THE TRADE-OFF WE DIDN'T HAVE TO MAKE

How the Sorenson Impact Foundation Invested in Impact and Achieved Outsized Returns

SORENSON IMPACT FOUNDATION

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Note that this report is the sequel to our June 2019 report about how our process unfolded through the first two years of our journey. That report can be found on our website at: sorensonimpactfoundation.org/journey-to-mission-alignment/

INTRODUCTION: A LETTER FROM

JIM SORENSON

In the year 2021, most people and institutions do not need to be convinced of the validity of the statement, "where you invest your money, matters." Investors are increasingly evaluating how the funds and companies they invest in are treating people and the planet as we know that these are important indicators of future corporate success. Investor relations offices at major corporations are getting calls from investors asking for data ranging from diversity and inclusion metrics to carbon emission reduction statistics and supply chain optimization programs. Similarly, investment funds are recognizing that there are a lot of opportunities, not only for deep societal impact, but also for strong financial returns in sectors that are improving the world such as affordable housing, clean energy, health-tech and ed-tech. Over the past few years, some of the largest private equity firms in the world have launched dedicated impact funds totaling billions of dollars. And globally, over $1 trillion has now been invested in impact strategies by esteemed investors such as BlackRock, Bain Capital, KKR, and others. For the global financial community, impact investing is becoming more mainstream.

For the Sorenson Impact Foundation, why we invest in impact investments is clear: to do more with our money than just earn a return. As a charitable foundation, we have a philanthropic portfolio that we use to make concessionary investments whereby we accept higher risk or potentially lower returns for the prospect of high social return. But in the larger portfolio, the endowment of our Foundation, we don't have that luxury: in order for the foundation to survive and support our charitable mission, we must invest the endowment in a portfolio that generates a strong return and grows so we can continue to distribute grants and conduct our work in perpetuity.

It is our belief—backed by the data we've collected on our own three-year journey—that investing for impact as well as returns is not just a "feel good" thing to do; it is an opportunity to capture outsized financial returns. Impact is increasingly being used as a proxy for quality: companies that do better by our people and our planet tend to do better financially. When they treat their employees and suppliers well, they have lower turnover, higher innovation output, and far less headline and political risk. When they treat the communities they work in and the environment they are a part of with care and respect, they establish long-term foundations and partnerships for sustainable growth.

The simplest example from our own portfolio is this: two years ago we invested in an index optimization provider that incorporates impact research. They use a quantitative algorithm to aggregate a significant amount of data in order to assess the impact of a company on the people and planet including categories such as board and leadership diversity, employee safety measures, and carbon emissions. The fund's algorithm divested from airline manufacturer, The Boeing Company, a full year before the first devastating crash in 2018 that tanked the stock price. Why? Because their data suggested that Boeing was only hitting the minimum required safety standards for the industry, which the fund viewed as potentially harmful for employees and customers alike. Though index funds are generally supposed to mirror a certain index, in this case the S&P 500, our strategy has consistently outperformed the benchmark. And we believe it is because by focusing on impact, they are also focusing on high quality, sustainable companies.

This is one of many examples that powered us to strategically divest and reinvest the Foundation's endowment over the last three years such that as of December 31, 2020, we now have a fully diversified portfolio composed entirely of impact investments. We are invested in public equity, private equity, venture capital, real estate, and fixed income strategies in a fully diversified portfolio just like most other institutional investors. However, every single fund manager we work with is dedicated to achieving high impact alongside strong financial returns.

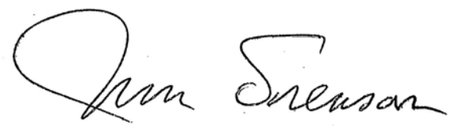
And this strategy has paid off. Since we began this journey, our portfolio performance has beat our benchmark by a wider margin than ever before. Changing our portfolio allocation helped us avoid the negative impact of some of the largest industry failures in 2019 and 2020. And importantly, our investments are now doing more than earning money: they are lowering carbon emissions, supporting diversity and inclusion efforts, accelerating new education and healthcare access solutions, and building affordable housing among others. Further, over 70% of the funds we are invested in are either owned or managed by a woman or a person of color, which is more than 5x higher than most institutional portfolios, including other foundations.

It was a learning process for us to embark on a novel strategy like this, but this process has yielded a great benefit: we are proud that our dollars are invested in alignment with our values, and we believe that we are supporting the growth of a more sustainable, equitable world.

So, naturally we wanted to share what we've learned in hopes that others may want to explore a similar strategy. This report focuses on providing our playbook to other investors—be they foundations, family offices, pension funds, or individuals—to show a live example of how to achieve this dual outcome of financial returns plus values alignment and social impact.

We hope that in the following pages, by seeing what we learned and an overview of our investment process, that you will be inspired to consider applying an impact lens and framework to your investment strategy going forward as well.

Sincerely,



Jim Sorenson

DEFINITIONS OF TERMS

UN SDG

The United Nations Sustainable Development Goals are the seventeen goals that the United Nations developed to alleviate human suffering around the world with initiatives such as reducing poverty, eliminating hunger, and combating climate change.

THEMATIC IMPACT INVESTMENT

Thematic impact investments are those that are rooted in making something good happen versus merely avoiding something bad. An example would be investing in a fund that accelerates low-income housing development whereas a non-thematic investment would be investing in a fund of public companies who have stronger diversity, equity, and inclusion practices than their peers.

ESG

Environmental, Social, Governance investments are typically investments in companies who adhere to the highest environmental, social, and governance standards. For example, an investor who prioritizes the “Environment” in ESG may invest in companies who have taken measurable steps to lower their carbon footprint.

MRI

Mission-related investments are impact investments seeking a market-rate return and are found in SIF’s investment portfolio as opposed to PRIs which are a part of the grant portfolio.

