Sustainability-related disclosures

under Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“SFDR”)

in respect of

Stone Harbor ESG Emerging Markets Debt Blend Fund (the “Fund”)

29 December 2022

The following statement is made in accordance with the requirements under Article 10 of SFDR and Section 1 of Chapter IV of the Delegated Regulation supplementing SFDR with regard to regulatory technical standards (the “RTS”). This document is prepared to meet the regulatory requirements only and should not be considered an offer or solicitation to invest in the Fund.

a) Summary

The Fund is managed by Stone Harbor Investment Partners, a division of Virtus Fixed Income Advisers, LLC (the “Investment Manager”), and invests across the broad ESG emerging markets debt universe, in hard currency sovereign, local currency and corporate debt, and is actively managed. The Fund’s ESG criteria are generally designed to allocate a proportion of the portfolio to green, social, and/or sustainability-linked bonds, and to restrict or exclude certain sectors from the Fund’s investment universe, such as thermal coal, tobacco and weapons, whereby such restricted or excluded categories may change from time to time. The Investment Manager has determined that the Stone Harbor ESG Emerging Markets Debt Blend Fund is an Article 8 financial product pursuant to the SFDR.

b) No Sustainable Investment Objective

The Fund promotes environmental and social characteristics but does not commit to making sustainable investments. Although the Fund does not commit to allocate a minimum proportion of the Fund portfolio to sustainable investments, the Investment Manager believes that certain bonds in which the Fund invests (e.g. green bonds) are likely to be considered to be sustainable investments. The Investment Manager seeks to incorporate sustainable investments within the portfolio subject to availability and the Investment Manager’s risk / reward analysis.

The “do no significant harm” principle applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this fund do not take into account the EU criteria for environmentally sustainable economic activities.

c) Environmental or social characteristics of the financial product

Examples of environmental characteristics that the Fund promotes through its investments and exclusions from its investment universe include (but are not limited to): natural resource use, carbon emissions, energy efficiency, pollution/waste and sustainability initiatives. Examples of social characteristics include (but are not limited to): human rights, worker rights, adequate living standards, commitment to health and safety, diversity/opportunity policies, privacy/data security and community programs. The Fund also considers governance characteristics including (but not limited to): rule of law and corruption, policies that support bondholders’ interests, the character of control persons, ethics, board independence, board diversity and management compensation policy.

d) Investment Strategy

The Fund is actively managed. The Fund seeks to achieve its objective through investing at least 70% of its net assets in fixed income securities of issuers that are economically tied to countries with emerging securities markets or whose performance is linked to those markets, economies, or payment capacity. In addition, the Investment Manager evaluates each of the Fund's investments within its ESG framework. The Investment Manager's ESG framework incorporates appropriate ESG information sources (which primarily will be derived from third-party ESG data providers, but may also include internally generated research) to define and evaluate the investment universe and aims to limit the Fund's exposure to ESG risks.

The Investment Manager has long integrated ESG factors and engagement in its traditional investment strategies. The ESG Emerging Markets Debt Blend strategy takes this further by utilising dedicated ESG benchmarks, screening out certain countries and corporates from the investment universe and typically pursuing a larger weight for green bonds in the portfolio than "core" (non-ESG) EMD Blend strategies. The strategy invests across the broad ESG EMD universe, in hard currency sovereign, local currency and corporate debt.

The Investment Manager seeks to manage and mitigate ESG as a risk factor. Among other approaches, the Investment Manager may: highlight specific ESG factors in fundamental credit analysis with a focus on anticipating future changes; reduce exposures to countries and companies with weaker ESG scores; avoid exposure to countries and companies with the weakest ESG scores. In addition, the Investment Manager seeks to foster engagement with issuers on ESG issues, such as by seeking to incentivize issuers for progress on ESG performance which tends to result in lower financing costs and encouraging the issuance of green bonds where applicable.

e) Proportion of investments

The Fund is not aligned with EU taxonomy, does not commit to making sustainable investments or have a sustainable investment objective. Although the Fund does not commit to allocate a minimum proportion of the Fund portfolio to sustainable investments, the Investment Manager believes that certain bonds in which the Fund invests (e.g. green bonds) are likely to be considered to be sustainable investments. The Investment Manager seeks to incorporate sustainable investments within the portfolio subject to availability and the Investment Manager's risk / reward analysis.

The Investment Manager's screening process results in the exclusion of any investments that are not aligned with E/S characteristics. As a result, the Investment Manager considers all investments in the Fund as aligned with E/S characteristics, other than cash, cash equivalents and derivatives used for currency hedging purposes. The Investment Manager aims to include sustainable investments such as green bonds in a larger allocation than is typically included in the fund's reference ESG Benchmark (as defined in the last paragraph, below), but without a commitment to a specific minimum allocation. Therefore, the main allocation of the Fund is in E/S investments that may not be considered to be sustainable investments (i.e., investments that are not itself defined as sustainable, but alignment with the E/S characteristics promoted by the Fund is achieved through fundamental integration of ESG factors in the investment process). Investments with strong ESG characteristics are more likely to be included and/or overweighted in the Fund, both by comparison to "core" EMD Blend strategies and to the reference ESG Benchmark.

f) Monitoring of environmental or social characteristics

The Investment Manager's ESG analysis seeks to limit exposure to ESG risks and combines a review of qualitative inputs derived from country visits and research by members of the portfolio management team, and quantitative data such as internally or externally assigned ESG scores. The Investment Manager's screening process is deisgned to exlude any investments that are not aligned with E/S characteristics.

