

# GALLIARD ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING MISSION STATEMENT

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AT GALLIARD, WE BELIEVE THE ROLE OF FIXED INCOME IS TO GENERATE INCOME WHILE PROVIDING SAFETY OF PRINCIPAL. Galliard's fixed income portfolios are managed with a conservative approach. We maintain high quality and broad diversification through a disciplined value investing process with an emphasis on risk control. We recognize that Environmental, Social, and Governance (ESG) factors are often financially material risks, and believe that understanding and integrating these risks into our analysis is part of Galliard's fiduciary duty to our clients.

Galliard systematically incorporates ESG factors into our disciplined value investing framework. We believe in rigorous fundamental research, extensive diversification, and efficient, opportunistic sourcing of bonds. As investors concerned with the long-term sustainability of corporations to which we allocate capital, our fundamental research process is built on a framework of holistic analysis and uses a mosaic approach to understand the true value drivers of a particular investment. Our long-term approach requires an acute awareness of risks that might compromise creditworthiness. We invest in securities that we believe offer long-term value while providing adequate compensation for the risks assumed. Supplementing our Fixed Income Team's efforts, Galliard has engaged MSCI ESG Research to provide environmental, social, and governance research, ratings, and screening tools.

Our sector teams and analysts evaluate ESG-related issues as part of their credit analysis to the extent that those factors pose a material risk to our investments. We do not systematically seek to eliminate companies from our investable universe, but we do strive to understand ESG factors that are likely to have impact on performance of an investment over the long term. To that end, ESG factors are an important component of our analysis but are not the sole determinant of investment decisions.

As a matter of practice, Galliard's investment philosophy aligns with many of the concepts addressed in the United Nations Principles for Responsible Investment. Sound corporate governance that promotes appropriate management incentive structures, increases transparency, reduces short-termism and allows for meaningful input from all stakeholders has long been a consideration in Galliard's fundamental analysis. Similarly, awareness of external factors such as climate change vulnerability, dependency on scarce resources, or risk of increased regulation are all inputs that help Galliard analysts determine creditworthiness of an investment.

# GALLIARD ESG INVESTING MISSION STATEMENT

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FOR MORE INFORMATION  
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Awareness of ESG issues among institutional investors continues to grow. Building on our successful record of customizing portfolios to meet client objective, integration of ESG factors into our fundamental research process has been a natural extension of tailoring portfolios to meet client needs. Demonstrating our commitment to ESG integration, Galliard Capital Management is proud to have joined with other members of the global investment community by becoming a signatory of the United Nations Principles for Responsible Investment.

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## Screening capabilities

Galliard has a long history of customizing portfolios for our separate account clients. We employ a range of strategies, some of which include specific ESG screening restrictions. As of December 31, 2015, we managed \$3.8 billion in assets across 19 portfolios implementing some form of ESG screening activity. Our compliance management system allows for seamless integration of ESG screens into the portfolio management process, and our Analysts, Traders and Client Portfolio Managers have extensive experience with ESG issues.

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## CONCLUSION

For more than 20 years, Galliard has pursued a team managed fixed income approach, firmly grounded in the principles of consistency, security, and efficiency. A large part of that consistency has been an acute focus on controlling risk in our portfolios through all market conditions. We believe ESG issues can pose clear risks to our investments and incorporating those risks into our analysis is imperative to ensure that we continue to deliver on our promise to clients. By becoming a signatory of the UN PRI, and by incorporating ESG issues into our fundamental analysis, Galliard stands ready to protect client portfolios for years to come.

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