2017 IMPACT REPORT

FINANCIAL AND IMPACT REPORTING IN PUBLIC AND PRIVATE MARKETS

sonen capital
Thank you for reading Sonen’s fifth annual impact report. We are proud to detail the social and environmental performance of Sonen’s four distinct impact investment strategies, covering fixed income, public equity, sustainable real assets and our multi-asset class absolute return strategy.

Since we began impact reporting with our inaugural 2013 impact report, we have become increasingly aware of how different asset classes vary widely in how they produce impact and how that impact is conveyed to investors. And classifying assets as either “impact” or “non-impact” must be considered in the context of an investor’s intentions. Sonen has responded to these issues by employing a series of different methodologies to evaluate and report the social and environmental characteristics of our investment strategies. To better define “impact” and to qualify investments accordingly, Sonen continues to rely on its own internal Impact Frameworks as well as the United Nations’ Sustainable Development Agenda. In this year’s impact report, we focus on five key methods to convey impact across our investment strategies:

1. Qualifying underlying investments as Responsible (avoiding negative impact); Sustainable (actively integrating non-financial variables such as Environmental, Social and Governance (ESG) factors into security selection); or Thematic (goods and services that are actively addressing specific social and environmental challenges);

2. Comparing such non-financial Environmental, Social and Governance data to convey relative performance between Sonen’s strategies and conventional financial benchmarks, with qualitative examples to reinforce how this data can show meaningful differences between two securities;

3. Further defining underlying Thematic securities, conveying how underlying investments’ goods and services, or the projects the investments may underwrite, contribute to specific social and environmental solutions; and


5. Quantitative IRIS-based data.

Sonen continues to rely on its proprietary AIMS impact evaluation framework to describe how impact manifests differently across asset classes in four dimensions: Additionality, Intentionality, Measurability and Scale; and in late 2017 we began an initial analysis of our public equity strategy’s alignment with ‘Science Based Targets’ that reports on climate-related performance.

Beyond our impact investing activity, in the last year Sonen continued to work alongside other like-minded investors to help influence corporate sustainability and transparency practices, including through shareholder engagement and participation in policy campaigns.

We anticipate that our impact evaluation and reporting process will continue to evolve and strengthen as better data becomes available and as our own understanding of impact creation across asset classes deepens. In the near term, we see new opportunities to enhance impact analysis in fixed income and public equity that can highlight relative differences in non-financial performance. And, the UN Sustainable Development Goals provide an excellent opportunity for us to showcase how our underlying investments across asset classes are contributing to the world’s urgent agenda for social, economic and environmental sustainability.

We are pleased to share the results of our work and regularly publish the methods by which we evaluate impact investments and pursue positive impact on our website, www.sonencapital.com.

Thank you for your interest in Sonen Capital.

Best regards,

Will Morgan
Head of Impact
Sonen Capital seeks to provide its clients with competitive financial returns alongside meaningful, positive social and environmental benefits.

Sonen’s impact investments in public markets, encompassing public equity and fixed income, are intended to provide investors with exposure to corporate and government leaders in sustainability practices (measured through specific ESG data). Investors in these asset classes also gain exposure to specific goods and services which explicitly target various social and environmental impact themes.

Our global public equity holdings focus on corporations with leading sustainability practices, reflecting better management quality and, we believe, superior financial performance. Similarly, our global fixed income investments reflect strong corporate or government financial profiles and a clear connection between project underwriting and important social or environmental needs.

The Sonen global sustainable real assets strategy provides investors with a clear connection to physical assets that contribute directly to global sustainability imperatives, with an emphasis on large-scale impact outcomes relating to sustainability, renewability, efficiency and restoration.

Sonen’s absolute return strategy provides investors with an intermediate liquidity profile that focuses on key impact themes including renewable energy, financial services for small enterprises in emerging markets and water conservation.

In all four strategies, Sonen can easily draw connections with underlying securities and eight of the UN Sustainable Development Goals. Doing so illustrates how our strategies provide critical alignment between investment capital and some of the world’s most pressing needs.

In 2017, Sonen’s public market strategies provided comparable, and in some cases better, financial returns (measured against traditional market benchmarks, as opposed to sustainability indices) alongside defined social and environmental impact value creation. Relative to traditional benchmarks, Sonen’s investment strategies in 2017 demonstrated significantly better sustainability performance as measured by:

- Environmental performance, including lower carbon emissions and comparable water use efficiency;
- Social performance: Higher health and safety ratings; and
- Greater gender diversity and board-member independence on corporate boards.
Across global public equity and global fixed income, prominent impact themes include:

- Health (technologies, medicine)
- Energy (renewable and alternative energy technologies, energy efficiency technologies)
- Water (utilities, infrastructure and technologies for purification and re-use)
- Community development (affordable housing, transportation)

To support and enhance the impact of its global public equity strategy, Sonen continued its work in shareholder advocacy and engagement, including:

- Continuing to encourage companies to improve ESG practices and related disclosures through active participation in 11 industry working groups;
- Continuing to work with SPX Corporation and HD Supply as each company prepares for comprehensive sustainability reporting (Sonen filed two resolutions on this topic with both companies in 2016 and 2017).

Sonen’s sustainable real assets strategy completed two new green real estate investments during 2017, bringing the strategy’s total number of investments to 10. Sonen’s real assets strategy also enjoyed its first successful exit in Q3, 2017. Underlying investments in real assets currently include:

- Clean power, providing utility-scale solar and wind power generation in the U.S.; commercial and industrial solar power installations in the Northeast U.S.; and small- and large-scale clean power generation in sub-Saharan Africa and in South East Asia. Total renewable power produced in 2017 was 1.5 million MWh.
- Green real estate, focusing on providing environmentally sustainable housing in urban U.S. markets and green workforce housing in South Africa. Together, underlying properties are projected to save more than 2.3 million kWh from energy efficiency improvements; and
- Sustainable timber operations on more than 320,000 acres of land in the U.S., alongside stream restoration and mitigation banking in the U.S.

Each underlying investment in Sonen’s real asset strategy reports on specific impact indicators, which are aggregated and summarized in this report. Sonen intends to make an additional three to five investments that will include sustainable agriculture, land and water resources, and environmental infrastructure across the globe.

Lastly, Sonen’s global multi-strategy is an absolute return strategy that provides exposure to a series of investments with low correlation to the public equities and the fixed income markets. Specific thematic exposures in this strategy include:

- Financial services to help small- and medium-sized enterprises grow across various emerging markets, including Africa, Latin America and Eastern Europe;
- Water resource conservation through water rights trading schemes in Australia; and
- Renewable energy technologies, producers and service providers.

As Sonen’s multi-strategy continues to develop, we will provide more fulsome social and environmental impact performance data.

Four Asset Classes ALL IMPACT
PERFORMANCE SUMMARY
GLOBAL FIXED INCOME

During 2017, Sonen Global Fixed Income (GFI) benefited from an overweight to thematic green bonds, thematic municipal bonds and select EM currencies. The main detractors were currency-related: underweight EUR and overweight USD.

In 2017, GFI returned 6.58% net of all fees vs. 7.40% for the Bloomberg Barclays Global Aggregate Index. Over the last three years, the strategy returned 1.50% net vs. 2.02% for the index. Since inception the strategy returned 0.34% net of all fees vs. 0.72% for the benchmark.

PERFORMANCE SUMMARY
GLOBAL PUBLIC EQUITY

During 2017, Sonen Global Public Equity (GPE) benefited chiefly from an overweight to and security selection within the Healthcare sector, as well as exposure to the Information Technology, Consumer Staples and Consumer Discretionary sectors. The main detractor from performance included an underweight to Financials, although we believe security selection within Financials was strong.

In 2017, GPE returned 29.66% net of all fees vs. 23.95% for the MSCI ACWI IMI Index. Over the last three years the strategy returned 12.25% net vs. 9.52% for the index. Since inception the strategy returned 13.10% net of all fees vs. 11.01% for the benchmark.

Past performance is no indication of future results. Index returns are presented for comparative purposes only. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. You cannot invest directly in an index. Foreign and emerging market securities involve certain risks such as currency volatility, political and social instability and reduced market liquidity. This performance is included for informational purposes only, to demonstrate that impact investing does not necessarily sacrifice strong investment performance. The performance shown does not necessarily reflect the portfolio’s current performance, which may be higher or lower than the performance shown. For the most current performance, contact Sonen.
Sonen’s investment process includes a commitment to quantifying and qualifying the impact of each of its strategies. As outlined in our prior impact reports, Sonen employs a series of proprietary tools and definitions to explain, monitor and measure impact creation. Our impact process is summarized below:

1. At the highest level, we classify our underlying investments as either Sustainable or Thematic.
   - **Sustainable**: Sustainable investments focus on how a company conducts its business. Sustainable investments actively integrate Environmental, Social and Governance (ESG) data into investment decision-making to reveal related sustainability risks and opportunities.
   - **Thematic**: Thematic investments focus on the goods and services that a company produces, and how these goods and/or services relate to specific social or environmental challenges such as climate change, resource scarcity or the needs of low-income communities. In other words, a thematic investment focuses on what a company does. These qualifications are based on how a company derives most of its revenue.

2. Environmental, Social and Governance Data: For Sustainable securities, Sonen collects and evaluates Environmental, Social and Governance key performance indicators that we believe are most significant to impact investors. Performance for ESG KPIs is compared to relevant market benchmarks. Sonen’s Sustainable exposures exhibit industry leadership along these ESG dimensions, and specific, qualitative examples are provided as part of our analysis.

3. The United Nations’ 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs): In our 2015 Annual Impact Report, Sonen was among the first investment firms to track its investments’ contributions to the SDGs. In the last year, we have deepened our analysis to better understand the contribution our public and private markets investments made to the SDGs, specifically through proposed impact indicators from the UN and a granular examination of how business activities can contribute to specific SDGs.

4. Impact Reporting and Investment Standards (IRIS): Sonen captures impact data in quantitative terms using the IRIS taxonomy, created by the Global Impact Investing Network. Sonen’s private markets strategy consists entirely of Thematic investments with exposures to various positive environmental impacts that are explicitly captured and reported in quantitative terms using IRIS indicators.

5. Sonen’s AIMS™ framework describes four key dimensions to impact creation across asset classes. These dimensions are Additionality, Intentionality, Measurability and Scale. Previous impact reports provide examples of how AIMS dimensions vary across asset classes, even across similar investments.
The Sonen Global Fixed Income strategy seeks to produce competitive risk-adjusted returns while providing clear, meaningful and measurable social and environmental impact. The strategy includes broad based exposure to global bond issues from sovereign, corporate, supra-national and local governments that exhibit leadership through Environmental, Social and Governance (ESG) qualities or provide highly thematic exposures with specific impacts.