SIF

The Sorenson Impact Foundation

SIC

The Sorenson Impact Center

ENDOWMENT

A US charitable foundation’s corpus or endowment is the primary capital used to establish the foundation that must grow by at least 5% per year in order for the foundation to continue to distribute funds each year in perpetuity. This is typically invested in a diversified portfolio seeking risk-adjusted market rate returns similar to pension funds or other growth-seeking investment portfolios.

SEPIO CAPITAL

A multi-family office and institutional advisory firm which serves as the financial advisor for the The Sorenson Impact Foundation. Sepio manages the primary endowment assets and investment strategy and has built a robust impact practice alongside its work for the Foundation.

PRI

Program-related investments are deemed by the IRS to be treated like a grant for tax purposes even though the capital can be returned, with a profit, for investment into future causes.

UNDERSTANDING THE MISSION-ALIGNED INVESTING LANDSCAPE

TRADITIONAL INVESTING	IMPACT INVESTING					TRADITIONAL PHILANTHROPY
FINANCIAL FIRST	MISSION-RELATED INVESTMENTS (MRI)			IMPACT FIRST	PROGRAM-RELATED INVESTMENTS (PRI)	CHARITABLE GRANTS
MARKET-RATE	MARKET-RATE			BLENDED	CONCESSIONARY	DONATIONS
- SEEK TO MAXIMIZE RISK-ADJUSTED RATES OF RETURN - SELECTION DRIVEN BY TRADITIONAL INVESTMENT CHARACTERISTICS	- SEEKS BOTH FINANCIAL AS WELL AS SOCIAL RETURNS ON INVESTMENT - TARGETS A RISK-ADJUSTED MARKET RATE OF RETURN WHILE SUPPORTING THE INVESTOR'S MISSION BY GENERATING A POSITIVE SOCIAL OR ENVIRONMENTAL IMPACT			- INVESTMENTS INTENDED TO PRIORITIZE MEASURABLE SOCIAL AND ENVIRONMENTAL IMPACT OVER A FINANCIAL RETURN - INVESTORS MAY ACCEPT BELOW-MARKET (CONCES-SIONARY) RETURNS	- INVESTMENTS DEFINED BY THE IRS TAX CODE WHOSE: + PRIMARY PURPOSE IS TO ACCOMPLISH ONE OR MORE EXEMPT PURPOSES + PRODUCTION IF INCOME OR APPRECIATION OF PROPERTY IS NOT A SIGNIFICANT PURPOSE - INVESTORS MAY ACCEPT BELOW-MARKET (CONCESSIONARY) RETURNS - ELIGIBLE TO COUNT TOWARDS ANNUAL IRS REQUIRED MINIMUM SPENDING	- NO EXPECTATION OF ANY FINANCIAL RETURN - ALIGNED WITH VALUES AND/OR MISSION - TYPICALLY COUNTS TOWARDS MINIMUM IRS SPENDING REQUIREMENT
	SRI (NEGATIVE SCREENING)	SUSTAINABLE (ESG)	THEMATIC (IMPACT)			
	- SRI: SOCIALLY RESPONSIBLE INVESTING - VALUES-BASED - EXCLUDES INVESTMENTS TO ALIGN WITH INVESTOR'S VALUES	- POSITIVE TILTING - CONSIDERS ESG FACTORS CRITERIA WHEN INVESTING	- INVESTING IN SOLUTION-ORIENTED COMPANIES - FOCUSES ON SPECIFIC THEMES			
+ EQUITY + FIXED INCOME + CASH + ALTERNATIVE INVESTMENTS	+ CERTIFICATES OF DEPOSIT (CDs) + MUTUAL FUNDS / ETFs / UITs + SEPARATE ACCOUNTS + PRIVATE PARTNERSHIPS				+ EQUITY + LOANS & LOAN GUARANTEEES + SOCIAL IMPACT BONDS + PRIVATE PARTNERSHIPS	+ CASH + SECURITIES + OTHER PROPERTY + INTANGIBLES

SORENSON IMPACT FOUNDATION

SEPIO CAPITAL

THE INSPIRATION

FOR USING OUR CAPITAL FOR GOOD

The Sorenson Impact Foundation (SIF) is unique among most US foundations: founded in 2012, when the impact investing field was still in its earliest stages, SIF was established decidedly to invest in socially impactful businesses while encouraging others to do the same. By taking a new approach to philanthropy, SIF has catalyzed potentially game-changing businesses working to provide sustainable improvement in jobs, education, healthcare, and overall livelihoods for underserved communities around the globe. In addition to creating impact, SIF has another fundamental purpose: to model its investment process and rigor after traditional investors in order to demonstrate that impact investing is investing, thereby making "impact investing" more attractive to much broader pools of capital beyond philanthropic organizations.

As an entrepreneur from a family of successful entrepreneurs, Jim Sorenson has founded, grown, sold, and managed numerous companies over his career, including one in particular that transformed his view on traditional philanthropy. In 2003, Sorenson Communications developed a technology called Video Relay Service (VRS) that enabled the deaf population to communicate with the hearing population more efficiently than its predecessor, TTY technology. VRS was estimated to increase the deaf population's ability to find and maintain employment by approximately four times, and when the company sold to GTCR in 2005, it was regarded as one of the largest leveraged buyouts in the state of Utah at the time. For Jim, this was an "aha" moment: while creating considerable shareholder value, his company had also helped solve a major problem for an underserved community in a scalable, self-sustaining way.

Until that point, most of Jim's philanthropy had been typical of the time: donations and grants awarded primarily to non-profits working on causes that he and his family felt strongly about. However, after his success at Sorenson Communications, Jim was inspired by the idea that social good could become embedded in a sustainable and scaled business that did not rely upon grants or donations. In the wake of the recession, seeing many grant-funded organizations crumble with their beneficiaries and left bereft of support, Jim's desire to find more win-win situations like Sorenson Communications grew.