The Investment Manager's ESG research draws on a broad variety of inputs, both quantitative and qualitative. At the country level, the Investment Manager has developed a proprietary ESG scoring model that combines a large set of climate, other environmental, social, and governance indicators using quantitative data from independent institutions to derive ESG scores, including for specific ESG factors (e.g. greenhouse gas emissions, corruption, civil rights, etc.). This quantitative data is supplemented by commercial data sources (e.g. Sustainalytics), providing both quantitative scores and qualitative insights. Given the Investment Manager's research-driven credit-based approach, it also relies heavily on findings of the team's research visits and discussions with issuers, policymakers, companies, politicians, political consultants, analysts, NGOs, journalists, think tanks and academics. Country review meetings among the investment team includes discussion of relevant ESG developments and outlook, with summaries included in country notes shared among the investment team, and incorporated in the Investment Manager's proprietary database.

For corporate issuers the Investment Manager draws on a variety of quantitative and qualitative inputs. ESG risk ratings from Sustainalytics provide quantitative measures of companies' ESG risk exposure and management of ESG risks, encompassing material ESG risks such as corporate governance, GHG emissions, other pollution (air, water, and land), resource use, environmental and social impact of products and services, workforce management, labor relations (e.g. non-discrimination, working hours and minimum wages). The quanitative metrics are supplemented by qualitative inputs from a variety of sources, including meetings and discussions with company management and corporate analysts, company sustainability and media report. Sustainalytics also provides ratings on specific controversial incidents related to environmental, social, or governance issues. These metrics and qualitative insights are integrated into the fundamental credit research. Issuers that score well are more likely to be included in the portfolio.

This scoring system aims to assign the Investment Manager's own quantitative ESG ratings to reflect a credit's ESG risk and performance, and facilitate discussion and comparison across industries and rating services.

g) Methodologies to measure the attainment of the environmental or social characteristics promoted by the Fund

Adherence to binding elements of the Fund, in particular the exclusion of controversial sectors (namely thermal coal, tobacco and weapons) and UN Global Compact violators, as well as the scoring criteria used by the ESG Benchmark and by the Investment Manager, are factors considered by the Investment Manager to assess, monitor and measure the attainment of environmental and social characteristics promoted by the Fund.

In addition, the Investment Manager uses various sustainability indicators to measure the attainment of each of the environmental or social characteristics promoted by the Fund.

As relates to envinronmental characteristics, the Investment Manager considers risks arising from climate change, which vary substantially across countries depending on direct exposures and a sovereign's readiness to mitigate the economic impact of potential climate change. Ongoing and potential future efforts to slow climate change through "de-carbonization" of economic systems can trigger drastic changes for specific industries or even whole economies. The Investment Manager may assess company involvement with specific products with high carbon footprints, as well as a company's ability to adapt to less carbon-intensive technologies. Beyond climate change factors, other environmental issues increasingly impact both sovereign and corporate issuers. Generally, the sustainability of environmental resource use for sovereigns is relevant in many areas including agriculture, fisheries, protection of natural habitat, and public health. For corporate issuers, management of downside risks arising from unexpected costs due to environmental issues is one factor that the Investment Manager will assess where relevant. The Investment Manager also typically examines issuers' attitudes towards environmental pollution, as evidenced by their historical track record in the areas of hazardous waste, emissions, and energy consumption, among other indicators. Other factors that the Investment Manager will consider include companies' attitudes towards safety and their responses to lapses and accidents.

Sustainability indicators used to measure the attainment of social characteristics promoted by the Fund include the Investment Manager's assessment of a country's politics and policies. Popular discontent can trigger drastic political and/or policy changes later on. It can also limit a government's ability to implement intended policy plans with far-ranging implications of its ability and willingness to service debt. Social factors that the Investment Manager considers for sovereign issuers include personal freedoms, civil liberties, safety & security, functioning of the government, among others. For corporate issuers, areas of focus include evidence of severe worker rights and labour violations, fair pay, diversity/opportunity policies, unionization, privacy/data security policies, among others.

h) Data sources and processing

As described in section (f), the Investment Manager's ESG research draws on a broad variety of inputs, both quantitative and qualitative. At the country level, the Investment Manager has developed a proprietary ESG scoring model that combines a large set of climate, other environmental, social, and governance indicators using quantitative data from independent institutions to derive ESG scores, including for specific ESG factors (e.g. greenhouse gas emissions, corruption, civil rights, etc.). This quantitative data is supplemented by commercial data sources (e.g. Sustainalytics), providing both quantitative scores and qualitative insights. Given the Investment Manager's research-driven credit-based approach, it also relies heavily on findings of the team's research visits and discussions with issuers, policymakers, companies, politicians, political consultants, analysts, NGOs, journalists, think tanks and academics. Country review meetings among the investment team includes discussion of relevant ESG developments and outlook, with summaries included in country notes shared among the investment team, and incorporated in the Investment Manager's proprietary database.

