AJF Financial Services, Inc.

1ST Quarter 2020 Quarterly Engagement Letter

COVID 19: Transitioning To The New Normal

It is our belief that companies that are focused on the triple bottom line of people, planet and profits will be and are better positioned for the risks and opportunities of the future compared to those that focus on profits alone. Companies that look further out than the quarterly reporting cycle can invest in other areas that build value for the firm over time.

And Although markets are efficient, more information including environmental, social and governance factors, can make markets work better. In light of the global pandemic many companies are acting in the best interest of society.

Resulting from the novel coronavirus, an estimated one out of every three people in the world lived under some form of “shelter in place” or lockdown mandate. Our lives has changed drastically as we now try to adapt to our new “normal”, and while much remains uncertain, one thing is clear: we are in this together.

In the face of COVID-19, our funds are asking companies to:

- Above all, maintain paid employment to the greatest extent possible
- Foster the well-being and safety of employees, including protection from exposure in their workplace or other work environments
- Transition, as feasible, to work at home solutions
- Examine and enhance benefits such as paid sick time and health insurance
- Implement effective communications systems to efficiently convey helpful and accurate information
- Consider opportunities to partner with or otherwise support health care institutions, governments, and vulnerable populations, including through industry collaborations

Weathering these times requires an all hands on deck approach and the role of the private sector remains critical to ensure that all employers are responding adequately to the well-being of their employees, families and society at large. The examples below demonstrate a breath of actions underway by companies held in client portfolios:

Measures taken to protect employees and customers are heartening. As early as January, Johnson & Johnson began to develop a vaccine and expanded its partnership with the U.S. Department of Health & Human Services to screen anti-viral compounds for potential use. Microsoft is continuing regular pay for its hourly vendor service providers, ensuring that some 4,500 employees in Puget Sound alone will maintain income during reduced hours. For employees who work 20 or more hours weekly, Starbucks provides a trio of catastrophe pay, service pay and hardship grants. Catastrophe pay currently provides income for anyone staying home between March 21 and April 19; service pay provides an additional $3/hour income for employees who opt to work under reduced operations; and hardship grants are available for employees experiencing financial distress. Remarkably, Apple has sourced, purchased, and donated over 10 million masks from its global supply chain for use in the U.S. and is working to procure more. Volunteers across technology companies, including Alphabet and Apple, worked with epidemiologists to develop a website—covidnearyou.org—to help track and monitor the spread of the virus and share experiences, ultimately hoping to fill an information void that comes with insufficient testing.

As we continue our engagement efforts in the areas of Climate, equality and governance we are mindful of the demands facing companies in this new reality and are pursing engagement with caution. We will continue our partnerships with shareholder advocacy groups and support them in their efforts to address problems prevalent to society.

Expert Response on Ecological Degradation and its Impact:

Ecological degradation directly exposes us to new diseases and threats to our health. Michael Friedman a biologist at the American International College of Arts and Sciences of Antigua has written a response to the recent interview of Robert Wallace an evolutionary biologist published on the blog Climate and Capitalism linking new viruses to industrial food production and the profitability of multinational corporations, see below for the link to Wallace's interview and the insightful response given by Michael Friedman:

Wallace's interview:

https://climateandcapitalism.com/2020/03/11/capitalist-agriculture-and-covid-19-a-deadly-combination/

Michael Friedman's Response:

"The increased occurrence of viruses is closely linked to food production and the profitability of multinational corporations. Anyone who aims to understand why viruses are becoming more dangerous must investigate the industrial model of agriculture and, more specifically, livestock production.

However, Wallace's focus is way too narrow: agribusiness and food production are part of a far wider panorama of ecological disruption. And, while many recent outbreaks cannot be associated with food production, just about every modern emergent pathogen is associated with the various levels of ecological disruption characteristic of our epoch. This is not really controversial: the entire field of epidemiology is, in fact, predicated on basic ecological and evolutionary principles, such as selection for or against virulence vs. transmissivity, or the relationship between diverse ecosystems and resistance to spread of pathogens and pests, and ecological disruption has long been known to favor spread of human pathogens and parasites: the construction of the Aswan Dam in the 1960s led to the spread of the parasitic worm that causes schistosomiasis, due to reduction of the predator of the snail that hosts the parasite.

Take Wallace's examples of Ebola and Zika. Both are results of well-known ecological processes that link loss of biodiversity, community simplification and habitat fragmentation to outbreaks of pathogens of various kinds in humans and other organisms, plants and animals. Agribusiness was a major – but not the only – agent in these cases. As Wallace notes, agribusiness promoted deforestation and introduction of monocultured cash crops, particularly oil palm. These processes eliminated various controls on fruit bat populations (predators, competitors), provided preferred habitats and food sources for the bats (the palm fruit, in this case) and brought human populations into closer, more intimate contact with the infected bats. Something similar probably occurred earlier in the case of HIV and simians.