After several years of exploring the forms of impact investing available at the time, Jim took a bold step in 2012 and established a foundation that would be dedicated to impact investing, both making investments and building the ecosystem. He established the foundation's core mission—to fund innovative, scalable solutions to the world's most pressing challenges—and worked with lawyers and tax accountants to determine how the foundation could utilize its annual distribution requirement as well as its corpus to make catalytic investments in early-stage social enterprises and newly emerging impact funds.

Ultimately, the foundation decided to start its work as an impact investor using program-related investments (PRIs), which are deemed by the IRS to be treated like a grant for tax purposes even though the capital can be returned, with a profit, for reinvestment into future causes. Program-related investments were a logical first step into impact investing for the foundation: after all, had the dollars not been deployed to launch for-profit businesses with social missions, they would have been granted, or given away, primarily to non-profits with social missions. And for SIF, they could use PRI strategies to help catalyze potentially game-changing new start-up companies. To date, the Foundation has invested in over sixty early-stage companies as PRIs, achieved multiple successful exits, and positively impacted the lives of over 200 million people around the world with access to healthcare, education, clean water, jobs, and safety; all while achieving a total value to a paid-in capital multiple in line with traditional investment benchmarks and a significantly lower loss rate. For SIF, this success accelerates its impact as a field builder hoping to inspire other investors to consider the impact of their investments.

But in early 2016, the Foundation decided to expand its mission from the early-stage venture investing arena to the broader public and private investing sectors: the Foundation set out to determine whether they could achieve success, both financial and impact, by building a fully diversified portfolio including all of the Foundation's assets, including those in the endowment where growth and returns were critical to the Foundation's continued existence. At the time, there were a few examples in the market including The Heron Foundation, The Ford Foundation, and the Rockefeller Brothers Fund, all of which had pursued the bold strategy to invest some, if not all, of their investments into impact investments. But the concept was still nascent and considered non-traditional.

So, building on SIF's experience with PRIs, in early 2016, Jim went to the Foundation's financial advisors to discuss how they could mission align the investments in the corpus. After interviewing financial advisors, foundations, investment firms, and fund managers about the mission alignment process and gathering as much data as possible, Sepio Capital and SIF, acknowledging that there was no definitive playbook in the market, embarked on the process of moving the Foundation's endowment fully into impact investments while building their own playbook in the process. With a bias toward action, Jim, as chairman of the Foundation's board, articulated,

> "We know there will be some learning-by-doing with this process, but we need a place to start; I believe there is a way to invest in mission-related investments that will also sustain the foundation into the future."

2012
+ Sorenson Impact Foundation founded by Jim and Krista Sorenson

2013
+ 7 PRIs into early-stage start-ups in the first year
+ Sorenson Impact Center endowed at the University of Utah
+ Invested in the first US Pay-for-Success Bond

2014
+ 10 PRIs made in year two
+ Started investing in new start-up impact funds in addition to the direct equity investments

2015
+ 11 PRIs made
+ Sorenson Impact Fellows program starts with 28 original fellows

2016
+ 9 PRIs made
+ Appointed to the US Impact Investing Alliance's President's Council
+ Sorenson Impact Center expands fellows program into policy advisory

2017
+ 17 new PRIs made
+ 25% of the Foundation's corpus moved into impact investments
+ Sorenson Fellows program more than doubles in size

2018
+ 5 new PRIs made
+ 50% of the corpus aligned with impact
+ Grant program redesigned to focus on innovative field building
+ Strategy fellows program launched to support portfolio companies

2019
+ 75% of the Foundation's corpus moved into impact investments

2020
+ Foundation reaches 100% mission alignment
+ SIF issues Diversity, Equity, and Inclusion (DEI) statement

THE RESULTS WE'VE ACHIEVED SO FAR

MORE SOCIAL GOOD + MORE RETURN

Since SIF started the mission alignment process in December 2017, the endowment has transitioned from 0% to 100% invested in impact investments as of December 31, 2020. While it is still early, and three years represents a relatively short time horizon, initial results look promising: the SIF portfolio has returned over 10% annualized returns, and has outperformed the market-rate benchmark by over 1% annualized since the start of the mission alignment journey in 2017.* SIF's outperformance versus the benchmark is driven by active management, as around 90% of SIF's impact equity managers outperformed their manager-specific benchmarks during this time period. In addition, SIF's private impact investment program—private equity and venture capital funds—is still very young given the 2018 inception, though the program is tracking very well with a 91% net IRR to date.**

Alongside SIF's strong early investment returns, the Foundation has generated pretty impressive impact outcomes. Anecdotally, in 2020 alone, SIF funded a potential vaccine candidate for COVID-19, invested in a leading company targeting Type II diabetes reversal, invested in a non-hormonal birth control solution, and backed a leading sustainable investing platform that has transitioned over $1 billion into sustainable investments. In terms of impact metrics, SIF's investments have avoided over 20,000 metric tons of carbon, funded numerous fast-growing companies in the ed-tech and future-of-work space that have reached over 100 million students, supported thousands of small businesses with over $500 million in loans for critical working capital and payroll needs, created over 50,000 jobs and supported an additional 200,000 jobs, preserved over twelve thousand affordable housing units, and much more. Importantly—and this is something we are incredibly proud of—SIF has just over 70% of its investments with diverse managers.***

See our MRI Portfolio on the following pages.

*Past performance shown is not indicative of future results. Performance shown is since inception of the mission alignment process, beginning on December 31, 2017, through December 31, 2020. Returns are reported in US dollars on an annualized basis, net of fees, and are applicable only to the Sorenson Impact Foundation. The policy benchmark is a weighted blend of SIF's policy target to each asset class with a relevant market index.

**SIF's private investment returns are as of June 30, 2021 and are reported in US dollars, net of fees, on a dollar-weighted basis.