Sonen identifies the social and environmental impacts within its fixed income investment strategy by thoroughly assessing the strategy’s holdings (our 2016 Impact Report and webinar covered our impact methodology and the five ways we measure impact). Understanding the strategy’s holdings helps communicate how different kinds of fixed income investments create social and environmental impact. This also helps ensure underlying investments are consistent with our impact frameworks, and the extent to which securities are relevant to the UN Sustainable Development Goals (see page 34).

Below, we show the impact results of the portfolio through the following processes:

A. Classifying the underlying securities as either Responsible, Sustainable or Thematic;
B. Identifying fixed income sub asset classes (e.g. sovereign bonds versus municipal bonds) and key activities that bond proceeds support;
C. Detailing the key impact themes across the fixed income strategy, and how those themes relate to sustainability issues of global importance; and
D. Evaluating key contributions to the United Nations Sustainable Development Goals (analysis can be found on page 34).

The Impact Classification chart above illustrates the Responsible, Sustainable and Thematic exposures within Sonen’s fixed income strategy.
0% RESPONSIBLE: Responsible investments avoid negative impact by eliminating specific industries or businesses from the portfolio. Sonen does not apply negative screens to its investment process. Rather, it pro-actively seeks positive social and environmental impacts. As a result, there are no Responsible investments in Sonen’s fixed income strategy.

50.5% SUSTAINABLE: Investments that describe HOW underlying securities perform on sustainability issues through environmental, social or governance (ESG) data.

46.8% THEMATIC: Investments that describe WHAT companies or issuers do through goods, products or services provided through underwriting.

2.7% NON-IMPACT: Refers to cash and money market funds held for liquidity purposes.

The five sub-asset classes that comprise Sonen’s fixed income strategy include sovereign bonds (issued by federal governments), development bank bonds (multi- and bi-lateral banks), local government bonds (i.e. municipals), corporate bonds, and asset-backed bonds (Agency Backed Securities, ABS and Mortgage Backed Securities, MBS, and Small Business Administration, SBA). In the table on the right, each sub-asset class is broken down into respective sustainable or thematic components and related impact activities are described for each.

### GLOBAL FIXED INCOME SUB-ASSET CLASSES IMPACT CLASSIFICATION

<table>
<thead>
<tr>
<th>SUB-ASSET CLASS</th>
<th>DESCRIPTION</th>
<th>SUSTAINABLE / THEMATIC</th>
</tr>
</thead>
</table>
| Sovereign Bonds | › SUSTAINABLE: Federal bonds issued by national governments, selected for social, environmental and economic sustainability attributes and evaluated through ESG performance.  
› THEMATIC: Green bonds include such issues that finance investments in energy, transportation infrastructure, and technologies related to waste management, water treatment, environmentally-friendly ships and vehicles and pollution purification facilities. (Manager³) | Sustainable: 43.9%  
Thematic: 2.7% |
| Development Bank Bonds | › Multi-lateral development banks such as Inter-American Development or Asian Development Bank, or national governments. Most Development Bank Bonds owned by Sonen are 100% Thematic.  
› Proceeds are used for various development projects, mainly climate change mitigation and adaptation. Large issues are typically multi-sector, due to the wide scope of underlying activities across multiple sectors. | Sustainable: 21.5%  
Thematic: 0.4% |
| Local Government Bonds | › SUSTAINABLE: Municipal bonds, or bonds issues by regional governments, selected for government ESG profile or sustainability performance generally.  
› THEMATIC: Proceeds used to underwrite specific social or environmental projects, such as local transportation, water/sewage infrastructure or schools. | Sustainable: 13.0%  
Thematic: 3.0% |
| Corporate Bonds | › SUSTAINABLE: General obligation bonds selected for corporate sustainability profile (evaluated through ESG performance).  
› THEMATIC: Green bonds whose proceeds underwrite specific environmental projects, such as clean power generation or transportation, particularly railways. | Sustainable: 9.4%  
Thematic: 3.2% |
| ABS/MBS/SBA | › Supports affordable home ownership and rentals for low income communities in the U.S.  
› Loan proceeds also participate in small business loans across the U.S. for low-income business owners. | Sustainable: 0.0%  
Thematic: 0.2% |
EXAMPLE: SUSTAINABLE AND THEMATIC INVESTING IN LOCAL GOVERNMENTS

- **Sustainable**
  - Victoria Treasury (Australia)
    - Pledged to increase renewable energy production to 20% of total energy by 2020
    - Strong emphasis on development of healthcare infrastructure
    - Low levels of public debt, but room for improvement in managing corruption (MSCI2)
  - Jackson, Mississippi: Water / Water Infrastructure
    - Improvements to the water and sewer system, including an advanced meter infrastructure project that allows for more accurate metering of water consumption and savings. Part of larger strategy to retrofit water infrastructure components to save energy, reduce costs and increase efficiency in water delivery.

SONEN GLOBAL FIXED INCOME: THEMATIC INVESTMENTS

Thematic investing in global fixed income provides one of the clearest, most tangible connections between an investor’s resources and underlying business activity that creates positive social or environmental impact. To reveal further detail into the Thematic impact category, issuers in fixed income are evaluated by what products and services they produce, or how underlying projects financed by investors contribute to specific social or environmental objectives.

THEMATIC EXPOSURES BY GLOBAL FIXED INCOME SUB ASSET CLASS

The chart to the right illustrates five global fixed income sub-asset classes in Sonen’s fixed income strategy (inner circle) as well as the impact themes evident within each sub-asset class (outer circle).
The table below illustrates the proportion of each impact theme within Sonen’s global fixed income strategy, with examples for each impact theme taken directly from underlying bond issues within the strategy.

### Key Impact Themes and Investment Examples in Sonen’s Global Fixed Income Strategy

**Thematic Total: 46.8%**

<table>
<thead>
<tr>
<th>IMPACT THEME</th>
<th>SAMPLE IMPACT FROM 2017 SONEN GLOBAL FIXED INCOME STRATEGY</th>
</tr>
</thead>
</table>
| **ECONOMIC DEVELOPMENT**| › Supporting affordable home ownership/rentals for low income communities in the U.S.  
› Financing for railway networks, roadways, and airport modernization in the U.S.                                    |
| **EDUCATION**           | › Chicago public schools’ “Environmental Action Plan” focuses on energy conservation, waste management, water management, recycling and increased use of green space and gardens within facilities. |
| **ENERGY**              | › Corporate bonds that finance renewable energy technology and converting waste to energy  
› Corporate bonds that finance solar power generation facilities and electric vehicle charging infrastructure.          |
| **ENVIRONMENTAL SERVICES**| › Sovereign bonds that invest in energy, transportation infrastructure, and pollution treatment  
› Local government bonds that finance regional transportation infrastructure, particularly railways.                     |
| **FOOD & AGRICULTURE**  | › German development agency for agriculture and rural areas, with loans for agriculture, forestry, horticulture and other businesses associated with the food industry.  
› Upgrading rural infrastructure, promotion of organic farming and investments for the creation of jobs in rural areas.  |
| **OTHER**               | › Multilateral development banks’ green bonds financing projects that adapt to and mitigate the effects of climate change globally.  
› Issues typically are multi-sector, including clean power generation, energy efficiency retrofits, technical support for small scale agricultural producers, and transportation infrastructure. |
| **WASTE & POLLUTION**   | › Municipal bonds financing the acquisition and upgrading of community-level recycling and waste management facilities.     |
| **WATER**               | › Local government bonds that upgrade sewer and wastewater infrastructure in the U.S.                                       |
To the right, the table depicts an example of a thematic corporate bond issued by ING Bank in the Netherlands. ING Bank issued the green bond in 2016 to finance various environmentally focused projects around the world. (Source: ING)

The table on the right provides an example of a thematic sovereign bond within Sonen’s global fixed income strategy. The Export Import Bank of Korea is a Korean government-owned entity that promotes the development of Korea’s national economy and extends financial aid for overseas investment and natural resource development abroad. (Source: KEXIM)

**EXAMPLE: THEMATIC INVESTING IN GREEN CORPORATE BONDS**

<table>
<thead>
<tr>
<th>Green Corporate Bond</th>
<th>Thematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from ING Bank’s oversubscribed green bonds are used to finance green projects, including the acquisition, development or operation of assets related to:</td>
<td></td>
</tr>
<tr>
<td>› Renewable energy;</td>
<td></td>
</tr>
<tr>
<td>› Green buildings (commercial real estate with specified sustainability certifications such as LEED);</td>
<td></td>
</tr>
<tr>
<td>› Public transportation (e.g. electronic train production and passenger train operation);</td>
<td></td>
</tr>
<tr>
<td>› Waste management (assets that focus on recycling or re-use of wasted materials);</td>
<td></td>
</tr>
<tr>
<td>› Water management (assets for treatment and recycling water); and</td>
<td></td>
</tr>
<tr>
<td>› Energy efficiency measures repaid via energy saving.</td>
<td></td>
</tr>
</tbody>
</table>

**EXAMPLE: THEMATIC INVESTING IN GREEN SOVEREIGN BONDS**

<table>
<thead>
<tr>
<th>Green Sovereign Bond</th>
<th>Thematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from KEXIM’s over-subscribed green bond are used for:</td>
<td></td>
</tr>
<tr>
<td>› Renewable energy generation of all varieties;</td>
<td></td>
</tr>
<tr>
<td>› Promotion of energy efficiency, such as LED lighting, energy saving technologies and energy related information technology;</td>
<td></td>
</tr>
<tr>
<td>› Promotion of environmentally-friendly industries and technologies, including waste management, water treatment, low-carbon transportation and pollution purification facilities.</td>
<td></td>
</tr>
</tbody>
</table>

**Sonen Fixed Income: Sustainable Development Goals Analysis**

Sonen’s global fixed income strategy provides direct contributions to the following the United Nations Sustainable Development Goals:

› SDG 6 (Water);
› SDG 7 (Energy);
› SDG 8 (Employment),
› SDG 9 (Infrastructure);
› SDG 11 (Cities) and SDG 12 (Consumption)
Global Equity

The Sonen Global Public Equity strategy seeks to produce competitive risk-adjusted returns while providing clear, meaningful and measurable social and environmental impact. The strategy pursues investments with broad based exposure to global equity securities with Environmental, Social and Governance (ESG) leadership qualities or that provide highly thematic exposures with specific impacts.

