

1 | SHARPE

Responsible Investment

Q4 2021

1Sharpe Capital's mission is to provide superior risk adjusted returns to its clients and stakeholders over the long term. Employing responsible investment practices can be a means of providing risk adjusted returns. 1Sharpe defines responsible investing as taking the action to assess ESG risks across investments while implementing a culture of ESG into the investment management business itself.

1Sharpe believes that responsible investing can maximize value to all 1Sharpe stakeholders including investors, counterparties, employees and communities where 1Sharpe invests. The firm recognizes the importance of integrating ESG factors into investment decisions, where consistent with its fiduciary duties, based on the belief that ESG related risks could influence the risk and return of asset prices.

1Sharpe Capital is a signatory of the United Nations Principles for Responsible Investment ("UNPRI") and the firm strives to promote Responsible Investment throughout its investment community. 1Sharpe promotes responsible investment by quantitatively monitoring ESG risk factors in its portfolios, engaging counterparties regarding ESG factors, participating in ESG-related dialogue within industry groups, and incorporating ESG sections in select investor communication. Within 1Sharpe's real estate-backed credit strategy, promoting responsible investment can entail quantifying environmental risk on its assets and engaging issuers on ESG issues. Within 1Sharpe's real estate equity strategy, promoting responsible investment can entail an active approach to community enrichment and environmental improvements to assets.

1Sharpe has promoted Responsible Investment in its real estate credit strategy by engaging its partners on ESG topics generally and developing a Responsible Lending pledge specifically.

1Sharpe has promoted Responsible Investment by engaging non-profit organizations to create impactful social programs for its communities in the real estate equity strategy. 1Sharpe strives to consistently identify and embrace similar impact opportunities in the coming years.

Representative ESG Factors

Environmental	Social	Governance
Energy Efficiency	Mission-driven borrowers	Diversity & Equal Opportunity
Climate Change Risk	Neighborhood demographics	Transparency
Waste Management	Affordable Housing	Business Ethics
Emissions & Pollution	Building permitting & safety	Shareholder Rights

**The above list represents a sample of ESG factors that 1Sharpe's investment team may evaluate*

1Sharpe believes that assessment of ESG factors during the investment process can help mitigate risks. The ESG and investment teams work to foster awareness of ESG considerations internally, with counterparties and industry thought leaders.

Environmental

1Sharpe assesses exposure to geographies that are inherently susceptible to climate change, flood, wind and fire risk. We seek to avoid an overweight investment in loans collateralized by buildings with

excessive contribution to pollution or hazardous waste. 1Sharpe accomplishes this risk screening by surveying its origination partners annually and by including a proprietary 1Sharpe environmental score (drawing on third party data sources) in the investment process.

1Sharpe acknowledges that climate change and sea level risk can be present when investing in physical real estate. We discuss the risks of climate change as an investment team. The firm has chosen to invest in short duration assets where possible. When the firm decides to invest equity in longer term assets, it seeks to monitor and/or improve the environmental impact of longer term assets where consistent with fiduciary duties. The former approach is most applicable to 1Sharpe's real estate credit strategy while the latter is most applicable to 1Sharpe's real estate equity strategy. 1Sharpe's Environmental score can help both investment strategies assess climate change risk.

Social

1Sharpe Capital uses both a negative screening policy and an active engagement strategy with its partners. 1Sharpe has strict rules against working with counterparties without sound background checks. 1Sharpe Capital conducts background review and screening of key principals of its origination partners prior to investing in their assets. 1Sharpe also uses its annual engagement questionnaire to screen out counterparties who do not adhere to ESG standards.

At the investment level, 1Sharpe intentionally invests in affordable housing and screens investments that are unaffordable for an area's demographics.

When asset managing, 1Sharpe investment team is responsive to any city or county notices of building hazards stemming from any properties in our existing portfolio.

Governance

1Sharpe's objective is to build a systematic research process and decision-making platform which elevates good process over chance. To achieve this objective, 1Sharpe's culture places a high value on intellectual capital and diverse backgrounds in the pursuit of investment opportunities in and adjacent to the U.S. residential real estate market. As such, the culture is open and inclusive to encourage free exchange of ideas and maximize the use of each team member's unique skill set. 1Sharpe believes that teams built of professionals with varied backgrounds and areas of expertise are capable of the best decision making and most differentiated insight.

