

INVESTMENT PHILOSOPHY & ESG

Since our founding, Garcia Hamilton & Associates, L.P. (GH&A) has included environmental, social and governance (ESG) considerations in our investment philosophy. Our philosophy is nuanced and proactive and has evolved beyond negative screening processes. These factors are incorporated considerations in our portfolio construction, investment decision-making, investment analysis and due diligence.

GH&A's investing policy seeks to incorporate ESG and responsible investing (RI) trends and metrics across our high-quality universe within our top-down macro framework. We continually evaluate corporate securities on their current ESG/RI initiatives and policies and evaluate their measurable improvement and implementation of these initiatives.

GH&A is a Principles for Responsible Investment (PRI) signatory.

RESEARCH & INVESTMENT PROCESS

ESG research is incorporated in our general research process. All firm-level ESG resources are available at the strategy level and have always influenced our overall investment strategy. GH&A's internal resources consist of our initial screening process of the universe of eligible names for portfolio inclusion and only invest in high-quality securities. Within the corporate sector, we screen for the largest issuers and companies rated A- or better by 2 of the 3 rating agencies. We then remove foreign companies/Yankees, alcohol, tobacco, gambling, and defense companies. After applying this screen, our investable corporate universe shrinks to approximately 80 issuers. All portfolios will hold either U.S. Treasuries, agency debentures, agency guaranteed MBS and high-quality corporate securities. We then utilize traditional financial and quantitative metrics analysis as well as qualitative assessments to identify ESG risks and opportunities to inform buy/sell/hold decisions.

We utilize traditional financial and quantitative metrics analysis as well as qualitative assessments to identify ESG risks and opportunities and inform buy/sell/hold decisions. The Firm uses both internal and external resources to acquire data, information and analyses on sustainability factors facing our corporate universe. GH&A collects historic and peer level data on our corporate securities including RobecoSAM, Sustainalytics Rank, ISS Quality Score, CDP Climate Score as well as Bloomberg ESG disclosure metrics. The reports from these third-party providers assist the investment team in its overall evaluation process and provides a base to further study/research these securities for continued inclusion in our portfolio. Corporate securities are evaluated based on improving or declining adherence to PRI guidelines. If a security within our investment universe fails to maintain a positive ESG trajectory, it will receive diminished consideration for future investments.

THE PRI

The United Nations Principles for Responsible Investment (PRI) were launched in 2006. Over 2,300 institutions around the world, including GH&A, are now signatories. Signing the internationally-recognized PRI allows GH&A to publicly demonstrate its long-standing commitment to responsible investment. Signatories agree to six principles:

- Incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on our activities and progress towards implementing the Principles