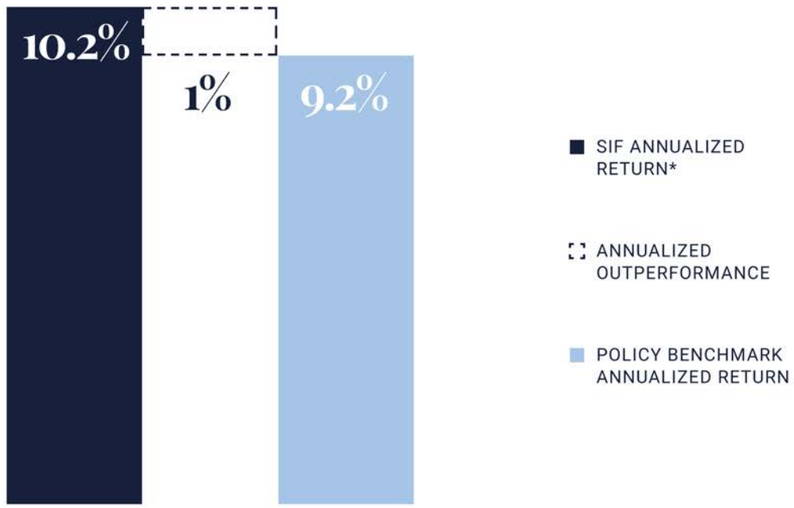
***SIF defines a diverse manager as a strategy that is led by (public investments) or a firm that is owned by (private investments) 50% or more women and/or people of color.

SIF MRI PORTFOLIO

PERFORMANCE & IMPACT RESULTS

MRI PERFORMANCE METRICS

TOTAL PORTFOLIO PERFORMANCE



PRIVATE INVESTMENT PERFORMANCE

91% IRR FOR IMPACT PRIVATE INVESTMENT PROGRAM (2018 INCEPTION)**

*Past performance shown is not indicative of future results. Performance shown is since inception of the mission alignment process, beginning on December 31, 2017, through December 31, 2020. Returns are reported in US dollars on an annualized basis, net of fees, and are applicable only to the Sorenson Impact Foundation. The policy benchmark is a weighted blend of SIF's policy target to each asset class with a relevant market index.

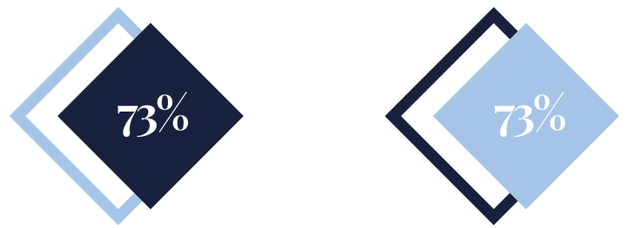
**SIF's private investment returns are as of June 30, 2021 and are reported in US dollars, net of fees, on a dollar-weighted basis.

MRI IMPACT METRICS

SCOPE OF IMPACT

17 UN SDGS TARGETED BY THEMATIC IMPACT MANAGERS

TARGETING UNDERSERVED AND DIVERSE POPULATIONS



PROVIDING CATALYTIC CAPITAL

65% OF THEMATIC IMPACT MANAGERS PROVIDE CRITICAL GROWTH CAPITAL TO SCALE IMPACT COMPANIES

SIF MRI PORTFOLIO

2020 IMPACT OUTCOMES

20K
METRIC TONS OF CARBON EMISSIONS AVOIDED

52K
JOBS CREATED

223K
JOBS SUPPORTED

110M
STUDENTS REACHED

444K
USERS BROUGHT ONLINE PROGRESSING FINANCIAL/DIGITAL INCLUSION

$1B
SUSTAINABLE ASSETS UNDER MANAGEMENT CATALYZED

$120M
GLOBAL PUBLIC HEALTH SOLUTIONS CATALYZED

$512M
CAPITAL FOR UNDERSERVED BORROWERS

13K
AFFORDABLE HOUSING UNITS CREATED OR PRESERVED

THE OPPORTUNITIES WE DISCOVERED IN IMPACT

Sepio and SIF have spent the last three years diligencing the impact investing landscape broadly from public strategies like ESG, to private credit funds, real estate, private equity funds, and venture investments. Based on what we've learned, we've developed a framework that we call the Impact Investing Landscape Guide, which categorizes the funds we've invested in and diligenced along a two-by-two chart of impact categories and investment strategy categories. It is our hope that this table can serve as a starting place for those who may be considering incorporating mission alignment into their investment portfolios. The table shows examples of impact investments we have diligenced by asset class and thematic impact objective, represented by each of the seventeen United Nations Sustainable Development Goals.

Importantly, the table is fairly well populated today—much more so than when we started this journey three years ago! And if the growth rate we have seen in the past three years is any guide, we expect the landscape to continue to grow exponentially over the next few years. Today, we firmly believe investors—both institutional and retail—have the ability to build diversified, all-weather, market-rate return portfolios that are fully mission aligned.

SEE OUR IMPACT INVESTING LANDSCAPE GUIDE BY ASSET CLASS & UN SDG ON THE NEXT PAGE.