Sonen’s approach to evaluating the social and environmental impacts within its public equity investment strategy includes:

A. Classifying underlying securities as either Responsible, Sustainable or Thematic;

B. Comparing the strategy’s relative performance with its market benchmark (the MSCI ACWI) on specific Environmental, Social and Governance (ESG) key performance indicators;

C. Detailing the key impact themes in evidence across the public equity strategy, and how those themes relate to sustainability issues of global importance; and


The chart above illustrates the Responsible, Sustainable and Thematic exposures within Sonen’s global public equity strategy.

- **0% RESPONSIBLE**: Responsible investments avoid negative impact by eliminating specific industries or businesses from the portfolio. Sonen does not apply such negative screens to its investment process. Rather, Sonen pro-actively seeks positive social and environmental impacts. As a result, there are no Responsible investments in Sonen’s public equity strategy.

- **43.5% SUSTAINABLE**: Investments describe HOW underlying securities perform on sustainability issues through ESG data.

- **47.4% THEMATIC**: Investments describe WHAT companies do through goods, products or services provided.
9.2% NON-IMPACT: Refers to cash and money market funds held by sub-advisors while in search of attractively priced, positive impact companies for Sonen’s strategy.

SONEN PUBLIC EQUITY: THEMATIC INVESTMENTS

Sonen compares relative environmental, social and governance (ESG) performance of underlying securities in its public equity strategy against conventional financial benchmarks using aggregated ESG data and ratings. Because of the strategy’s overall composition and global diversification, we benchmark its financial and impact performance against the MSCI All Country World Investable Market Index (MSCI ACWI), which we feel provides an accurate and appropriate representation for comparison given the global focus of the strategy.

ESG performance indicators allow for direct comparisons across industries, sectors or market benchmarks. Sonen uses such aggregated ESG data and performance ratings in several ways:

1. To communicate the relative sustainability performance of the strategy’s holdings, selected specifically for their sustainability attributes and contributions to the global sustainable development agenda;
2. As a tool to reduce and ultimately eliminate exposure to poor performers and excessive liabilities, such as labor rights violations, disproportionate carbon emissions or ethical scandals at the board level;
3. To compare sustainability performance between industries and sectors over time, using data sets that can reveal related trends showing how well a company or portfolio may be improving such performance; and
4. To evaluate securities’ (at individual or portfolio level) respective contribution to the United Nations Sustainable Development Agenda. In some cases, proposed impact indicators for the SDGs map well to various ESG data, and, where possible, allow investors to evaluate portfolio contributions to the SDGs.

We believe that companies that exhibit higher performance on various ESG dimensions are simply better investments, reflecting strong management quality and proactive business practices that enhance business sustainability.

The following ESG analysis compares the sustainability performance of Sonen’s public equity strategy to that of the MSCI ACWI benchmark along eight separate ESG indicators. Where possible, Sonen is including previous years’ performance analysis from earlier annual impact reports in order to illustrate longitudinal sustainability performance.

ENVIRONMENT: HIGHLIGHTS ON ESG PERFORMANCE

Sonen evaluates the climate performance of its public equity strategy using two key performance indicators relating to carbon emissions: Total Weighted Carbon Emissions and Average Carbon Intensity. The charts to the right illustrate both indicators’ performance for Sonen’s public equity strategy and the MSCI ACWI benchmark for the period FY2012 - FY2016.

**TOTAL WEIGHTED CARBON EMISSIONS:**

- For FY 2016, Sonen’s strategy released only 15% of the total carbon emissions, on a weighted basis, compared to the MSCI ACWI Benchmark (734,500 tons vs 4,999,242 tons).

**CARBON INTENSITY:**

- In 2016, Sonen’s strategy released 2.5x fewer emissions for every dollar of sales (112 tons versus 279 tons) in carbon intensity relative to its benchmark.

Sonen’s global public equity strategy continues to outperform the market benchmark on both measures, as it has done since these measurements began in our 2014 annual impact report.

Chart Source Data: MSCI ESG Research 12/31/2016. Measuring and comparing intensity (unit/$mm in revenue) allows for a comparison between companies with significantly different scales of operations and/or market capitalizations. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research. Note: Not every company included in these indices reports on carbon emissions, toxic emissions, water withdrawal or other ESG data. Each of these charts reflects available data for the portfolio and its respective benchmark.
Due to imminent global water scarcity, careful stewardship and use of the precious resource is a key, global sustainability goal (as reflected in the UN Sustainable Development Goals). Sonen evaluates water sustainability across its public equity strategy through Average Weighted Water Withdrawals and Average Water Withdrawal Intensity relative to the market benchmark.

The next two charts compare relative performance for both indicators between Sonen’s public equity strategy and the MSCI ACWI Index.

The graphs illustrate Average Weighted Water Withdrawals and Water Withdrawal Intensity for FY 2012 – 2016 and reflect actual data reported in previous annual impact reports.

- Average weighted water withdrawals illustrate the total amount of annual water consumption by portfolio companies on a weighted basis.
- Average water withdrawal intensity illustrates water withdrawals relative to total sales, providing a comparison across companies of disparate sizes and scales of operation.

In both cases, Sonen’s strategy reflects lower total water use and lower rates of water use intensity (with the exception of water withdrawal intensity for FY2016).

Sonen’s water intensity is more comparable to the benchmark throughout the period (i.e. 2014-2017) due to the strategy’s disproportionate exposure to water utilities and water-related infrastructure companies, an intentional impact focus for the strategy since its inception. As data continues to become available for FY2016, we anticipate that the portfolio’s water intensity will be below that of the benchmark as it has been in previous years. At the time of report preparation, not all water consumption data was available for the previous year.

Social: Highlights on ESG Performance

Sonen evaluates social performance along three key performance indicators which we believe are most germane to impact investors, and are important proxies for gauging the overall workforce wellbeing across large and complex supply chains.

These indicators include:

- Workforce Health and Safety (i.e. managing workplace risk of injury)
- Labor Management (reflecting workforce satisfaction and employee benefits, for example); and
- Controversial Sourcing (the degree to which companies rely on raw materials that originate from regions with human rights or labor abuses, or whose sourcing may actually encourage such conflicts).

The charts below illustrate the percentage of companies that earn higher ratings than the average benchmark score for 2017 (as well as the previous four years’ scores from earlier impact reports). In most cases, a larger proportion of securities in Sonen’s public equity strategy earn scores that exceed the average benchmark score, with the exception of Labor Management and Controversial Sourcing. We anticipate that underperformance evident in 2017 for Labor Management will be mitigated as more companies provide related data for the most recent reporting year.

As in past years’ reports, the reporting interval for Controversial Sourcing is still very low, reflecting affected industries’ inability to fully report on the extent of their exposure to conflict minerals as a result of complex international supply chains, or possibly not wanting to attract negative attention by collecting and reporting poor performance.
HEALTH & SAFETY

Higher rankings are attributable to comprehensive policies to mitigate safety risks, training, operational audits, improvement targets.

EXAMPLE

Jerónimo Martins
Online and retail grocer in Portugal, Poland and Colombia.
› Ranks in top quartile for Health & Safety performance relative to industry peers.
› Board–level Health and Safety Committee exerts oversight throughout company operations.
› Recent investments in training, awareness and audits resulted in the company’s best safety performance during 2016.

LABOR MANAGEMENT

Higher rankings are attributable to providing competitive compensation, benefits or performance incentives; efforts to develop formal communications channels with employees.

EXAMPLE

Brambles, Inc.
Reusable pallets, crates and containers and associated logistics services.
› Strong employee benefits and development programs.
› Compensation includes employee contribution and matching share plan.
› Annual employee satisfaction surveys allow the company to monitor morale and productivity among employees. (MSCI6)

CONTROVERSIAL SOURCING

Higher rankings are attributable to companies able to trace the origin of their raw materials and certify that they were obtained in a way that minimizes social harm (e.g. slave labor, funding for groups engaged in human rights violations).

EXAMPLE

Taiwan Semiconductor
Design and manufacture of communications systems for home and office use.
› Highest level of compliance for sourcing in the industry.
› The company requires all suppliers to only source from certified conflict-free smelters — non-compliant smelters are removed from its supply chain.
› 2016 was the second year in which the company reported that all smelters were certified conflict-free.
GOVERNANCE HIGHLIGHTS ON ESG PERFORMANCE

Sonen evaluates three indicators on corporate-level governance that we believe reflect best practices. These indicators include:

1. Gender diversity on corporate boards: apart from the principle of corporate boards that should better reflect the population at large, Sonen takes note that corporations with more gender diverse boards exhibit improved financial performance (as measured by Return on Equity and higher Earnings per Share (see this link for 2015 research))

2. Board ethics and fraud rankings, reflecting companies’ exposure to insider trading or ongoing litigation that may reflect poor judgment and corporate leadership; and

3. Board Independence, which evaluates the proportion of board members that are independent of corporate management, and thus better able to protect shareholders’ interests.

Chart One (top left) illustrates the average percentage of women on corporate boards. For the last five years, Sonen’s public equity strategy has maintained higher average representation of women on corporate boards as compared to the benchmark.

Chart Two (middle) illustrates the percentage of companies reporting zero women on the board. Sonen consistently reports significantly fewer companies that exhibit no board-level gender diversity compared to the benchmark.

BUSINESS ETHICS AND FRAUD

For 2012 and 2014, Sonen’s global public equity strategy maintained a higher proportion of companies with better ratings for managing business ethics and fraud (see Chart 3 above).

For 2016, Sonen slightly underperformed on this indicator (76.5% vs 77.4% for the benchmark). For 2016, underperformance may be attributable to fewer companies’ having ratings available for the most recent year.

Sonen will monitor this indicator as data continues to be made available to determine if there is truly underperformance among underlying holdings or if this is a result of data availability.
The chart above illustrates the percentage of independent board members (i.e. those members that have no material relationship with the company) among Sonen’s public equity strategy compared to the MSCI ACWI benchmark. For this indicator, Sonen reflects a consistently higher percentage of independent board members for the period (data prior to 2014 is not available) which we believe exhibits corporate governance best practices.

The chart below illustrates the distribution of overall ESG rankings for Sonen’s public equity strategy compared to the ACWI benchmark. Such rankings are a composite score reflecting various ESG dimensions. Sonen clearly demonstrates a greater proportion of higher-rated companies as compared to the benchmark, which is consistent with its focus on selecting best-in-class ESG performance among its public equities.

