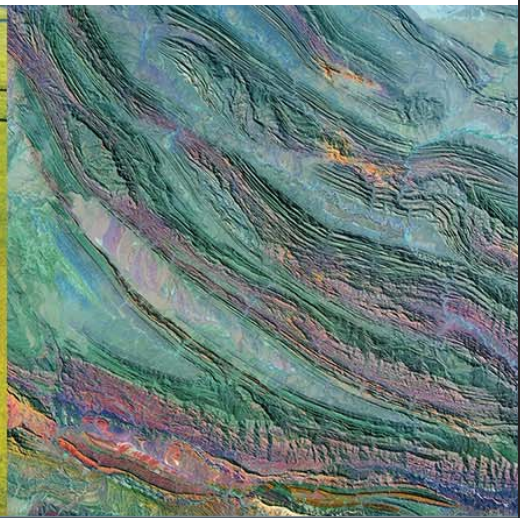




Financial and Impact Reporting in Public and Private Markets

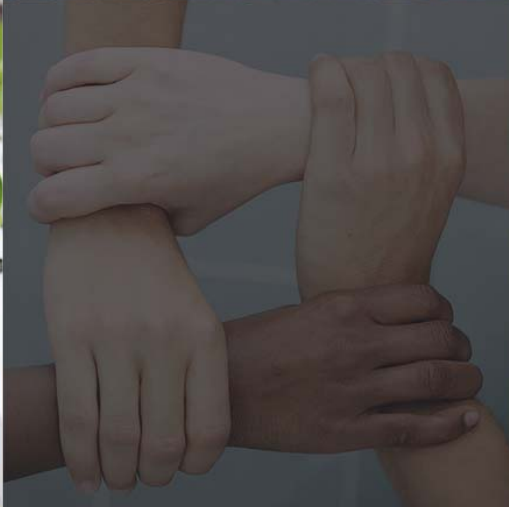


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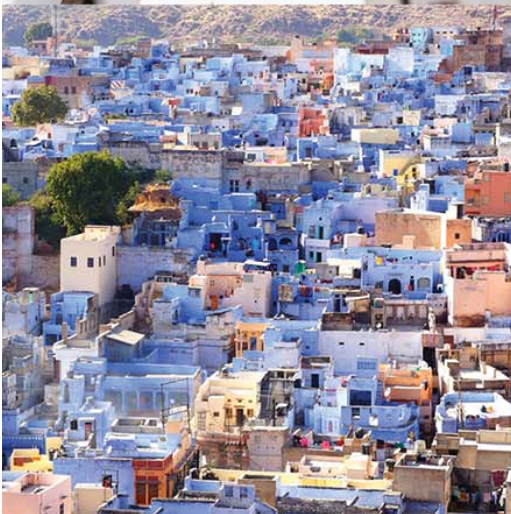
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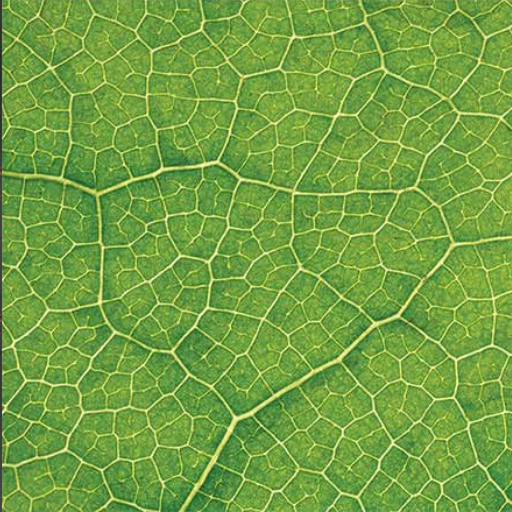
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2016 ANNUAL IMPACT REPORT



2016 ANNUAL IMPACT REPORT

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LEADERSHIP PERSPECTIVE FROM WILL MORGAN, SONEN CAPITAL, HEAD OF IMPACT



We are proud to detail the social and environmental performance of Sonen's impact investment strategies in our 2016 impact report, our fourth annual report to investors. In addition to our public equity and fixed income impact investment strategies, this report summarizes the ongoing impact creation in our sustainable real assets strategy as well as our newest multiasset absolute return strategy.

In order to help clients further understand the positive social and environmental impact that results from their investments across asset classes, our internal impact evaluation methodology includes the following:

1. Environmental, Social and Governance data that reports measurable, quantified differences in relative performance between Sonen's strategies and conventional market benchmarks;
2. Thematic qualifications of specific securities, conveying how underlying investments' goods and services, or the projects the investments may underwrite, align with specific social and environmental challenges;
3. Employing Sonen's proprietary AIMS™ impact evaluation framework, describing how impact manifests itself across different asset classes in four dimensions: Additionality, Intentionality, Measurability and Scale;
4. Mapping our strategies' specific contributions to the United Nation's Sustainable Development Goals; and
5. An analysis of our public equity strategy using Science Based Targets that reports on the climate-related performance of our public equity strategy.

6. Applying quantitative IRIS impact indicators that relays progress to our four key intended environmental outcomes in our sustainable real assets strategy.

Building on our early work with the UN's Agenda for Sustainable Development, in 2016 we deepened our analysis to consider how specific securities individually, and our strategies collectively, are contributing to specific targets among the 17 specific Sustainable Development Goals (SDGs). In this manner, we are actively testing our alignment with the broad objectives promulgated by the UN: First, that business operations no longer result in negative social and environmental consequences, and second, that the private sector take a more direct role in providing goods and services that contribute to the achievement of global social, economic and environmental sustainability by 2030.

We continue to improve the sustainability profile of our portfolios through our influence with the companies in which we invest. During 2016, Sonen undertook various forms of shareholder engagement and advocacy as well as participation in campaigns to improve corporate sustainability performance and corporate transparency.

We are also evaluating the climate performance of our public equity strategy using Science Based Targets, and we anticipate publishing these results in mid-2017. We are eager 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
Director
Head of Impact



EXECUTIVE SUMMARY

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 strategies, are intended to provide investors with exposure to leaders in sustainability practices and specific social and environmental impact themes.

Our equity holdings focus on corporations with leading sustainability practices that not only deliver superior impact performance, but also reflect better management quality that we believe helps lead to improved financial performance. