

AXS SUSTAINABLE INCOME FUND

Generating high yield income with sustainable, ESG-focused investments



Objective & Investments

The AXS Sustainable Income Fund seeks to generate current income.

The Fund invests in a portfolio of U.S. dollar-denominated corporate debt securities, primarily in high yield securities with a focus on companies transitioning to a more sustainable business model and integrating environmental, social and governance (ESG) factors.

Credit diversification: Corporate debt securities may be rated investment-grade or below investment-grade (often called high yield or junk bonds), and they may carry fixed or floating rates of interest.

Short-term maturities: Under normal market conditions, the Fund will generally invest in securities that have an expected redemption through maturity, call or other corporate action within the short (3 years or less) to intermediate term (5 to 10 years).

Breadth of exposures: The Fund may purchase a broad range of securities, including exchange-traded funds (ETFs) floating rate bank loans and other securities to drive income and diversification.

Sustainable Difference

The Fund focuses on four main pillars aligned with the UN Global compact to integrate ESG factors into its selection of securities.

DECARBONIZATION



Exclude fossil fuels and thermal coal; limit high carbon emitters

SOCIAL RESPONSIBILITY



Exclude munitions, alcohol, tobacco, pornography, gaming

DIVERSITY & INCLUSION



Emphasize diversity and inclusion with focus on gender diversity at the Board level

TRANSPARENCY & DISCLOSURE



Emphasize companies that disclose more than the minimum sustainability requirements

Engagement: The portfolio manager engages with companies directly and through collaborative, network-based organizations. In 2019, SKY Harbor undertook 50 engagements with companies either directly or through collaborations with network organizations. It continues to focus on general ESG fluency, transparency and disclosure, sustainable development goals, board diversity and climate-related risks.

Sustainable Development Goals Alignment

The Fund supports Sustainable Development Goals (SDG) through its stated objectives and holdings.

SUSTAINABLE DEVELOPMENT GOALS



FUND IMPLEMENTATION

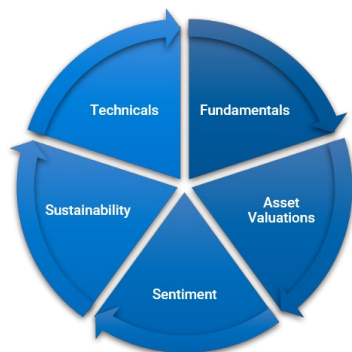
Exclusions as listed above, including fossil fuel, coal, gaming, alcohol, tobacco, pornography and munitions.

Higher concentrations of holdings in companies that have Board diversity and enhanced transparency and disclosure

Holdings in companies that may be more advanced or transitioning along the spectrum of sustainability.

Integrated Investment Process - FASST

Simply put, the investment philosophy of the AXS Sustainable Income Fund is to **deliver attractive risk-adjusted investment returns** through compounding interest. The Fund’s portfolio manager uses a broad-based holistic investment process that focuses on long-term value creation for investors.



The Fund’s investment process is called **FASST**:

- Fundamentals
- Asset Valuations
- Sentiment
- Sustainability, and
- Technical factors.

FASST is a “top-down, bottom-up” investment process whereby portfolios are designed by giving due consideration to broad macroeconomic factors and the impact of those macro factors on industry sectors followed by an assessment of market sentiment and technicals combined with deep fundamental analysis to identify and invest in specific issuers of U.S. corporate bonds.

3 Pillars of Sustainable Investing

The Sustainability element of FASST is an umbrella term that incorporates **three pillars** in SKY Harbor’s consideration of environmental, social and governance criteria: ESG Integration, Negative Exclusions and Engagement.

PILLAR 1: ESG INTEGRATION

ESG Integration is the conscious incorporation of non-financial as well as financially material environmental, social and governance factors into the investment process.

Sustainability is an important component in identifying, assessing and, if possible, mitigating sources of risk that may adversely impact company value over the longer term.

In performing fundamental analysis of a company’s financial statements and business model, the Fund’s investment analysts examine relevant ESG factors that seek to **uncover risks or risk mitigation measures as well as investment opportunities that might not otherwise surface** by solely performing traditional fundamental financial analysis.

While no one size fits all, to the right are some of the ESG factors that might be included in the analysis.

Many of these examples are also deemed financially material ESG factors by the Sustainability Accounting Standards Board (SASB). SKY Harbor is a SASB Alliance member and draws upon SASB ESG standards in its ESG Integration.

What is the SASB?