IMPACT INVESTING LANDSCAPE GUIDE (1/2)

BY ASSET CLASS & UN SDG

UN SDG	PUBLIC EQUITY	PRIVATE EQUITY	HEDGE FUNDS & PRIVATE CREDIT	REAL ASSETS	FIXED INCOME & CASH EQ.
1 NO POVERTY	- BLACKROCK GLOBAL IMPACT - NIA GLOBAL IMPACT	- BRONZE VC - THE SOCIAL ENTREPRENEURS FUND - ADJUVANT CAPITAL - ZEAL VC - GENERATION SUSTAINABLE SOLUTIONS	- TRILINC GLOBAL		- TIAA-CREF CORE IMPACT BOND
2 ZERO HUNGER	- BLACKROCK GLOBAL IMPACT	- EQUILIBRIUM - RETHINK FOOD - ADJUVANT CAPITAL		- EQUILIBRIUM	
3 GOOD HEALTH AND WELL-BEING	- BLACKROCK GLOBAL IMPACT - STEWART INVESTORS WORLDWIDE SUSTAINABILITY - IMPAX GLOBAL OPPORTUNITIES - GENERATION GLOBAL - GENERATION ASIA	- ADJUVANT CAPITAL - MAGNIFY VENTURES - SJF VENTURES - BETTER VENTURES - GENERATION SUSTAINABLE SOLUTIONS	- ATLAS IMPACT		- WELLINGTON GLOBAL IMPACT BOND
4 QUALITY EDUCATION	- ETHIC INVESTMENTS	- OWL VENTURES - LUMOS CAPITAL - REACH CAPITAL - RETHINK CAPITAL - SJF VENTURES			
5 GENDER EQUALITY	- NIA GLOBAL IMPACT	- RETHINK IMPACT - BBG VENTURES - ADJUVANT CAPITAL - MAGNIFY VENTURES - PLEXO CAPITAL	- ADVANCE GLOBAL CAPITAL - TRILINC GLOBAL - COMMUNITY INVESTMENT MANAGEMENT		
6 CLEAN WATER AND SANITATION	- KBI WATER STRATEGY - IMPAX SPECIALISTS	- EQUILIBRIUM		- EQUILIBRIUM - KBI GLOBAL SUSTAINABLE INFRASTRUCTURE STRATEGY	
7 AFFORDABLE AND CLEAN ENERGY	- KBI ENERGY SOLUTIONS - BLACKROCK GLOBAL IMPACT - GMO CLIMATE CHANGE FUND	- G2 VENTURE PARTNERS - DBL PARTNERS - SJF VENTURES - GMO CLIMATE CHANGE FUND	- ATLAS IMPACT - KEPOS CARBON TRANSITION FUND	- G2 VENTURE PARTNERS - GMO CLIMATE CHANGE FUND - HIP SUSTAINABLE REAL ESTATE PORTFOLIO	- TIAA-CREF CORE IMPACT BOND - WELLINGTON GLOBAL IMPACT BOND
8 DECENT WORK AND ECONOMIC GROWTH	- BLACKROCK GLOBAL IMPACT - NIA GLOBAL IMPACT - IMPAX GLOBAL OPPORTUNITIES - GENERATION GLOBAL - GENERATION ASIA - BLACK IMPACT FUND	- MAGNIFY VENTURES - FIREWORK VENTURES - BETTER VENTURES - OWL VENTURES - BETTER TOMORROW VENTURES - ARCTARIS IMPACT - SJF VENTURES - ELEVAR EQUITY - REACH CAPITAL - ZEAL VC	- ADVANCE GLOBAL CAPITAL - TRILINC GLOBAL - COMMUNITY INVESTMENT MANAGEMENT		

This landscape is a result of investment research that was done from 2018 to 2020; it is meant to be an industry resource and should not be taken as investment advice.

IMPACT INVESTING LANDSCAPE GUIDE (2/2)

BY ASSET CLASS & UN SDG

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	- STEWART INVESTORS WORLDWIDE SUSTAINABILITY - IMPAX GLOBAL OPPORTUNITIES - IMPAX SPECIALISTS - KBI WATER STRATEGY - KBI GLOBAL SUSTAINABLE INFRASTRUCTURE STRATEGY	- ELEVAR EQUITY - EQUILIBRIUM - URBAN INNOVATION FUND - G2 VENTURE PARTNERS - ARCTARIS IMPACT	- ADVANCE GLOBAL CAPITAL - ATLAS IMPACT	- EQUILIBRIUM - G2 VENTURE PARTNERS - KBI GLOBAL SUSTAINABLE INFRASTRUCTURE STRATEGY	- VANECK HIP SUSTAINABLE MUNI ETF
10 REDUCED INEQUALITIES	- NIA GLOBAL IMPACT - ADASINA SOCIAL JUSTICE ALL CAP GLOBAL ETF - BLACK IMPACT FUND	- UNSHACKLED VENTURES - ELEVAR EQUITY - CORE INNOVATION CAPITAL - BASE 10 VC - ILLUMEN CAPITAL - PLEXO CAPITAL	- ADVANCE GLOBAL CAPITAL - TRILINC GLOBAL - COMMUNITY INVESTMENT MANAGEMENT		
11 SUSTAINABLE CITIES AND COMMUNITIES	- BLACKROCK GLOBAL IMPACT - IMPAX SPECIALISTS - KBI WATER STRATEGY - BLACK IMPACT FUND	- URBAN INNOVATION FUND - EQUILIBRIUM		- ROSE COMPANIES AFFORDABLE HOUSING & PRESERVATION - KBI GLOBAL SUSTAINABLE INFRASTRUCTURE STRATEGY - HIP SUSTAINABLE REAL ESTATE PORTFOLIO - BRIDGE INVESTMENT GROUP WORKFORCE & AFFORDABLE HOUSING	- TIAA-CREF CORE IMPACT BOND - VANECK HIP SUSTAINABLE MUNI ETF - WELLINGTON GLOBAL IMPACT BOND
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	- GENERATION GLOBAL - GENERATION ASIA	- ALANTE CAPITAL - EQUILIBRIUM - G2 VENTURE PARTNERS		- EQUILIBRIUM - G2 VENTURE PARTNERS	
13 CLIMATE ACTION	- GMO CLIMATE CHANGE FUND - NEWDAY CLIMATE ACTION - ADASINA SOCIAL JUSTICE ALL CAP GLOBAL ETF	- BETTER VENTURES - ALANTE CAPITAL - GMO CLIMATE CHANGE FUND - GENERATION SUSTAINABLE SOLUTIONS	- ATLAS IMPACT - KEPOS CARBON TRANSITION FUND	- GMO CLIMATE CHANGE FUND - HIP SUSTAINABLE REAL ESTATE PORTFOLIO	- BRECKINRIDGE CAPITAL ADVISORS - TIAA-CREF SOCIAL CHOICE BOND - WELLINGTON GLOBAL IMPACT BOND
14 LIFE BELOW WATER	- NEWDAY OCEAN HEALTH				
15 LIFE ON LAND	- NEWDAY WILDLIFE CONSERVATION & ANIMAL WELFARE			- THE LYME TIMBER COMPANY	
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	- ADASINA SOCIAL JUSTICE ALL CAP GLOBAL ETF	- BRONZE VC - PLEXO CAPITAL			- BRECKINRIDGE CAPITAL ADVISORS
17 PARTNERSHIPS FOR THE GOALS	- ETHIC INVESTMENTS				

