

GALLIARD'S APPROACH TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTMENT

GALLIARD'S RESPONSIBLE INVESTMENT PHILOSOPHY

At Galliard, we believe the role of fixed income in client portfolios is to generate income while providing safety of principal. Galliard's fixed income portfolios are managed with a conservative approach, while maintaining high quality and broad diversification through a disciplined value investing process with an emphasis on risk control.

As defined by the UN PRI, Responsible Investing is "a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership¹." Galliard agrees with this definition and we believe it is our fiduciary duty to seek to understand the extent to which Environmental, Social, and Governance ("ESG") factors are likely to impact the performance of an investment over the long term. Incorporating the evaluation of ESG risks into our investment process is an important component of Galliard's underlying fundamental research analysis and is an input into identifying high quality and sustainable investments.

ESG INTEGRATION AND ANALYSIS

Fundamental research and relative value analysis are the cornerstones of Galliard's team-based portfolio decision making process. Galliard's Credit and Structured Teams incorporate dedicated research, sector portfolio management and trading for their respective sectors. Within the investment structure, research analysts and traders are fully integrated into the day-to-day management of portfolios, providing a real-time credit perspective into the portfolio oversight process. With respect to fundamental security analysis, the Credit Team is responsible for the analysis of the corporate and taxable municipal sectors, while the Structured Team focuses on the securitized sectors, including MBS, ABS, and CMBS. Each sector team reviews investment ideas in a collaborative, team-based approach incorporating ESG factors where robust discussion and differing viewpoints are encouraged in determining an overall credit opinion.

Galliard established an ESG Working Group that is responsible for overseeing adherence to and implementation of our ESG program. The ESG Working Group reports directly to Galliard's Fixed Income Strategy Committee.

One of the challenges in integrating ESG factors into our investing process is the availability and comparability of good data from issuers. During meetings with issuers, Galliard analysts frequently discuss material ESG issues and encourage issuers to improve their reporting of ESG factors.

CORPORATES

Galliard's Credit Team collects and analyzes publicly available information and subscribes to third-party analysis, including MSCI ESG Research. The Team formally incorporates ESG considerations as part of the credit underwriting process in reviewing the sustainability of a company's business model. During monthly credit meetings, we also review current holdings versus ESG-rating changes at MSCI in monitoring credit rating movements that move either positively or negatively from an ESG perspective.

GALLIARD'S APPROACH TO ESG INVESTMENT

MUNICIPALS & NOT FOR PROFIT

Within the municipal and not-for-profit sectors, credit-material ESG factors may vary depending on the type of issuer. For example, as part of an issuer's credit analysis we may consider a municipality's susceptibility to climate change over the investment time horizon or analyze the use of bond proceeds and capital planning. Overall, there is less uniformity to the quantitative and qualitative ESG factors for municipal and not-for-profit issuers.

SECURITIZED

Material ESG factors are incorporated into the evaluation of securitized assets, primarily in the ABS sector involving consumer loans and leases, as well as in business sectors such as agriculture and construction equipment, trucking and transportation, equipment loans and leases, and small business finance. In addition to environmental factors related to the aforementioned collateral types, we are also cognizant of the potential for predatory lending and poor servicing practices.

SUMMARY

Galliard considers a variety of factors when researching investments and the evaluation of ESG related risks is an important component of the fundamental research process in identifying high quality issuers that will use the capital we provide them in a responsible and sustainable manner. As a UN PRI signatory, Galliard has adopted and implemented these principals into the underwriting and asset selection process, and we are committed to supporting ESG initiatives where we believe such initiatives are in the best interests of our clients.

¹ <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>; accessed 12/15/2020

For more information on Galliard's approach to ESG investing, contact your Galliard relationship manager.

The information contained herein reflects the views of Galliard Capital Management, LLC and sources believed to be reliable by Galliard as of the date of publication. No representation or warranty is made concerning the accuracy of any data and there is no guarantee that any projection, opinion, or forecast herein will be realized. The views expressed may change at any time subsequent to the date of publication. This publication is for information purposes only; it is not investment advice or a recommendation for a particular security strategy or investment product.

© 2021 Galliard Capital Management, LLC. All rights reserved.

FOR MORE INFORMATION
CONTACT:

Mike Norman, *Senior Managing Principal*
612-895-1276
Michael.D.Norman@Galliard.com

Client Service Team
612-667-3220
GalliardClientService@Galliard.com