Sonen’s public equity strategy provides direct contributions to the following United Nations Sustainable Development Goals:

- SDG 3 (Health);
- SDG 6 (Water);
- SDG 7 (Energy);
- SDG 9 (Infrastructure);
- SDG 11 (Cities), and
- SDG 12 (Consumption). See page 34 for in-depth analysis.
SONEN PUBLIC EQUITY: THEMATIC INVESTMENTS

Similar to our process in fixed income, Thematic public equity securities are evaluated by the extent to which business activities align with specific social or environmental objectives. Sonen’s Thematic public equity investments are intended to provide diverse, complementary and highly targeted impact exposures that address key sustainability issues, such as climate change, resource scarcity and community development.

At the end of 2017, Sonen’s public equity investment strategy maintained thematic exposures in six key areas, including Health, Energy, Water, Economic Development, Waste and Pollution and Environmental Services. Examples of specific underlying holdings for each theme are provided in the chart below.

**KEY IMPACT THEMES AND INVESTMENT EXAMPLES IN SONEN PUBLIC EQUITY STRATEGY**

<table>
<thead>
<tr>
<th>IMPACT THEME</th>
<th>EXAMPLE</th>
<th>IMPACT ACTIVITIES</th>
</tr>
</thead>
</table>
| HEALTH       | GLAXO SMITH KLINE | › Five years in a row as top rank in Access to Medicines Index, reflecting the company’s commitment to expanding access and availability of its medications in low- and middle-income countries. (Access to Medicines Index[^9])  
› Leader in product donations and equitable pricing strategies depending on geography. |
| ENERGY       | CHINA EVERBRIGHT | › Leading provider of waste-to-energy services in China, improving solid waste management practices, reducing methane emissions from landfills and providing energy generation from renewable sources.  
› Combined 43 waste-to-energy projects in operation with total processing capacity of 39,100 tons/day (China Everbright[^10]), all of which treat municipal solid waste and supply electricity to the local grid. |
| WATER        | COPASA  | › Brazilian water utility operating water supply and wastewater treatment services in the state of Minas Gerais.  
› Water and sewage services to residential, commercial and industrial users in Minas Gerais, with 11.3 million customers (Copasa[^11]). |
| ECONOMIC DEVELOPMENT | YUTONG BUS COMPANY | › China’s largest bus manufacturer, earning 70% of revenues from long range electric buses, city buses and other high capacity vehicles. (Yutong[^12])  
› In 2016, Yutong delivered nearly 54,000 energy-saving buses beyond China’s borders, including Europe, the Middle East and Taiwan. (Yutong[^13]) |
| WASTE & POLLUTION | TOMRA SYSTEMS | › Technology for waste sorting, particularly recycling in large-scale municipal recycling and sorting facilities. Recovers valuable materials from waste, for recycling or energy generation  
› More than 10,500 units installed in 80 countries (Tomra[^14]) |
| ENVIRONMENTAL SERVICES | TETRA TECH | › U.S. engineering, consulting and program management company operating in water, environmental, infrastructure, and resource management markets.  
› Offers water and wastewater infrastructure design and construction; flood control and green infrastructure design and construction  
› Projects overseas include climate change adaptation strategies and climate-resilient development planning. (TetraTech[^15]) |

**IMPACT THEMES EVIDENT IN SONEN GLOBAL EQUITY STRATEGY**

![Pie chart showing the distribution of impact themes in Sonen’s global equity strategy. Health: 22.5%, Wastewater & Pollution: 6.8%, Economic Development: 4.8%, Energy: 1.5%, Environmental Services: 1.5%, Water: 4.0%]
We believe it is important to send a critical message to the corporate world: Issues of sustainability are increasingly important to shareholders and are becoming more material to the broader investment community. Sonen’s work on behalf of shareholders aims to advance best practices and related disclosures across corporate Environmental, Social and Governance activities.

Sonen’s work in shareholder advocacy and engagement aims to support ESG leadership and transparency among the companies in our portfolios through a blend of dialogue, engagement on key issues and shareholder advocacy.

We consider shareholder advocacy a critical lever by which to express investor Intentionality and Additionality in public markets (see Sonen’s AIMS framework for reference). Our efforts generally focus on improving corporate sustainability policy given our belief in the importance of ESG performance through four areas of activity:

- Direct dialogue with corporations:
  - Sonen maintained dialogue with SPX Corporation over the year, following up on 2016’s successful engagement to begin corporate sustainability reporting at the company.

- Shareholder resolutions in concert with other asset managers:
  - In 2017, Sonen led the filing of one shareholder resolution encouraging management to tie executive compensation to improved sustainability performance.
  - Sonen also co-filed four other resolutions on topics including GHG emissions and gender diversity.

- Lending our voice and AUM to a global group of like-minded investors:
  - Sonen continued its active participation within our network of more than 10 industry working groups that bring together investors and nongovernment organizations to collaborate in support of key topics across ESG issue areas. Affiliations range broadly from animal welfare to chemical safety in products to gender diversity within corporate leadership.

- Proxy voting through direct ownership of corporate stock.

**ADVOCACY AND INDUSTRY AFFILIATIONS**

As part of Sonen’s engagement and advocacy efforts in sustainability, and in partnership with 11 industry working groups, we continue to participate in initiatives that work to increase transparency in corporate practices and policies. Overall, these advocacy activities lend our voice, as a sustainability-minded asset manager and through our total assets under management, to the global group of investors who advocate for increased transparency and improved performance on key ESG issue areas. The next page highlights Sonen’s various industry affiliations.
SONEN INDUSTRY AFFILIATIONS

› CERES, Investor Network on Climate Risk: Represents $20 trillion in assets from 130 institutional investors to advance investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy and equitable and sustainable planet.

› Portfolio Decarbonization Coalition: Represents $800 billion in assets across 32 investors with decarbonization commitments. PDC is a multi-stakeholder initiative that seeks to support and catalyze the transition to a low-carbon economy by encouraging and mobilizing institutional investors to decarbonize their investment portfolios.

› CDP: Sonen is an investor signatory to CDP. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Sonen encourages companies it owns to participate in CDP’s annual surveys on carbon emissions, water use and deforestation-related matters.

› Chemical Footprint Project: Represents $2.3 trillion in CFP Signatories assets (investors, retailers, large-scale purchasers, and NGOs) that encourage manufacturers and brands to participate by revealing chemicals of concern that exist within supply chains or products.

› Farm Animal Investment Risk and Return: Sonen is a founding member. The FAIRR Initiative aims to ensure that investors understand the risks and opportunities that emerge from intensive livestock farming and poor animal welfare standards, and to support investors to assess these issues as part of their investment processes. Sonen’s position on sustainable agriculture and its related investment process will be highlighted in a FAIRR case study to be published in 2018.

› Business Benchmark on Farm Animal Welfare. In January 2017, Sonen signed the Investor Statement on Farm Animal Welfare. The Business Benchmark is the first global measure of company performance on animal welfare and, since its inception in 2012, has established itself as a catalyst for influencing change in corporate practices on animal welfare management and reporting. BBFAW invites signatories to sign letters to consumer brands and lend voice and AUM from an investor in support of best practices.

› Thirty Percent Coalition: The Thirty Percent Coalition seeks senior leadership in companies and the corporate boardroom to reflect the gender, racial and ethnic diversity of the United States workforce. The mission of the Thirty Percent Coalition is to promote gender diversity, including women of color, on corporate boards. Board diversity has been broadly identified as one of the leading measurements on which there is a compelling correlation with improved shareholder value and company performance.

› Sustainable Stock Exchanges Initiative: The Sustainable Stock Exchanges (SSE) initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG issues and encourage sustainable investment. The SSE is organized by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). More info here.

› UN Principles for Responsible Investment: Sonen is a signatory to the UNPRI. The PRI is the world’s leading proponent of responsible investment. It works to under-
stand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole. It encourages investors to use responsible investment to enhance returns and better manage risks.

› B-Corps. B Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk. B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. See Sonen’s score here. 2016 Best of the World recognition; updated certification in 2018.

› GIIRS Platinum rating, the highest rating possible. GIIRS Ratings are the emerging standard for impact measurement in impact investing. They are rigorous, comprehensive, and provide comparable ratings of a company or a fund’s social and environmental impact. The GIIRS Rating measures the overall impact of a business on all of its stakeholders. Sonen received the highest possible GIIRS Rating in its last assessment. See Sonen GIIRS rating for more details and to access the actual ratings report.

SONEN’S PUBLIC PARTICIPATION IN SUSTAINABILITY ISSUES

Over the course of 2017, Sonen lent its voice in multiple different letter writing campaigns alongside other institutional investors, non-government organizations and private sector companies expressing support for various sustainability issues. Topics covered include:

› Environmental issues relating to climate change;
› Antibiotics use or policy tools that encourage environmental stewardship;
› Various social issues (e.g. workplace safety, financing private prisons);
› Governance issues (pay ratio disclosures and conflict mineral disclosures).

Copies of letters, as well as Sonen’s fellow signatories, are available to clients upon request.

In April 2017, Sonen released an investor briefing it co-authored with Transform Finance and the Business and Human Rights Centre discussing how investors can manage their human rights risks and responsibilities related to their investments in renewable energy. The briefing summarized how renewable energy projects may have adverse impacts on local communities, as well as a toolkit for investors to ensure that such impacts are avoided.

Later in 2018, Sonen’s approach to investing in sustainable agriculture will be featured in a case study prepared by the Farm Animal Investment Risk and Return initiative.

SHAREHOLDER ENGAGEMENT

In addition to our general advocacy efforts, direct shareholder engagement is part of Sonen’s active management process. In instances where we identify gaps within ESG leadership in our portfolios, our first attempts at engagement are made through direct corporate dialogue, resorting to filing shareholder resolutions with a company if efforts to come to a mutual agreement are unsuccessful. Such resolutions are presented to all company shareholders on the annual proxy, as well as at the company’s annual general meeting.
In 2017, Sonen lead-filed one resolution and co-filed four other resolutions. Highlights of each can be found below.