This landscape is a result of investment research that was done from 2018 to 2020; it is meant to be an industry resource and should not be taken as investment advice.

PUTTING IMPACT

INTO CONTEXT

SAMPLE IMPACT PORTFOLIO CONSTRUCTION

In 2017, SIF's board of directors made a monumental decision to seek mission alignment for 100% of the Foundation's endowment assets while maintaining a market-rate return target. Importantly, the board also decided to keep the Foundation's definition of impact broad instead of prioritizing certain impact themes given the nascence of the market and the desire to allow flexibility as we were getting started. As we learned on the go, the SIF and Sepio teams developed guiding portfolio construction principles that helped structure the mission alignment process. We believe these principles can be used as a template for those considering developing their own impact investment practices.

1 ASSET ALLOCATION

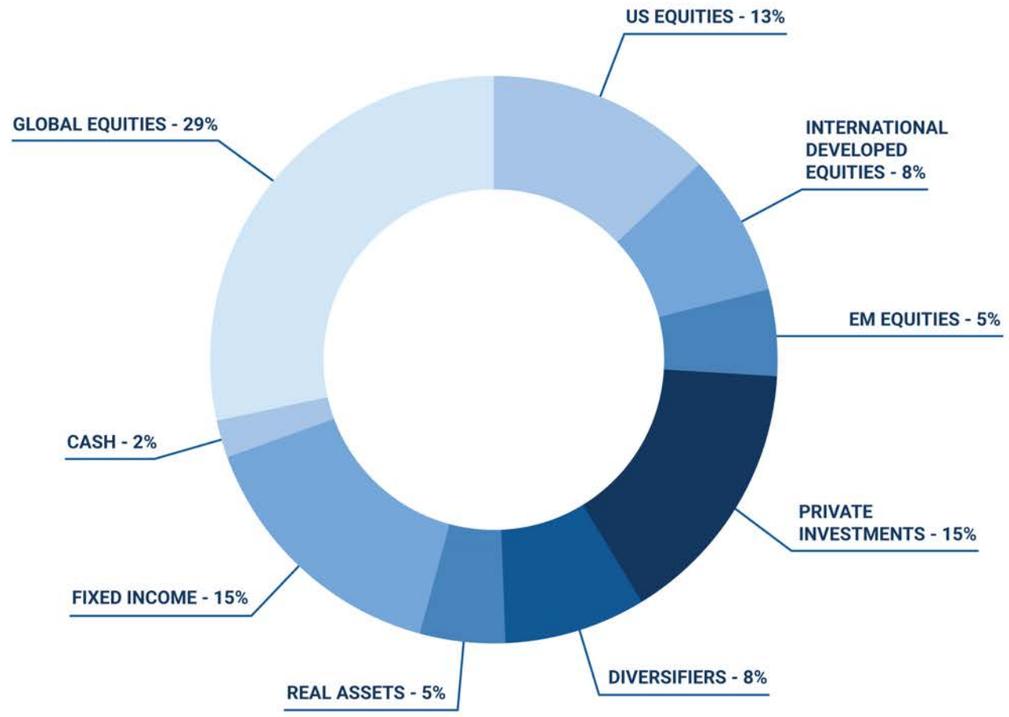
In order to build a 100% mission-aligned investment portfolio, we intentionally kept our asset allocation very similar to our previous, non-impact driven asset allocation. Maintaining a similar asset allocation was an important decision in terms of upholding our fiduciary duty—after all, the ultimate goal for SIF's endowment was unchanged: to serve as a perpetual pool of philanthropic capital. The Foundation was not willing to accept lower financial performance. However, we did make two main distinctions that helped us maximize impact.

The first change was adding a new, significant allocation to global public equities. Historically, the Foundation had a regional public equity structure, with allocations to the US, international developed, and emerging markets. Upon canvassing the impact investing landscape, it became clear that the most robust opportunity set of thematic global equity managers were those with a global mandate.

The second modification to the Foundation's asset allocation was to increase the target allocation to private investments. Expanding the role of private investments in SIF's portfolio was a critical decision upon recognizing that private investments are an important tool for achieving deep, thematic impact. We increased our target portfolio percentages from 5% to 15% for growth-oriented private investments like venture capital and growth equity. We also added a 5% target to private diversifying strategies and a 2.5% target to private inflation sensitive strategies.

The chart on the corresponding page shows SIF's policy targets by asset class, with examples of the types of investment strategies we have used in each asset class.

ILLUSTRATIVE 100% IMPACT PORTFOLIO



ILLUSTRATIVE STRATEGY

THESE FUNDS ARE ILLUSTRATIVE AND DO NOT REPRESENT ALL OF THE INVESTMENTS THE FOUNDATION HAS MADE IN EACH CATEGORY.