1Sharpe has internal ESG governance in place that holds 1Sharpe ESG team accountable for researching ESG measures. 1Sharpe ESG team presents to investment committee for approval of new measures. 1Sharpe investment team is then responsible for implementing the measures approved by investment committee.

Engagement

1Sharpe Capital acknowledges that incorporating environmental, social and governance issues into investment analysis and risk monitoring can be important to investment management. 1Sharpe engages its partners and deal sources in order to encourage high ESG standards rooted in 1Sharpe's belief that ESG issues could be related to asset prices.

1Sharpe is committed to engaging investors and investment consultants to share thought leadership and understand / incorporate investors' sustainability preferences. Further, 1Sharpe commits to selectively including ESG in our investor letters when appropriate.

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If a 1Sharpe counterparty reveals any conflicts of interest or less than satisfactory results during engagement, the findings are discussed within 1Sharpe Investment Committee. 1Sharpe Investment Committee is likely to address the counterparty directly to put a plan for correction in place.

Reporting

In addition to revising the 1Sharpe ESG & Responsible Investment Policy annually, 1Sharpe reports to the UNPRI and to general stakeholders with an impact report.

Asset class and sector specific guidelines

1Sharpe invests in real estate credit and real estate equity. To best assess ESG risks while investing in real estate credit it is important to engage issuers of the real estate debt and to assess the risks of the underlying real estate. 1Sharpe believes in supporting loans on affordable real estate rather than luxury real estate.

To maximize positive impact while investing in real estate equity 1Sharpe believes in being a responsible steward of the real estate assets it directly owns. Responsible stewardship entails decreasing the environmental footprint of buildings and enriching the quality of residents' living experiences where possible. To this end, 1Sharpe ran a partnership with 501C3 non-profit Khan Academy to launch a child education program called Live Learn Go on 1Sharpe's properties.

Modern Slavery

The term 'modern slavery' describes anyone forced into labor, owned by an 'employer', treated as a commodity or physically constrained.

Human trafficking is the practice of illegally transporting someone for the purpose of being sold into modern slavery. A person does not need to be taken out of their home country to be a victim of human trafficking.

1Sharpe Capital commits to an open, equal, non-discriminatory workplace. We create an environment where all employees can highlight misconduct. Our recruiting processes confirms that all employees are legally eligible to work in the US. We background check all of our loan external partners, engage many partner in our annual DDQ about modern slavery, and do not work with any partners who knowingly support or are involved in slavery on any level.

Our Commitment and Goal

1Sharpe commits to actively engaging its partners including debt issuers, property brokers, residents. 1Sharpe commits to discussing ESG risks at Investment Committee meetings. 1Sharpe also commits to consistently reviewing, monitoring and understanding the range of potential ESG factors that can impact investments. 1Sharpe Capital believes this stance best positions its investment management business to continually deliver consistent, long term results for clients, counterparties, team and community.

1Sharpe's 2021 Portfolio Impact

Residential renovation loans restore affordable housing units for families while saving materials, green space and carbon when comparing the renovation projects to the alternative, new construction projects.

Materials saved

According to the EPA and 1Sharpe estimates, renovating a home to make it feel like new requires 75% less expenditure on raw materials than building a new home.

1Sharpe estimates that our 2021 investment in renovation loans lead to an estimated savings of ~250,000 tons of materials and ~57,000 trees compared to new construction of those equivalent homes.

Carbon footprint

Using assumptions from the Environmental Protection Agency, 1Sharpe estimates that a home renovation saves 3,000 pounds of Carbon / year compared to a new home construction.

1Sharpe estimates that our 2021 renovation loan investments saved 7mm+ pounds of Carbon / year compared to new construction.

Affordable housing

In 2021, 1Sharpe invested \$1billion+ into affordable housing, which we define as housing units whose After Repair Values are below the area's median price.

Energy Efficiency

Renovation loans support home improvements that often make homes more energy efficient. Based on a model from the National Association of Certified Home Inspectors, 1Sharpe believes our 2021 renovation loans could lead to an annual energy savings of \$800k+ USD.

Sources: *"ANALYSIS OF THE LIFE CYCLE IMPACTS AND POTENTIAL FOR AVOIDED IMPACTS ASSOCIATED WITH SINGLE-FAMILY HOMES"* by the US EPA, *National Association of Certified Home Inspectors*