### 2017 SONEN SHAREHOLDER RESOLUTIONS

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>NATURE OF ENGAGEMENT (PARTNERS)</th>
<th>PROPOSAL</th>
<th>STATUS / OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPEDITORS</td>
<td>Lead Filed Shareholder Resolution (Clean Yield Asset Management, Zevin Asset Management)</td>
<td>Sonen’s proposal requests that the Expeditors’ Board of Directors assess the feasibility of integrating sustainability metrics into the performance measures of senior executives under the Company’s compensation incentive plans.</td>
<td>This proposal received 21% support from all shareholders, particularly encouraging given that this was the first year that the resolution was filed with the Company. The threshold for re-filing a resolution is 3% of shareholder support, reflecting typically low levels of support for first time resolutions. While results are not binding, we feel that the engagement process makes clear that sustainability reporting carries significant interest among shareholders. At the Company’s annual meeting, Expeditors’ CEO Jeffrey Musser responded directly to this proposal in his comments, stating that sustainability is something that the Company prioritizes and continues to make progress on. Sonen to monitor progress and intends to repeat filing a resolution if satisfactory progress is not observed.</td>
</tr>
<tr>
<td>DENTSPRY SIRONA</td>
<td>CoFiled Shareholder Resolution (Trillium Asset Management)</td>
<td>Resolution requesting a report on steps the company is taking to foster greater gender diversity on the Board, including an explicit commitment to include women and underrepresented minority candidates.</td>
<td>Withdrawn: Company and Board agreed on steps and stipulations to improve gender diversity. Company has also made strides in developing a more equal executive pipeline.</td>
</tr>
<tr>
<td>SEMPR ENERGY</td>
<td>CoFiled Shareholder Resolution (As You Sow)</td>
<td>Resolution requesting that Sempra Energy issue a report disclosing the Company’s enterprise-wide policies for assessing, monitoring, and reducing its methane emissions; describing the climate change risk its methane emissions creates for the Company; and discussing the feasibility of setting quantitative methane emission reduction targets across its operations.</td>
<td>Withdrawn by As You Sow, following agreement to report on methane emissions disclosure and reduction.</td>
</tr>
<tr>
<td>DANAHER</td>
<td>CoFiled Shareholder Resolution (Calvert was the lead filer)</td>
<td>Proposal requesting that Danaher adopt time-bound, quantitative and science-based goals for reducing GHG emissions, aligned with Paris Climate Agreement.</td>
<td>Proposal received more than 30% support from shareholders. Ongoing discussions with corporate management on progress to implement sustainability reporting particularly on climate change and water related risks to business. Sonen expects to finalize reporting agreement with the company in 2018.</td>
</tr>
</tbody>
</table>
KEY IMPACT THEMES AND INVESTMENT EXAMPLES IN SONEN PUBLIC EQUITY STRATEGY

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>NATURE OF ENGAGEMENT (PARTNERS)</th>
<th>PROPOSAL</th>
<th>STATUS / OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD SUPPLY</td>
<td>Co-Filed / Dialogue (Calvert)</td>
<td>Proposal requesting that the company begin issuing annual sustainability reports.</td>
<td>Decided not to file resolution after engagement with company and general agreement on participation in ESG process. Sonen and co-filers remain in contact with corporate management on a bi-annual basis to assure continued progress. While actual reporting has been delayed due to a corporate transition, the company has dedicated an internal staff person to lead the effort.</td>
</tr>
<tr>
<td>SPX</td>
<td>Lead Filed Shareholder Resolution</td>
<td>Resolution requesting that the corporation issue a comprehensive sustainability report addressing sustainability risks and opportunities.</td>
<td>Withdrawn with agreement from SPX to begin sustainability reporting on set schedule. Sonen has monitored ongoing progress on sustainability reporting. See this link for 2017 progress and inaugural sustainability report. Subsequent reporting milestones continue through 2021.</td>
</tr>
</tbody>
</table>

PROXY VOTING

As part of our ongoing portfolio monitoring, and in collaboration with our strategy’s sub-advisors, Sonen tracks all proxy voting activity. During 2017, companies in Sonen’s strategies were subject to 42 shareholder proposals, ranging from substantive proposals to provide greater disclosure on gender pay gaps to more frivolous topics such as providing free parking for shareholders.

The two most common issue areas among 2017’s shareholder proposals included increasing corporate disclosure on political and lobbying expenses and reporting on gender pay gaps. The most common ESG issue areas within 2017’s shareholder proposals are summarized in the table on the right. In 2017, Sonen’s voting record supported 43% of shareholder proposals, generally supporting votes that we believe are in the best long-term interests of the company, shareholder value and sustainability performance. Our voting record is available to our clients by request.

SAMPLE ESG ISSUE AREAS AMONG 2017’S 42 SHAREHOLDER PROPOSALS

<table>
<thead>
<tr>
<th>ENVIRONMENT</th>
<th>SOCIAL</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tie executive compensation to specific sustainability performance</td>
<td>Reporting on gender pay gap</td>
<td>Appoint independent board chair</td>
</tr>
<tr>
<td>Reduce GHG Emissions in line with Science Based Targets</td>
<td>› Employee diversity reporting</td>
<td>Reduce ownership threshold to call a shareholders’ special meeting</td>
</tr>
<tr>
<td>› Disclosure of political spending</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2017 Shareholder Proposals by Type

![Bar chart showing the distribution of shareholder proposals by type: Environment (4), Social (24), Governance (10), Other (4)]
Sonen launched its fourth investment strategy in March of 2016, seeking assets uncorrelated to traditional equity and fixed income markets and providing unique and direct social and environmental impact opportunities.

The strategy’s focus on highly thematic impact exposures and intermediate liquidity profile provides a complement to our public markets strategies, given its intermediate liquidity profile and minimal correlation to traditional assets. The impact focus helps drive global sustainability through three key themes: renewable energy, ecosystem services and financial services for small and medium enterprises (SMEs) globally. The table below summarizes the strategy’s various investments.

**IMPACT SUMMARY FOR SONEN’S MULTI-STRATEGY**

<table>
<thead>
<tr>
<th>EXPOSURE</th>
<th>DESCRIPTION</th>
<th>KEY SOCIAL OR ENVIRONMENTAL IMPACTS</th>
</tr>
</thead>
</table>
| SME GROWTH I                 | Provides capital to local financial institutions in emerging and underserved markets to stimulate economic growth through support for SMEs. | › Increase access to financial services among small-scale enterprises in developing countries  
› Enterprise and employment growth  
› Focus on women-led businesses |
| SME GROWTH II                | Provides much-needed finance to small and medium-sized businesses in sub-Saharan Africa. | › Increase access to financial services among small-scale enterprises in developing countries  
› Employment growth  
› Enterprise Growth |
| CLEAN ENERGY                 | Invests in solutions to global energy and environmental issues, through technologies that offer alternatives to, or make more efficient use of, natural resources, particularly clean energy. | › Thematic investing in renewable energy and natural resource optimization |
| ECOSYSTEM SERVICES           | Acquires tradeable water assets to support the efficient allocation of water in water-stressed regions. | › Conservation and restoration of inland freshwater ecosystems  
› Sustainable water withdrawals and supply of freshwater |
| FOSSIL FUEL FREE MULTI-STRATEGY | Provides diversification and the potential for attractive risk-adjusted returns due to exposure to a variety of specialized investment strategies. | › Exposure to multiple asset classes with no direct exposure to fossil fuels or the fossil fuel industry |
According to the International Finance Corporation, jobs and employment are the principal way out of poverty. Asian and African economies must create 200 million jobs by 2020 just to keep up with population growth (IFC). SMEs account for 90% of all businesses globally, yet total unmet demand for credit by all SMEs is estimated to total $3.5 Trillion.

Sonen’s multi-strategy includes two separate investments in underlying strategies that expand access to finance for small and medium enterprises (SMEs) in developing economies. These investments are intended to facilitate job growth and local economic stimulus. Both of Sonen’s underlying multi-strategy investments focus on emerging economies and help provide access to capital to SMEs so that they may stabilize, grow and expand their operations.

**SME INVESTMENT ONE**

Sonen’s first investment focuses on working capital loans for SMEs in Western Europe, Latin America, North Africa and SE Asia. Key results include:

- More than 2,800 SMEs have received over $US598M in loans cumulatively.
- More than 11,000 jobs have been created among these SMEs, 33% of which are for women.
- SMEs receiving financing report average revenue growth of 34%.
- 47% of SMEs are women-owned.

**SME INVESTMENT TWO**

Sonen’s second investment in SME growth provides finance to enterprises in sub-Saharan Africa and also emphasizes employment growth and wage growth for employees. Key results include:

- 12 enterprises received financial services.
- These enterprises sustained more than 1,400 jobs.
- Starting in 2018, this investment will begin enhanced impact reporting and will track indicators on job creation, wealth creation, enterprise growth and economic stimulus in regions where it makes investments.

**SME INVESTMENT ONE CASE STUDY: WOMAN-OWNED ENTERPRISE IN COSTA RICA**

In 2005, Katherine Murillo launched a company selling promotional goods, such as branded t-shirts and water bottles. With help from her sister, Katherine hired two employees for graphic design and business operations and soon won a contract with one of Costa Rica’s largest corporations operating in food, beverage, hotel and real estate.

Katherine is typical of many small-scale entrepreneurs: she had a promising idea but a lack of assets hindered her ability to raise funds from commercial banks to finance her business operations. Her weak credit rating made commercial loans from banks nearly impossible, and the lack of access to finance limited working capital and her business’s ability to expand and serve more clients.

A line of credit from one of Sonen’s underlying investments enabled Katherine to continue business operations and cover expenses between payments from her various contracts. With newly available finance and working capital, Katherine’s revenues expanded, she won more business and she hired more employees. In 2016, Katherine started her own charity, Alma Fuerte, for cancer survivors.
Starting in 2018, this investment will begin enhanced impact reporting and will track aggregate indicators on job creation, wealth creation, enterprise growth and economic stimulus in regions where it makes investments.

**SME TWO CASE STUDY: SMALL AND MEDIUM ENTERPRISE GROWTH IN SOUTH AFRICA.**

CZ Electronics, formed in 2002, manufacturers a wide array of electronic products in Boksburg, South Africa. The company employs 395 people, the vast majority of which are disadvantaged women. Sonen’s investment provides small and medium enterprises, such as CZ Electronics, with much-needed financing so that these enterprises may grow and increase local employment.

Sonen’s investment in CZ Electronics has helped the company significantly expand its workforce (from 150 to 395) and add new manufacturing equipment in the Boksburg plant. Sonen’s investment provides the capital necessary to help CZ Electronics increase its production of low-cost smartphones and tablets, which are widely used among South Africa’s lower-income population.

The company has a level 2 ‘BEE’ rating (Black Economic Empowerment), the second highest rating available, reflecting its efforts to participate in a South African government program to redress racial inequality and increase economic opportunity for disadvantaged populations in that country.

**CLEAN ENERGY**

Another component of Sonen’s multi-strategy is focused mainly on renewable energy and natural resources, focusing on small- and mid-cap equities globally. The strategy seeks to identify technologies that enhance natural resources use and provide alternatives to conventional energy production. Major drivers of financial and impact returns include China’s burgeoning demand for natural gas as it transitions away from coal-fired power generation, as well as the continuing growth of the renewable power generation sector worldwide.

The five largest positions in this strategy include three separate providers of utility-scale renewable power generation and power distribution facilities across North and South America and Spain, an electric car manufacturer and a vertically integrated organic food producer in the U.S.