- **GLOBAL EQUITIES**
  - BLACKROCK GLOBAL IMPACT
- **US EQUITIES**
  - ETHIC CUSTOM S&P 500 IMPACT EQUITIES
- **INTERNATIONAL DEVELOPED EQUITIES**
  - KABOUTER INTERNATIONAL
- **EM EQUITIES**
  - CALVERT EMERGING MARKETS EQUITY
- **PRIVATE INVESTMENTS**
  - BRONZE VC
- **DIVERSIFIERS**
  - COMMUNITY INVESTMENT MANAGEMENT
- **REAL ASSETS**
  - ROSE AFFORDABLE HOUSING & PRESERVATION FUND
- **FIXED INCOME**
  - BRECKINRIDGE INTERMEDIATE SUSTAINABLE GOVERNMENT/CREDIT

2 INVESTMENT MANAGER DUE DILIGENCE

To transition SIF's portfolio from traditional to mission-aligned, we decided to take a manager-for-manager replacement approach. This allowed us to maintain similar portfolio construction objectives, but simply select mission-aligned managers over legacy traditional managers. The manager due diligence process remained robust and largely unchanged, with some important enhancements to diligence impact, as well as some modifications to allow for diligencing an increased number of emerging managers given the relatively young universe of impact investment strategies.

The first two mission alignment moves we made were "low-hanging fruit" adjustments: rotating our passive US large-cap exposure and bond allocation into investment strategies that invested with an environmental, social, governance (ESG) lens.

Initially, we moved our passive US large-cap exposure from a traditional Vanguard S&P 500 exchange-traded fund to a separately managed account managed by Parametric benchmarked to the KLD 400 Index. While this move qualified as a mission alignment move, this strategy focused on incorporating ESG analysis into the portfolio construction process.

Importantly, SIF's ultimate goal is to assemble a portfolio of 100% thematic impact managers. So, when the Sepio and SIF teams met the founders of Ethic Inc., an index optimization provider whose mission is to accelerate the global transition to sustainable investing, we were eager to begin investment and impact due diligence. With Ethic, we have been able to assemble a passive US large-cap portfolio that not only incorporates ESG analysis, but also incorporates more thematic impact data sets around topic areas such as climate change, education, and poverty.

For our bond allocation, we moved from a traditional managed portfolio of investment grade bonds to a portfolio managed by Breckinridge Capital Advisors that analyzes how ESG factors are likely to impact an issuer's credit. Over time, we hope to complement our Breckinridge Sustainable Government/Credit portfolio with a deeper, thematic allocation to impact bonds. We have been patient on implementing this exposure as the green, blue, and impact bond universe is in the fairly early innings of issuance growth.

From there, we began to diligence even deeper, thematic strategies across public and private markets. Importantly, the thematic impact landscape is relatively nascent, so we often found ourselves diligencing new managers that were spinning out of more traditional firms.

For example, we were day-one investors in BlackRock's first ever active global impact equities strategy. We got comfortable with this strategy because it was being run by Portfolio Manager Eric Rice whom the Foundation was invested with at his prior firm. Similarly, the Foundation was a day-one investor in US equity activist strategy Impactive Capital, founded by Lauren Taylor Wolfe and Christian Alejandro Asmar. We got comfortable with this strategy after doing extensive reference calls that suggested Lauren and Christian were some of the best investors and activists at their prior firm.

Within venture capital, we have invested in a number of first-time and emerging managers, including Bronze VC. Bronze was founded by Stephen DeBerry, a Silicon Valley investor with decades of investment experience across roles such as managing Mitch Kapor's family office and helping to found the direct investments arm that is now Kapor Capital. We were able to get comfortable with Bronze by diligencing DeBerry's track record from the Kapor family office as well as the strong traction in his early investments at Bronze. We also did extensive reference calls with various limited partners and entrepreneurs to understand what DeBerry was like as an investment partner.

The two following graphics shows the types of transitions we made shifting SIF's portfolio to 100% mission-aligned, as well as some profiles of the emerging managers we have backed.

MISSION ALIGNMENT TRANSITION EXAMPLES

	TRADITIONAL	ESG	THEMATIC IMPACT
U.S. LARGE-CAP PASSIVE EQUITIES	VANGUARD S&P 500 ETF	PARAMETRIC KLD 400	ETHIC CUSTOM US LARGE CAP IMPACT EQUITIES
FIXED INCOME	MANAGED BOND PORTFOLIO	BRECKINRIDGE SUSTAINABLE GOVERNMENT/CREDIT STRATEGY	

ILLUSTRATIVE MISSION ALIGNED MANAGERS

FIRM	BlackRock.	IMPACTIVE CAPITAL	BRONZE
FOUNDERS	ERIC RICE	LAUREN TAYLOR WOLFE CHRISTIAN ALEJANDRO ASMAR	STEPHEN DeBERRY
ASSET CLASS	PUBLIC EQUITY (GLOBAL)	PUBLIC EQUITY (US SMID CAP)	VENTURE CAPITAL (US)
DESCRIPTION	INVEST IN A BASKET OF GLOBAL EQUITIES OF COMPANIES WHOSE BUSINESS MODELS ARE ADDRESSING A CRITICAL GLOBAL CHALLENGE	INVEST IN A CONCENTRATED PORTFOLIO OF US SMID-CAP COMPANIES AND IMPLEMENT VALUE-DRIVERS THROUGH ACTIVISM	INVEST IN EARLY-STAGE COMPANIES WHOSE BUSINESS MODES ARE ADDRESSING THE NEEDS OF MARGINALIZED COMMUNITES
TARGET RETURN	MSCI ALL COUNTRY WORLD INDEX	RUSSELL 2000 INDEX	CAMBRIDGE ASSOCIATES PRIVATE EQUITY
TARGET IMPACT	TARGET MAJOR SDGs DRIVE CHANGE THROUGH ACTIVE ENGAGEMENT	AFFECT POSITIVE CHANGE AT COMPANIES THROUGH FRIENDLY ACTIVISM AROUND VALUE-ENHANCING ESG IMPROVEMENTS	IMPROVE OUTCOMES FOR MARGINALIZED COMMUNITIES

THE KEY QUESTIONS

THAT CAME UP ALONG THE WAY

As we reflect on the progress we have made, we wanted to share a number of questions that came up for us along the way. The best advice we can give to prospective impact investors is to jump in and not be afraid of learning by doing.