For corporate issuers the Investment Manager draws on a variety of quantitative and qualitative inputs. ESG risk ratings from Sustainalytics provide quantitative measures of companies' ESG risk exposure and management of ESG risks, encompassing material ESG risks such as corporate governance, GHG emissions, other pollution (air, water, and land), resource use, environmental and social impact of products and services, workforce management, labor relations (e.g. non-discrimination, working hours and minimum wages). The quanitative metrics are supplemented by qualitative inputs from a variety of sources, including meetings and discussions with company management and corporate analysts, company sustainability and media report. Sustainalytics also provides ratings on specific controversial incidents related to environmental, social, or governance issues. These metrics and qualitative insights are integrated into the fundamental credit research. Issuers that score well are more likely to be included in the portfolio.

This scoring system aims to assign the Investment Manager's own quantitative ESG ratings to reflect a credit's ESG risk and performance, and facilitate discussion and comparison across industries and rating services.

In addition, the Investment Manager utilises a dedicated ESG Benchmark as one tool to assist with screening out certain countries and corporates from the Fund's investment universe. The ESG Benchmark incorporates ESG score integration and positive screening, along with negative screening by way of excluding controversial sectors (namely thermal coal, tobacco and weapons) and UN Global Compact violators, and assigns an overweight to green bonds to incentivize sustainable financing. Although the Investment Manager actively manages the Fund and the Fund is not constrained by the ESG Benchmark, the Investment Manager will take into account the ESG Benchmark constituents when making investment decisions for the Fund and considers the ESG Benchmark as a guide for selecting securities that may meet the Investment Manager's ESG criteria for the Fund.

i) Limitations to methodologies and data

ESG information from third party data providers and/or obtained directly from issuers may be incomplete, inaccurate, outdated or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess an issuer's ESG criteia. Where identified, the Investment Manager will seek to mitigate this risk through its own assessment.

j) Due diligence

The Investment Manager conducts rigorous due diligence, including financial statement analysis for corporate issuers, to determine whether issuers adhere to the Investment Manager's governance standards, best environmental practices, and appropriate social/sustainability standards.

k) Engagement policies

Engagement is a key component in the Investment Manager's research and decision making. For corporate bonds, beyond financial statement analysis and rigorous due diligence, the Investment Manager's portfolio managers and credit analysts aim to speak with each of the companies held in the portfolio multiple times per year. Engagement activity is conducted on or off-site, at plant visits and/or in the Investment Manager's offices, at investor roadshows and conferences, and virtually by phone or video calls. For sovereign issuers, the Investment Manager visits existing or potential portfolio countries as part of its fundamental research. These discussions are important for obtaining real-time information and insights on each country's macroeconomic and political environment. In addition, the portfolio management team interacts with senior policymakers in various settings, both in person and virtually (including symposiums, road shows, and teleconferences, among others). Issuer meetings provide valuable opportunities to engage on material ESG issues with key decision makers. While the Investment Manager judges that its influence to impact issuer activity is limited due to the lack of voting rights, the portfolio management team aims to raise awareness of the importance of applicable ESG considerations. This includes emphasizing the impact of improved ESG performance on borrowing costs and access to funding markets, a link that will likely strengthen over time. The Investment Manager's engagement activity also entails advocating for the implementation of sound policies on material ESG issues. The Investment Manager broadly encourages the issuance of green, social, or sustainability-linked bonds.

l) Designated reference benchmark

Although it is actively managed, the Fund utilises a dedicated ESG benchmark (represented by an evenly weighted blend of 1/3 JESG EMBI Global Diversified ex. CCC, 1/3 JESG GBI-EM Global Diversified ex. CCC and 1/3 JESG CEMBI Broad Diversified ex. CCC (the ''ESG Benchmark'') as one tool to assist the Investment Manager with screening out certain countries and corporate issuers with low-ESG scores from the Fund's investment universe.

The ESG Benchmark incorporates ESG score integration and positive screening, along with negative screening by way of excluding controversial sectors (namely thermal coal, tobacco and weapons) and UN Global Compact violators. In addition, the index construction methodology assigns an overweight to green bonds to incentivize sustainable financing aligned with climate change solutions. As compared to the non-ESG version of the ESG Benchmark component indices (i.e. JPM EMBI Global Diversified ex. CCC, JPM GBI-EM Global Diversified ex. CCC and JPM CEMBI Broad Diversified ex. CCC), the ESG Benchmark assigns a greater weighting to the issuers with better overall ESG scores.