**ECOSYSTEM SERVICES**

As noted in Sonen’s 2016 Annual Impact Report, one of the first investments in Sonen’s multi-strategy was to participate in a water rights trading market based in Australia’s Murray Darling Basin (MDB).

After decades of poor resource management in the MDB, water runoff to rivers, creeks and wetlands is severely diminished, leaving most local ecosystems within the Basin in poor health. To optimize limited water resources, Australia’s 1994 Water Reform Framework created a national legal mechanism for a water “market,” based on the view that water is a commodity. The MDB water market is the largest water market in the world and is globally recognized as a successful example of a cap and trade mechanism for a natural resource, providing social, environmental and financial benefits to all stakeholders. According to Australia’s National Water Commission, water trade in the MDB has encouraged on-farm innovation in water use, enabled more effective risk management for irrigators and helped to move water from low to higher value consumptive uses via trade.

In 2017, Australian authorities completed an interim evaluation of the 10 year “Basin Plan,” the set of organizing principles that will result in the sustainable approach to water use across the Basin by 2024. The water trading market is an instrumental part of the wider Basin Plan that moves water to its highest value use, and helps agricultural and industrial users adapt to changing economic and environmental conditions.

According to the 2017 Basin Plan Evaluation, the following results have been observed:

- Water recovery, or the amount of water that is targeted to remain in waterways for ecological purposes, is nearly complete and on target for its 2019 long-term target. See diagram of water recovery on next page.
- Water quality across the Basin has improved, with salinity targets met in 80% of tested sites.
- Improving fish populations; reduced rate of decline for water bird populations; and early signs of positive responses by native vegetation.

Additional findings in the Basin Plan Evaluation indicate that water trading markets are an important component to improving the overall efficiency of the use of water. The Evaluation further indicates that water markets’ operation continues to improve as more information is made available to the public to assist trade.
FOSSIL FUEL FREE MULTI-STRATEGY

Sonen’s multi-strategy includes one core investment in a fossil-free multi-strategy that we regard as impact neutral (i.e. it provides little positive or negative impact creation). This specialized strategy invests across multiple asset classes in order to generate non-correlated investment returns, but avoids investment in any business or industry related to fossil fuels, including energy extraction, production or transmission and distribution. As we continue to add highly thematic investments to our multi-strategy, this investment will gradually diminish in size.

Global Sustainable Real Assets

Investing in real assets is designed to help investors increase portfolio diversification, generate stable cash flow, hedge future inflation risks and provide downside protection. However, investing in real assets typically also brings exposure to oil, gas, and/or other extractive industries with deleterious environmental impact. Sonen’s GSRA investment strategy, launched in 2014, provides investors with the benefits of real assets along with an explicit and unambiguous connection to key sustainability themes such as climate change, natural resource management and resource efficiency. Through its investments in sustainable real assets, Sonen seeks to accelerate the transition to a low-carbon economy, promote resource use efficiency and increase the stock of land, water and trees under sustainable management.

GSRA will provide access to a global portfolio of 12-15 real asset investments, diversified across sectors, strategies, investment stages and geographies. These investments are aimed at optimizing investment returns and providing clear, measurable impact that relate to the strategy’s intended impact outcomes. Our progress in achieving these outcomes is monitored and reported via a set of 19 specific impact indicators, described in detail on page 32 of this report. Quantitative data for all available indicators is collected and aggregated annually, and is also highlighted on page 33 of this report.

Investments are spread around six key impact sectors within the strategy: Green Real Estate, Clean Power, Sustainable Timber, Environmental Infrastructure, Sustainable Agriculture and Land/Water Resources. The charts below illustrate the geographic and impact sector exposure of our real assets holdings as of December 31, 2017, as well as the anticipated geographic and impact sector target exposures by the end of the investment period in mid-2019.
<table>
<thead>
<tr>
<th>INVESTMENT SECTOR</th>
<th>GEOGRAPHY</th>
<th>INVESTMENT STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Timber</td>
<td>North America</td>
<td>Investments in large working landscapes and mitigation banks with high conservation value in the U.S. and Canada. Permanent land protection through sale of working forest conservation easements.</td>
</tr>
<tr>
<td>Green Real Estate</td>
<td>Africa</td>
<td>Invests in the acquisition and development of green residential and supporting commercial real estate for middle-income households.</td>
</tr>
<tr>
<td>Green Real Estate</td>
<td>United States</td>
<td>Transitions well-located properties suffering from poor management or undercapitalization to value growth and income generation through capital improvements focused largely on sustainability features and tenant amenities.</td>
</tr>
<tr>
<td>Clean Power</td>
<td>Africa</td>
<td>Invests in the development and construction of renewable energy generation assets across Sub-Saharan Africa, including small hydro, wind, geothermal and solar production.</td>
</tr>
<tr>
<td>Clean Power</td>
<td>United States</td>
<td>Investment in a company that develops, acquires or finances utility-scale solar energy projects operating under long-term power purchase agreements.</td>
</tr>
<tr>
<td>Clean Power</td>
<td>United States</td>
<td>Invests in commercial solar opportunities in the U.S., including to rural and economically underserved geographies.</td>
</tr>
<tr>
<td>Green Real Estate</td>
<td>United States</td>
<td>Acquires and refurbishes distressed residential properties in New York with consideration for energy efficiency and water use, as well as safety and upkeep in continued operations.</td>
</tr>
<tr>
<td>Clean Power</td>
<td>Asia</td>
<td>Invests in renewable energy projects in South and Southeast Asia including small hydro, wind, geothermal and solar.</td>
</tr>
<tr>
<td>Green Real Estate</td>
<td>United States</td>
<td>Develops and maintains affordable, green housing for low-income populations and senior citizens, improving properties from both environmental and social perspectives.</td>
</tr>
</tbody>
</table>

**IMPACT ANALYSIS**

**THE IMPACT WE SEEK IN SUSTAINABLE REAL ASSETS INVESTING**

To guide its investment decision making for its Sustainable Real Assets strategy, Sonen identifies four long-term environmental outcomes that are intended to result from the strategy’s underlying investment activities: Sustainability, Efficiency, Renewability and Restoration. These four outcomes form the foundation from which underlying investments are considered and evaluated for impact performance. Page 31 describes each impact outcome in more detail.

Sonen also employs our own internal ‘Impact Frameworks’ that identify specific social or environmental outcomes that we hope to achieve through our impact investing in specific, discrete impact themes. To date, Sonen has published impact frameworks covering the following impact themes:

1. Energy
2. Water
3. Sustainable Agriculture
4. Green Real Estate
5. Sustainable Infrastructure
6. Financial Services (Q2 2018)
7. Health (Q3 2018)
## LONG-TERM TARGET IMPACT OUTCOMES FOR SONEN’S REAL ASSET STRATEGY

<table>
<thead>
<tr>
<th>IMPACT OUTCOME</th>
<th>DEFINITION</th>
</tr>
</thead>
</table>
| **Sustainability** | › Investing in environmental infrastructure and natural assets that promote resource optimization and the conservation of limited natural resources that can be managed by local communities  
› Satisfying essential human and ecological needs amidst growing demand for natural resources, food, energy and urbanization alongside an ever-increasing global population |
| **Efficiency** | › Investing in the infrastructure, technologies and services that optimize the use of limited natural resources and that are created, owned and managed at the community level  
› Meeting the growing demand for energy and natural resources while continually decreasing the impact and footprint of the use of these resources |
| **Renewability** | › Expanding availability of locally-managed, distributed renewable energy sources as part of the growing global demand for electricity and related infrastructure, particularly in emerging market economies, where demand will be greatest  
› Increasing the use of recycled and repurposed materials and resources to reduce waste and require fewer raw materials for production |
| **Restoration** | › Protecting land and water resources from the pressures of population growth and urbanization, and retaining sustainable land use practices for local communities  
› Increasing the global stock of natural ecosystems that provide vital ecosystem services for the climate and for current and future generations |

## IMPACT MEASUREMENT: IRIS INDICATORS

For each of the six underlying impact sectors in GSRA, Sonen collects quantitative and qualitative impact data at regular intervals. Quantitative data is comprised of 19 core impact indicators and 16 supplemental indicators (all IRIS-compliant) that relate directly to the strategy’s four intended impact outcomes listed in the table on the left.

As some of the investments in this strategy are long-term in nature, and because some underlying projects are under development or construction, impact data is not always available. All impact indicators for each impact sector are listed in the following table.
## IMPACT SUMMARY FOR SONEN’S GLOBAL SUSTAINABLE REAL ASSETS

<table>
<thead>
<tr>
<th>INVESTMENT SECTOR</th>
<th>CORE IMPACT INDICATORS</th>
<th>SUPPLEMENTAL IMPACT INDICATORS</th>
</tr>
</thead>
</table>
| **CLEAN POWER**         | ➢ MWh generated through renewable sources  
                          ➢ GHG offsets through renewable production (tons)  
                          ➢ Geographic location and type of renewable energy source | ➢ Number of people with access to clean power  
                          ➢ Clean power beneficiaries, by income strata or geographic region |
| **SUSTAINABLE TIMBERLAND** | ➢ Total land area under sustainable management  
                           ➢ Trees planted (native species)  
                           ➢ Units/Volume of sustainable timber sold | ➢ Ecological Restoration Management Area (acres)  
                           ➢ Operational certifications  
                           ➢ Land permanently conserved  
                           ➢ Jobs maintained at supported enterprises |
| **SUSTAINABLE AGRICULTURE** | ➢ Total sustainable cultivated area  
                            ➢ Units/Volume of sustainable agricultural products sold  
                            ➢ Total payments made to smallholder suppliers | ➢ Number of communities served  
                            ➢ Number of permanent employees  
                            ➢ Revenue generated at supported enterprises |
| **GREEN REAL ESTATE**   | ➢ Energy saved/conserved (KWh) via property improvements  
                            ➢ Total area with energy efficiency improvements (m²)  
                            ➢ Percent of property with sustainable certification | ➢ Percent of properties located in low-income geographies/census tracts, or providing services to disadvantaged populations (e.g., elderly, low-income) |
| **LAND AND WATER RESOURCES** | ➢ Total protected land area with High Conservation Value or water bodies  
                            ➢ Ecosystem services (CO₂ sequestration, habitat and watershed protection)  
                            ➢ Ecological restoration management area | ➢ Water bodies present  
                            ➢ Land area under sustainable management with ecological restoration management  
                            ➢ Protected land areas adjacency  
                            ➢ Certification |
| **ENVIRONMENTAL INFRASTRUCTURE** | ➢ Total reduction in GHG emissions (CO₂e)  
                            ➢ Clean power generated (MWh)  
                            ➢ Amount of waste diverted from landfill  
                            ➢ Wastewater treated and water production capacity | ➢ Jobs created by supported enterprises  
                            ➢ Toxic emissions reduction |
stations, solar photovoltaic and small-scale hydro power plants across continental Europe.

