) is designed to align client, employee and the company's interests while encouraging retention by creating both short- and long-term incentives. First, the Company seeks to provide compensation that is highly competitive within the industry. Secondly, employee annual salary increases and bonus awards are determined by the Managing Director based on objective and subjective factors taking into consideration the profitability of the Company, individual contribution to the success of SKY Harbor and relative total compensation for comparable positions in the industry. Compensation is approved by the company's Board of Managers. Generally, the bonus award constitutes 25% to 300% of base salary.

Research analysts are judged on their ability to create positive investment outcomes across all investment strategies through portfolio-relevant idea generation, the integration of Sustainability Risk and idiosyncratic corporate news and market conditions into an updated view of key risks and opportunities, appropriate valuation insights, and effective and timely communication. Portfolio managers are judged on similar attributes as well as how successful they are in delivering against key portfolio and mandate objectives and constraints.

Founding Members Strasser and Yobage, who are members of the Investment Team, draw a salary but do not participate in the bonus pool as they receive distributions from the profitability of the firm.

Endnotes

[1] Madison Sargis, Patrick Wang, *How Does Investing in ESG Companies Affect Returns?"*, Feb. 19, 2020 Morningstar, available at: https://www.morningstar.com/insights/2020/02/19/esg-companies. See also: Siobhan Riding, *Majority of ESG funds outperform wider market over 10 years*, June 13, 2020, FT Online (subs. req'd) (reporting that "study of sustainable funds counters claims that ESG investment comes at the expense of performance."), available at: https://www.ft.com/content/733ee6ff-446e-4f8b-86b2-19ef42da3824.

[2] Id. see article on FT Online.

[3] The ICE BofA 1-5 Year BB-B US Cash Pay High Yield Constrained Index (JVC4) data referenced herein is the property of ICE Data Indices, LLC ("ICE BofA") and/or its licensors and has been licensed for use by SKY Harbor. ICE BofA permits use of the ICE BofA Indices and related data on an "as is" basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA Indices or any data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing, and does not sponsor, endorse, or recommend SKY Harbor or any of its products or services.

[4] The OECD Guidelines for Multinational Enterprises are recommendations by governments to multinational enterprises operating in for from adhering countries (including the EU, UK and the USA) by providing non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards including the UN Global Compact and the Sustainable Development Goals. Available at: Guidelines for multinational enterprises - OECD. See also: OECD (2017), Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises. Available at: RBC-for-Institutional-Investors.pdf (oecd.org).

[5] Black's Law Dictionary, Seventh Edition, 1999

[6] OECD Guidelines, General Policies, paragraph 10.

[7] OECD (2017), Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, p. 23, Recognizing alignments between financial materiality and RBC risks and Box 6, p. 24, "Various studies, as well as anecdotal events, over the years have demonstrated the business case for RBC."

[8] Id. at p. 22, Building on existing frameworks.

[9] Id. at p. 23, Recognizing alignments between financial materiality and RBC risks

[10] Financial Reporting Council, The UK Stewardship Code 2020, p. 4, available at: https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf.

[11] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. Hereinafter referred to as the "SFDR." Recital 19 (Concluding that, "[t]he consideration of sustainability factors in the investment decision-making and advisory processes can realise benefits beyond financial markets. It can increase the resilience of the real economy and the stability of the financial system. In so doing, it can ultimately impact on the risk-return of financial products. It is therefore essential that financial market participants and financial advisers provide the information necessary to enable end investors to make informed investment decisions.")

[12] UN Global Compact Guide to Corporate Sustainability, available at: https://d306pr3pise04h.cloudfront.net/docs/publications%2FUN_Global_Compact_Guide_to_Corporate_Sustainability.pdf.

[13] G20/OECD Principles of Corporate Governance, OECD Publishing, Paris. Available at: http://dx.doi.org/10.1787/9789264236882-en.

[14] Stakeholder Primacy is an emerging 21st century viewpoint that redefines the purpose of a corporation from solely maximizing shareholder profit to one of balancing shareholder profit-maximization equitably and ethically among a company's key stakeholders, particularly with respect to a company's employees, customers, suppliers, creditors and bondholders, the environment, and the communities in which the company operates or its presence is felt. Although the concept of stakeholder primacy has been articulated in numerous circles for decades it has recently garnered renewed public support and visibility in the US when in August of 2019, the Business Roundtable ("BRT"), a group comprising CEOs of nearly 200 of the largest corporations in America, announced a redefinition of a corporation's purpose is to principally serve all stakeholders because "it is the only way to be successful over the long term." The BRT's 2019 Statement "supersedes previous statements and outlines a modern

standard for corporate responsibility," and marks a distinct break from the orthodoxy of shareholder primary that nominated most of the 19th and 20th centuries.

[15] See also "Do Junk Bonds Pay Off in the Long Term?" by Derek Horstmeyer in the online *Wall Street Journal*, November 6, 2020 (subs. Required), reporting that over the past 30 years high yield debt can pay total returns near to those of U.S. stocks.

[16] See https://www.ipcc.ch. See also https://www.noaa.gov/education/resource-collections/climate/carbon-cycle.

[17] See https://www.who.int/news-room/fact-sheets/detail/tobacco (reporting, *inter alia*, that tobacco kills up to half of its users, and over 80% of the world's 1.3 billion tobacco users live in low- and middle-income countries).

[18] See https://www.who.int/news-room/fact-sheets/detail/alcohol#:~:text=Drinking%20alcohol%20is%20associated%20with%20a%20risk%20of,resulting%20from%20violence%20and%20road%20clashes%20and%20collisions (finding, *inter alia*, that alcohol worldwide is linked to 3 million deaths every year and represents 5.3% of all deaths).

[19] See https://www.who.int/health-topics/addictive-behaviours#tab=tab_1.

[20] See FATF Report Vulnerabilities of Casinos and Gaming Sector, March 2009 available at: https://www.fatf-gafi.org/media/fatf/documents/reports/Vulnerabilities%20of%20Casinos%20and%20Gaming%20Sector.pdf.

[21] See *Laws Prohibiting Investments in Controversial Weapons*, prepared by Luis Acosta, November 2016, available at: Laws Prohibiting Investments in Controversial Weapons (loc.gov).

[22] Id. Comparative Summary by Luis Acosta

[23] See https://ec.europa.eu/jrc/en/research-topic/alternatives-animal-testing-and-safety-assessment-chemicals.

[24] Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, p. 40. Available at: RBC-for-Institutional-Investors.pdf (oecd.org).

[25] Id.

[26] We are aware that Corporate Social Responsibility ("CSR") reports are viewed by some as somewhat out-of-date when it refers to the kind of reports that became increasingly popular in the last half of the last century where corporations generally focused on charitable and certain "feel good" activities. Here what we mean by "robust CSR commentary" is commentary whether by any other name (e.g., sustainability report or the like) that addresses sustainability factors, ESG risks, and reflects a stakeholder primacy philosophy. This includes company communications that provide additional information on value statements or statements of responsible business conduct intended for public disclosure. Depending on the size, scope and nature of a company's activities this includes commentary on a company's activities, information on its policies relating to human rights, employment and industrial relations, environmental degradation or preservation, consumer interests, anti-bribery and corruption, anti-competitive conduct, and paying fair share of taxes. Robust CSR commentary also includes a company's self-reporting on its performance in relation to these statements and codes; information on internal audit, risk management and legal compliance systems; and information on relationships with workers and other stakeholders. Finally, in evaluating the quality of robust CSR commentary a company's choice of relevant reporting frameworks such as SASB and TCFD are also relevant factors.

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