And, it would seem that similar processes occurred in the case of coronavirus. Published data indicates that Wuhan and Hubei province have experienced massive deforestation over the past century with concurrent increases in urbanization and agriculture, contamination and reduction of biodiversity of the major rivers in the region (publicized as the decrease and loss of a number of iconic species found in the Yangtze basin). Subsequent reforestation, sans the previously *existing biodiversity, is known to actually favor the proliferation of pests, parasites and other opportunistic species. This series of environmental impacts represents an ideal culture medium for the proliferation and concentration of immune-compromised primary hosts, from which pathogens can make the leap to hosts of other species, if contact between species, particularly via the food market, increases. Of course, correlation is not causality, but the panorama is suggestive and reminiscent of other, known, cases.*

But, agribusinesses and the food industry had far less to do with the emergence of Lyme disease or Hantavirus. These had more to do with the destruction or fragmentation of forest or desert ecosystems, which we could largely lay at the doorstep of the real estate industry, and the overall pattern of market-driven mass suburban residential development. In these two diseases, the first bacterial and the second, viral, the primary hosts were mice, opportunistic species favored by secondary plant growth in disturbed, fragmented and edge habitats, with few predators and competitors, such as the grassy lots and fields left following deforestation in areas of residential construction. In Lyme disease, the picture is further complicated by the presence of the vector that facilitates transmission between mice and humans, the deer tick, whose main host is the white-tailed deer. The mice can pick up ticks in forests and, especially, along edges of forests. Hantavirus, found in arid regions of the southwestern U.S., on the other hand, is transmitted directly from mice to humans, again in residential areas. Ironically, in the case of Lyme, reforestation, without the previous rich biodiversity, actually favors further proliferation of the pathogens.

Climate change, another instance of ecological disruption, has become another major factor in such pathogen emergence and spread, including with Lyme disease. Other boundary transgressions, such as disruption of the phosphorus and other biogeochemical cycles, have favored yet other outbreaks, such as marine dinoflagellates ("red tide") and certain virulent Cholera strains, such as ones that affected Haiti and India during the past two decades. The latter, of course, are related to capitalist development -- whether in agriculture or industry or urban and residential development -- with its penchant for externalizing the costs of waste production and elimination.

And we can include the proliferation of many antibiotic-resistant strains of bacteria as one more instance of ecological disruption, in this case of the microbiota. Not only has market-driven profligacy in antibiotic use selected for resistant strains, but it has shaped human microbial communities, favoring horizontal gene transfer of resistance genes, while eliminating microbial competitors and predators of pathogens. For example, these factors have been linked to outbreaks of virulent Salmonella and E. coli in hospitals.

In short, the increasing numbers and perhaps severity of emergent pathogen outbreaks, epidemics, pandemics in recent decades, are more generally products of the market-shaped Anthropocene, rather than any one particular causal agent.”

Shareholder Advocacy Groups and Our Partnership Activities:

As a wealth management firm that believes in ownership power, AJF Financial uses our AUM to create relationships with shareholder advocacy groups such as "*The Interfaith Council on Human Rights*", "*As you Sow",* and *US SIF* to push companies to improve, we seek to provide the tools necessary for clients to become more informed.

With that being said, the ICCR has brought to our attention the council on Environmental Quality's proposed update to the regulations implementing the National Environmental Policy Act (NEPA) to make timely decisions and reduce the documentation of impacts of a decision. NEPA is the cornerstone for the United States' environmental laws. NEPA ensures that federal agencies engage in fully informed and well-considered decision-making and in so doing, protects the right to a healthy environment, improves governance and assures that agency actions do not cause unnecessary harm to communities and the environment.

When properly conducted, NEPA review protects people and the environment from negative impacts ranging from increased carbon dioxide emissions, habitat loss, water pollution and degradation of wetlands and rivers to the destruction of historic buildings and the disproportionate condemnation of homes and businesses in low-income communities and/or marginalized communities including native American communities and communities of color. In response, we have signed on a letter addressing our opposition and look forward to the progress being made.

As investors we oppose the proposed changes as they will adversely impact our right to a healthy environment by reducing public participation and accountability in government projects. The key issues highlighted in the letter are:

- Limiting Community ties' Right to Participate in Decisions Impacting their Health and Environment
- Increasing Environmental Racism
- Ignoring Climate Change and its Impact on Environment and People
- Narrowing the Scope of Projects and Actions subject to NEPA Review
- Allowing Private Project Proponents to Prepare Environmental Document for Agencies

We have attached the letter for your reference

Human Rights and Government

We have signed on to a letter Companies have long-engaged with the concept of due diligence through investigative processes that aim to identify financial risks associated with business transactions. Human rights due diligence is a continuation of those established risk management processes that takes the lens of risk to people, recognizing that **where there are the most severe (i.e. salient) risks to human rights, there are material risks to business, including reputational harm, financial loss, and legal liabilities.**

The core steps of human rights due diligence include:

(1) assessing the actual and potential human rights impacts that may be caused by a business or to which it may contribute or be directly linked through its business relationships;

(2) integrating and acting upon those findings;

(3) tracking the effectiveness of those actions; and

(4) publicly communicating the company's human rights policies, practices, and outcomes. Companies are also expected to develop and embed human rights policies across the business, enable remedy when impacts occur, and engage with stakeholders throughout all due diligence activities.

As members of the investment community, we urge governments to require companies to undertake robust human rights due diligence processes as this type of regulation is:

1. Materially good for business, investors, and the economy;

2. Essential in creating uniformity and efficiency as an increasing number of governments are already taking this step; and

3. A necessary component for investors to fulfill our own responsibility to respect human rights.

Driving Sustainability at American Portfolios:

Lastly, in a long-term effort, our President and CEO Andrew Friedman has made headwind at American Portfolios. His efforts have included dialogue with the CEO Lon Dolber and active engagements about their procedures throughout the years. In result he has successfully gauged conversations surrounding sustainable improvements in the company and providing tools to better educate investors on investment decisions. These efforts are to remind us that although we are a small Asset Manager we are unique in our focus on sustainability across all sectors and the service we provide to our clients. We are investors that want to see change in corporate behavior and build business practices to high standards