2. Green Real Estate (UK): Real estate investments focused in London, incorporating energy, water and waste strategies but also an explicit focus on the health, happiness, and well-being of residents.


4. Clean Power (Europe): Investments in renewable power generation (solar, wind and hydro-power), as well as energy transmission, storage and distribution whose core assets or activities are related to the renewable power sector. Target geography is the European Union, in particular France, Germany, Ireland, Finland and the UK.

Sonnen measures alignment with the SDGs not by their broad goals, but by how well we can report on specific impact indicators that are suggested by the UN. We believe this approach provides a more authentic and accurate test of an investment’s contribution to respective SDGs. Our SDG analysis can be found on page 34.

### 2018-2019 SUSTAINABLE REAL ASSETS INVESTMENT PIPELINE

By the end of its investment period in 2019, GSRA anticipates completing a total of 12-15 investments across the six key impact sectors listed on page 32. Our investment pipeline includes several additional impact sectors that we have not yet made commitments to, but are actively targeting, including Sustainable Agriculture and Environmental Infrastructure. These opportunities include:

1. Clean Power (Europe): The fund will seek to create a diversified portfolio of onshore wind farms, biomass power stations, solar photovoltaic and small-scale hydro power plants across continental Europe.

### IMPACT MEASUREMENT: SUSTAINABLE DEVELOPMENT GOALS

Sonnen’s sustainable real assets strategy provides investors an excellent opportunity to align resources with the UN Sustainable Development Agenda. Sonnen’s real assets strategy provides explicit and definitive contributions to four SDGs, most notably through its investments in environmentally friendly infrastructure, green real estate and land conservation and restoration. Impact is delivered primarily to:

- SDG 15 (Life on Land),
- SDG 7 (Clean Energy), and
- SDG 11 (Sustainable Cities).

#### IMPACT SUMMARY FOR SONEN GLOBAL REAL ASSETS STRATEGY

<table>
<thead>
<tr>
<th>Sector</th>
<th>Core Impact Indicators</th>
<th>2015 DATA</th>
<th>2016 DATA</th>
<th>2017 DATA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clean Power</strong></td>
<td>1. MWh generated through renewable sources</td>
<td>1. 819,700</td>
<td>1. 1,571,692</td>
<td>1. 1,498,592</td>
</tr>
<tr>
<td></td>
<td>2. GHGs offset through renewable production (tons)</td>
<td>2. 350,407</td>
<td>2. 1,076,649</td>
<td>2. 1,038,403</td>
</tr>
<tr>
<td></td>
<td>3. Number of people with access to clean power</td>
<td>3. 537,629</td>
<td>2. 739,574</td>
<td>3. 728,680</td>
</tr>
<tr>
<td><strong>Green Real Estate</strong></td>
<td>1. Energy saved/conserved (KWh) via property improvements</td>
<td>1. 0</td>
<td>1. 0</td>
<td>1. 4,247,765</td>
</tr>
<tr>
<td></td>
<td>2. Total area with energy efficiency improvements (m²)</td>
<td>2. 131,171</td>
<td>2. 217,616</td>
<td>2. 540,229</td>
</tr>
<tr>
<td></td>
<td>3. Percent of property with sustainable certifications</td>
<td>3. 71%</td>
<td>3. 72%</td>
<td>3. 62%</td>
</tr>
<tr>
<td></td>
<td>4. Total Number of Units</td>
<td>4. 1,642</td>
<td>4. 4,372</td>
<td>4. 13,150</td>
</tr>
<tr>
<td></td>
<td>5. Percent serving low-income population</td>
<td>5. 8%</td>
<td>5. 10%</td>
<td>5. 24%</td>
</tr>
<tr>
<td><strong>Sustainable Timberland</strong></td>
<td>1. Total land area under sustainable management (acres)</td>
<td>1. 136,695</td>
<td>1. 171,551</td>
<td>1. 389,926</td>
</tr>
<tr>
<td></td>
<td>2. Native tree species planted (acres)</td>
<td>2. 0</td>
<td>2. 588</td>
<td>2. 851</td>
</tr>
<tr>
<td></td>
<td>3. Units/Volume of sustainable timber sold (tons)</td>
<td>3. 0</td>
<td>3. 164,421</td>
<td>3. 178,533</td>
</tr>
</tbody>
</table>
SONEN SUSTAINABLE DEVELOPMENT GOAL ANALYSIS

Sonen was among the first investment firms to track its investments’ contributions to the Sustainable Development Goals (SDGs) in its 2015 Annual Impact Report. Sonen continues to deepen our SDG analysis to better understand the contribution our public and private markets investments make to the SDGs. We examine specific impact indicators suggested by the UN and perform a granular examination of how business activities (or government activities) from the strategy’s underlying investments can contribute to specific SDGs.

The table below illustrates eight SDGs where Sonen’s various investment strategies make definitive, direct contributions to each goals’ respective impact targets. Where these contributions are evident, we provide a short profile of typical, actual investments in each strategy that will help achieve the SDGs.

<table>
<thead>
<tr>
<th>SDG IMPACT TARGETS</th>
<th>SDG 3: GOOD HEALTH AND WELL BEING</th>
</tr>
</thead>
<tbody>
<tr>
<td>› End AIDS, tuberculosis, malaria and other communicable diseases</td>
<td></td>
</tr>
<tr>
<td>› Provide universal health coverage</td>
<td></td>
</tr>
<tr>
<td>› Reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</td>
<td></td>
</tr>
</tbody>
</table>

Sonen Global Fixed Income  › Limited/No Exposure to SDG 3

Sonen Global Public Equity  › Investments in pharmaceutical companies leading the industry in providing access to critical medicine in poor regions.
› Holdings include top performers in the Access to Medicines Index, including GlaxoSmithKline (#1), Merck KGaA (#4) and NovoNordisk (#10).
› Multiple holdings in environmental remediation, pollution abatement and pollution mitigation technologies.

Sonen Multi-Strategy  › Limited/No Exposure to SDG 3

Sonen Global Sustainable Real Assets  › Limited/No Exposure to SDG 3
<table>
<thead>
<tr>
<th>SDG IMPACT TARGETS</th>
<th>SDG 6: CLEAN WATER AND SANITATION</th>
<th>GOAL 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide universal access to water, sanitation and hygiene</td>
<td>Municipal bonds in the U.S. focusing on water infrastructure, efficiency and water savings.</td>
<td>Universal access to affordable, reliable and modern energy services</td>
</tr>
<tr>
<td>Improve water quality</td>
<td>Development bank bonds that finance climate change and adaptation, focusing on water management, water quality and ecosystem restoration.</td>
<td>Increase the share of renewable energy in global energy mix</td>
</tr>
<tr>
<td>Increase water-use efficiency</td>
<td></td>
<td>Double the rate of global energy efficiency</td>
</tr>
<tr>
<td>Protect and restore water-related ecosystems</td>
<td></td>
<td>Expand renewable energy infrastructure in developing economies</td>
</tr>
<tr>
<td>Sonen Global Fixed Income</td>
<td>Technology that increases water efficiency for residential, commercial and industrial uses; sanitation and purification technologies</td>
<td>Bonds that finance commercial, industrial and utility-scale renewable power production across the U.S. and Europe</td>
</tr>
<tr>
<td>Sonen Global Public Equity</td>
<td>Water infrastructure, including storm water, sewage treatment globally</td>
<td>Clean power generation infrastructure and distribution</td>
</tr>
<tr>
<td>Utilities that provide access to water and sanitation, particularly in some emerging economies such as Brazil.</td>
<td>Energy efficiency technologies across commercial, industrial and residential applications</td>
<td>Lower energy intensity and total carbon emissions relative to benchmark.</td>
</tr>
<tr>
<td>Lower water intensity and consumption relative to market benchmark</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sonen Multi-Strategy</td>
<td>Water efficiency upgrades for industrial and agricultural use in Australia’s Murray Darling Basin, resulting in water savings of 106GL by 2018, with forecast savings of 450GL by 2024.</td>
<td>Long/Short strategy focused on renewable energy producers, related technologies and industry players.</td>
</tr>
<tr>
<td>Monitoring ecosystem health including vegetation, fish and aquatic species.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sonen Global Sustainable Real Assets</td>
<td>IFC EDGE-certified green building standards reduce water use by a minimum 20%/year</td>
<td>Utility scale clean power generation in the U.S., Africa and SE Asia</td>
</tr>
<tr>
<td>Watershed restoration and mitigation banking within continental U.S.</td>
<td></td>
<td>Commercial and industrial rooftop solar in the U.S. and Europe</td>
</tr>
<tr>
<td>Goal 8: Promote Sustained, Inclusive and Sustainable Economic Growth, Full Employment and Decent Work for All</td>
<td>Goal 9: Build Resilient Infrastructure, Promote Inclusive and Sustainable Industrialization and Foster Innovation</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>SDG Impact Targets</strong></td>
<td><strong>SDG Impact Targets</strong></td>
<td></td>
</tr>
<tr>
<td>Promote job creation and growth of small and medium sized enterprises, including through access to financial services</td>
<td>Facilitate sustainable and resilient infrastructure that facilitates affordable and equitable access, particularly in Africa</td>
<td></td>
</tr>
<tr>
<td>Improve global resource efficiency in consumption and production</td>
<td>Increase access to financial services for SMEs in developing countries</td>
<td></td>
</tr>
<tr>
<td>Achieve full employment and decent work for women and men</td>
<td>Enhanced resource-use efficiency and adoption of environmentally sound technologies and industrial processes.</td>
<td></td>
</tr>
<tr>
<td><strong>Sonnen Global Fixed Income</strong></td>
<td><strong>Sonnen Global Fixed Income</strong></td>
<td></td>
</tr>
<tr>
<td>Limited exposure in financial services companies providing software, finance and business software for SMEs</td>
<td>Development bank bonds finance large-scale infrastructure projects that adapt to and mitigate the effects of climate change in emerging markets</td>
<td></td>
</tr>
<tr>
<td><strong>Sonnen Global Public Equity</strong></td>
<td><strong>Sonnen Global Public Equity</strong></td>
<td></td>
</tr>
<tr>
<td>Limited exposure in financial services companies providing software, finance and business software for SMEs</td>
<td>Environmental planning for large-scale urban areas; water infrastructure in emerging economies</td>
<td></td>
</tr>
<tr>
<td><strong>Sonnen Multi-Strategy</strong></td>
<td><strong>Sonnen Multi-Strategy</strong></td>
<td></td>
</tr>
<tr>
<td>More than 2,800 small and medium sized enterprises financed in Africa, Latin America, Eastern/Western Europe</td>
<td>More than 2,800 small and medium sized enterprises financed in Africa, Latin America, Eastern/Western Europe</td>
<td></td>
</tr>
<tr>
<td>Sustained more than 12,400 jobs in financed enterprises</td>
<td>Financial services to small and medium sized enterprises in Africa, Latin America, Eastern/Western Europe.</td>
<td></td>
</tr>
<tr>
<td>Focus on women-led enterprises and employers</td>
<td><strong>Sonnen Global Sustainable Real Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Limited/No Exposure to SDG 8</td>
<td>Utility scale clean power generation and distribution in the U.S., Africa and SE Asia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commercial and industrial rooftop solar in the U.S. and Europe</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Affordable, sustainable housing construction in South Africa emphasizing energy savings, water savings and reduced materials use.</td>
<td></td>
</tr>
<tr>
<td>SDG IMPACT TARGETS</td>
<td>Sonen Global Fixed Income</td>
<td>Sonen Global Public Equity</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Increase access to safe and affordable housing; focus on sustainable buildings and local materials</td>
<td>Affordable housing, small business loans in low-income communities in U.S.</td>
<td>Energy efficient public transportation and railway infrastructure</td>
</tr>
<tr>
<td>Access to safe, affordable and accessible sustainable public transport systems</td>
<td>Sovereign, municipal and development bank bonds that finance local transportation, including roadways and railways</td>
<td>Environmental remediation technologies for industrial emissions, water treatment and waste sorting/treatment/recycling</td>
</tr>
<tr>
<td>Reduce environmental impact of cities, namely air quality and waste management</td>
<td>Development bank bonds that finance public transportation</td>
<td>Better sustainability profile, relative to benchmark, as measured through ESG data</td>
</tr>
</tbody>
</table>