1 Should we have specific impact themes?

Inspired by foundations like the Ford Foundation who had focused their impact portfolios on themes such as affordable housing, financial inclusion, and healthcare, we explored whether we too could create a fully diversified portfolio along a few key impact themes like education and healthcare which we frequently invest in through our program-related investment portfolio. After careful consideration, for us the answer was no. We wanted to create a fully diversified portfolio that was able to canvas the impact investing landscape looking for best-in-class investment managers across broad impact themes. So, the portfolio we have built comprises thematic investments across asset classes that target themes such as sustainable cities, affordable housing, climate change, financial inclusion, education, the future of work, healthcare, and racial and social justice.

2 Should we have a specific diversity lens as we select managers?

Our feeling on this is yes, and as we ran the numbers to determine what that number should be, we found that, in fact, impact managers inherently tend to be more diverse. Today, our 100% mission aligned portfolio has over 70% invested with diverse managers, defined as a firm that is owned or led by greater than 50% diverse individuals.

3 What about the investments that are less attractive from a financial perspective but have very high social impact potential?

We have another investment portfolio for that. Through the Foundation's PRI investment portfolio (see the illustrative 100% impact portfolio), we make investments in very early stage, high risk companies that have high impact potential. Our ultimate goal is to catalyze the growth of these PRI investments—both funds and companies—and see them "graduate" to our market rate endowment portfolio. In just a few years we've already been able to do this. We were early PRI investors in two funds whose funds III and IV are now market rate investments in our endowment. Ultimately, our endowment is to be invested in strategies that achieve market rate returns as well as high impact with no trade-offs.

4 How high of an impact do we target & what is achievable?

There is low hanging fruit that has been around for decades, such as Socially Responsible Investing (negative screening) and ESG Investing (positive tilting). We don't consider SRI or ESG investing to be truly high impact; for us it has always been about deploying dollars into game-changing businesses and strategies that are acting with intentionality to change the world for the better as part of their strategies. So, we started with ESG investments as we began to navigate the landscape, but then slowly moved the portfolio to be more thematic. Our ultimate goal is to build a 100% thematic impact investment portfolio, and at the rate the impact investing landscape is expanding, we are confident we can get there in the next few years. The more thematic the portfolio, the more good we will be able to achieve in the form of alleviating poverty, environmental challenges, and injustices.

5 What about impact reporting & measurement? How reliable is it?

We're going to be very frank—we are in the early innings of total portfolio impact reporting, and it is very challenging to roll-up ESG analysis from a public bond portfolio with thematic key performance indicators from our private investments portfolio. For now, we are using very broad frameworks like the United Nations Sustainable Development Goals to help us understand where we are making an impact at a high level. That said, what is not measured cannot be improved, so an important next step will be developing a robust impact measurement framework for the whole portfolio.

In our PRI portfolio, we have a robust impact measurement and monitoring practice that we've refined over time working closely with companies and fund managers. Our goal is to do the same through our endowment portfolio in hopes that it benefits not just us but other investors as well.

WHAT'S NEXT FOR US

We are incredibly proud to have reached 100% mission alignment across our entire investment portfolio, but we recognize we still have a lot of work ahead of us.

1. IMPACT MEASUREMENT

Just like we measure our investment performance and compare it to a market-rate benchmark, we want to develop a robust impact measurement framework across the total portfolio.

2. 100% THEMATIC PORTFOLIO

As discussed earlier, SIF's ultimate goal is to build an 100% thematic impact portfolio, where our entire investment portfolio is invested in companies whose business models are addressing the world's most pressing challenges.

3. FIELD BUILDING

Finally, our goal is to see impact investing become investing! We want to continue to expand the impact investing field by serving as a resource for interested investors.

IMPORTANT INFORMATION & DISCLOSURES

The information provided is for educational and informational purposes only and does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon.
You should consult your attorney or tax advisor.

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All performance, returns, results, and investments mentioned apply solely to the Sorenson Impact Foundation. Performance for other clients and investors may vary or materially underperform the results published for this individual client. Performance for the total portfolio is shown since inception of the mission-alignment process, beginning on December 31, 2017 through December 31, 2020, for which SIF returned 10.2% and the policy benchmark returned 9.2%. Returns shown for the total portfolio represent the total return, are calculated on a time-weighted basis, are inclusive of all interest and dividend income, and are net of management and advisory fees calculated according to a negotiated fee schedule. Performance for periods greater than one year are annualized. All return calculations for the portfolio and applicable benchmarks are in USD.

The returns of the total portfolio are compared to a blended policy benchmark using a market-rate index for each asset class in the Sorenson Impact Foundation portfolio, weighted using the policy target for each asset class. Performance in excess of the benchmark is calculated by taking the weighted average return of the investment portfolio, and subtracting the return of the blended policy benchmark. The Sorenson Impact Foundation may utilize other indices and benchmarks internally for return comparison.

Performance for SIF's private investments portfolio is shown as of June 30, 2021, and is shown on a dollar-weighted basis and are net of fees.

The Sorenson Impact Foundation's portfolio includes assets structured as SMAs, ETFs, and Mutual Funds, and LPs. These vehicles are managed to various equity, fixed income, commodity, real estate, and alternative investment strategies. All investments bear inherent risks. Investments in financial securities can lead to partial or total loss of invested capital.

RESOURCES

"The 17 Goals." United Nations. United Nations, Department of Economic and Social Affairs, Sustainable Development. Accessed December 10, 2021. https://sdgs.un.org/goals.

THANK YOU
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