The Sustainability Accounting Standards Board is a non-profit organization that establishes industry-specific disclosure standards across ESG topics that facilitate communication between companies and investors about financially material, decision-useful information.

Environmental

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

Social

- Human rights & labor standards
- Product mix, safety, labeling and liability
- Workplace safety
- Employee welfare and benefits
- Supply chain (forced and child labor prohibitions)
- Union relations
- Gender and racial equality

Governance

- Board independence
- Board diversity (gender and racial)
- Anti-corruption policies
- Shareholder rights
- Compensation structures
- Corporate social responsibility
- Presence/absence of a Chief Sustainability Officer



PILLAR 2: NEGATIVE EXCLUSION

Fossil Fuels

AXS Investments and SKY Harbor concur with the overwhelming evidence of climate scientists that the vast majority of greenhouse gas emissions by anthropogenic activity are the cause of global warming. And the single largest contributor to GHG emissions is from the fossil fuel sector. Climate science provides 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 Fund excludes companies with more than a de minimis revenue stream from the fossil fuel-based energy sector, including companies that mine coal or utilize thermal coal in producing electricity.

Social Factors

The Fund’s portfolio shall also exclude socially controversial sectors, such as businesses centered around or deriving more than de minimis revenues from gambling, alcohol, tobacco, private prisons, pornography or cluster bomb and other controversial weapons.

Proprietary ESG Scoring Methodology

SKY Harbor developed the **“Value Rubric,” a proprietary methodology that assigns an ESG score based on positive ESG attributes.** Such attributes include Board independence, Board diversity (including gender and minority representation), community engagement, sustainability reporting (including SASB metrics) and articulated or implied commitments to the UN Sustainable Development Goals (SDGs).

The intent of the Value Rubric is to create a baseline ESG score for measuring progress over time as targeted companies transition to a sustainable business model – or not– and to provide a basis for direct engagement. While no single factor or score is dispositive (for investment or divestment), a disproportionately negative ESG factor (e.g., a massive product liability incident) or a complete absence of ESG positive scores in the Value Rubric would escalate a security for divestment.

Today’s Lack of ESG Standardization

It is difficult at this point to create a meaningful positive ESG screen based on an objective ESG score or rating. There is a lack of ESG disclosure by many companies – especially private companies, which comprise a significant part of the corporate bond market. While more commercial vendors are emerging, there is a lack of consistency and methodology even among the most well-known names in the industry to employ a consistent and meaningful best-in-class screen within the corporate bond asset class.

PILLAR 3: ENGAGEMENT

Despite the limited voting rights accorded to bond investors, SKY Harbor engages directly (or in collaboration with other institutional investors and like-minded organizations) with senior management of corporate bond issuers with the aim of enhancing the due diligence, understanding of the ESG risks and opportunities of an issuer, and promoting companies to start, improve or bolster ESG transparency and disclosure. These activities attempt to **encourage corporate bond issuers to adopt ESG disclosure frameworks** promulgated by SASB and other frameworks such as those recommended by the Task Force on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI) or the Principles of Responsible Investing (PRI).

SKY Harbor’s Responsible Investing Track Record

Recognized by several leading global organizations for its dedication to ESG principles, SKY Harbor has years of expertise in identifying business models that are sustainable and resilient, and is one of the earliest high yield asset managers to adopt ESG into its analysis.



IMPORTANT RISK DISCLOSURE

Mutual funds involve risk including possible loss of principal. There is no assurance that the Fund will achieve its investment objective.

The market price of a security may decline due to general market conditions that are not specifically related to a particular company, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment. The prices of fixed income securities respond to economic developments as well as to changes in an issuer's credit rating or market perceptions about the creditworthiness of an issuer. High yield bonds are debt securities rated below investment grade and are speculative, involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. If an issuer of a debt security held by the Fund defaults or is downgraded, or if the value of the assets underlying a security declines, the value of the Fund's portfolio will typically decline. Generally fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with longer-term securities being more sensitive than shorter-term securities. While the Sub-Adviser believes that the integration of ESG analysis as part of the investment process contributes to its risk management approach, the Fund's consideration of ESG criteria in making its investment decisions may affect the Fund's exposure to risks associated with certain issuers, industries and sectors, which may impact the Fund's investment performance.

Market Turbulence Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

Investors should carefully consider the investment objectives, risks, charges and expenses of AXS Sustainable Income Fund. This and other important information about the Fund is contained in the Prospectus, which can be obtained by calling 833.AXS.ALTS (833.297.2587). The Prospectus should be read carefully before investing.

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