**Goal 11: Make Cities and Human Settlements more Inclusive, Safe, Resilient and Sustainable**

**SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS**

- Sustainable management and efficient use of natural resources
- Reduce waste generation through prevention, reduction, recycling and reuse
- Reduce chemical and toxic wastes emissions and human exposure
- Encourage companies to adopt sustainable practices
- Government bonds finance improved waste management practices and facilities, including waste-to-energy technology
- Technologies that enhance resource efficiency and re-use
- Environmental remediation technologies for industrial emissions, water treatment and waste sorting/treatment/recycling
- Better sustainability profile, relative to benchmark, as measured through ESG data
<table>
<thead>
<tr>
<th>SDG IMPACT TARGETS</th>
<th>SDG 15 - Life On Land: Protect, restore and promote sustainable use of terrestrial ecosystems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>› Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems, in particular forests, wetlands, mountains and drylands</td>
</tr>
<tr>
<td></td>
<td>› Restore degraded land and soil</td>
</tr>
<tr>
<td></td>
<td>› Reduce the degradation of natural habitats, the loss of biodiversity and extinction of threatened species</td>
</tr>
<tr>
<td></td>
<td>› Mobilize resources to conserve and sustainably use biodiversity and ecosystems</td>
</tr>
<tr>
<td>Sonen Global Fixed Income</td>
<td>› Limited/No Exposure to this Goal</td>
</tr>
<tr>
<td>Sonen Global Public Equity</td>
<td>› Limited/No Exposure to this Goal</td>
</tr>
<tr>
<td>Sonen Multi-Strategy</td>
<td>› Future satellite-based imagery will map the expanse and condition of floodplain forests across the Murray Darling Basin (MDB)</td>
</tr>
<tr>
<td></td>
<td>› 16 wetlands listed as internationally significant (Ramsar sites) within MDB</td>
</tr>
<tr>
<td></td>
<td>› The Basin Plan articulates specific outcomes related to restoring the natural water flow and water availability through the MDB and protecting 35 species of conservation significance</td>
</tr>
<tr>
<td></td>
<td>› Federal government allocated $AUS1.575 billion for water efficiency infrastructure in order to help recover water for environmental purposes.</td>
</tr>
<tr>
<td>Sonen Global Sustainable Real Assets</td>
<td>› Restoration of wetlands and riparian areas in the U.S.</td>
</tr>
<tr>
<td></td>
<td>› Permanent conservation of high conservation value landscapes</td>
</tr>
<tr>
<td></td>
<td>› Habitat protection for threatened species in the U.S.</td>
</tr>
<tr>
<td></td>
<td>› Combining private and public finance for long-term and permanent landscape conservation</td>
</tr>
</tbody>
</table>
Sonen’s fifth annual impact report explains our impact evaluation methodology and illustrates the impact of our public and private investment strategies. For our public equity strategy, we use quantitative ESG data to demonstrate relative differences in the impact performance of our public equity strategy and the MSCI ACWI IMI benchmark. Various ESG Key Performance Indicators, provided alongside the previous three years’ results, illustrate where Sonen’s public equity strategy outperforms the benchmark, namely carbon emissions, water use, health and safety and gender diversity on corporate boards. Sonen also proudly participated in various shareholder advocacy and engagement efforts to further improve the ESG leadership that our public equity strategy already demonstrates.

Each of Sonen’s investment strategies is described by respective exposures to specific impact themes, such as energy or community development. Sonen continues to refine how such categorizations are made and how specific themes contribute to a larger sustainability agenda, such as the analysis performed in this report on the sub-asset classes that comprise Sonen’s fixed income strategy.

Since it first reported on its strategies’ alignment with the UN Sustainable Development Goals, Sonen continues to deepen our SDG analysis to specifically illustrate where our various investment strategies provide measurable, meaningful contributions to underlying impact targets.

Sonen’s fourth investment strategy, launched in 2016, focuses on highly thematic unique strategies that tend to have a low correlation to traditional assets. This strategy is increasingly able to provide detailed impact reporting from underlying investments, a trend we expect to improve significantly during 2018. The impact focus of this strategy helps drive global sustainability through themes including ecosystem services (water conservation) and financial services for small and medium enterprises globally.

Lastly, Sonen’s real assets strategy approved two additional investments in 2017, and the strategy continues to focus on green real estate, clean power infrastructure and sustainable timber. As more underlying projects are completed, we will continue to gather more impact data that will measure specific results in quantitative terms and illustrate how we are achieving our four intended outcomes for this strategy: Sustainability, Efficiency, Restoration and Renewability.

**LOOKING AHEAD**

As in previous years, Sonen expects to continue refining and improving its impact evaluation methodology and reporting. Specific areas of focus will be more detailed reporting in fixed income, particularly for government and corporate green bonds; expanding our ability to identify how business activities can contribute to global sustainability in indirect but important ways; and continuing to deepen our analysis of long-term climate impacts using Science Based Targets.
Sonen will continue to publish impact frameworks, which identify specific social and environmental impacts that we wish to see manifest within specific impact themes. This will include financial services and health in Q2 and Q3 2018.

Lastly, Sonen will continue to make new allocations to its global real assets strategy, seeking opportunities in sustainable agriculture and environmental infrastructure. And the real assets strategy will continue to collect and report on specific IRIS-based impact indicators over the year.

In 2018, Sonen will also launch a new private-markets impact investment strategy, regionally focused in Latin America. Investments will be made in high-impact, early- and mid-stage companies and funds and will target eight impact themes. These themes include financial services, education, healthcare, small- and medium-sized enterprises, green real estate, sustainable agriculture, land and water conservation, and environmental infrastructure.

LEARN MORE ABOUT SONEN CAPITAL

Sonen regularly publishes information on impact investing in both public and private markets, including theme-specific impact frameworks that identify how we prioritize investments among specific impact themes such as water, energy, sustainable agriculture and green real estate. Sonen also keeps readers informed of our growing impact measurement and evaluation methodologies, as well as regular publications and speaking engagements. Please visit www.sonencapital.com for more information.

SOURCES

3. Page 12 (ING): ING Group; Debt Issuance Programme; November 5 2015
4. Page 12 (KEXIM): Same as number one above
6. Page 16 (Brambles): ESG Rating Report; MSCI; November 24 2017
7. Page 16 (Taiwan Semiconductor) (not currently sourced, but if needed): ESG Rating Report; MSCI; February 9 2015
  Two: Yutong web site; http://en.yutong.com/z/newenergybus/
APPENDICES

Bloomberg Barclays Global Aggregate Bond Index — A broad-based measure of global Investment Grade fixed-rate debt investments. The index covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit, and collateralized securities. The liquidity constraint for all securities in the index is $300 million. Securities included will have at least 1 year until final maturity and be denominated in one of 23 eligible currencies.

MSCI ACWI - The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging markets country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging markets country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

DISCLOSURES

Limited Purpose of the Report: This document is provided for informational and educational purposes only. Any reference to a particular investment, portfolio does not constitute a recommendation or an offer by Sonen Capital to buy, sell or hold such investment or security. This report does not constitute a solicitation or offer to provide any advice or services in any jurisdiction, including without limitation, any jurisdiction in which such a solicitation or offer is unlawful or to any person to whom it is unlawful.

No Financial, Investment, Tax or Legal Advice: The information herein is not intended to provide, and should not be construed as, financial, investment, tax or legal advice. The information contained herein does not take into account the particular investment objectives or financial circumstances of any particular recipient, or whether or not any recommendation, investment, security or strategy described herein is suitable or appropriate for the reader’s investment objectives and financial situation. Recipients of this report are strongly urged to consult with their own advisers regarding any potential strategy, investment or transaction.

Third-Party Sources: Sonen Capital has obtained certain information in this report from third-party sources that it believes to be reliable, but such information has not been independently verified and no representation as to its accuracy or completeness is made. Except as otherwise indicated, the information provided herein is based on matters as they exist as of fiscal year 2016 and not as of any future date. This presentation will not be updated or otherwise revised to reflect information that may become available, or based upon any change in circumstance occurring after the date that appears on the cover of this presentation.

MSCI Source Data: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third-party involved in or related to compiling, computing or creating the data have the liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI’s express written consent.

Assumptions: Certain analyses contained in this report are based on a number of assumptions which, if altered, could materially affect the conclusions reached in this report. Sonen Capital reserves the right to change any opinions expressed, or assumptions made, herein without notice.

Copyright Notification: No part of this report may be reproduced except as authorized by written permission from Sonen Capital.
sonen capital

Social & Environmental impact investment management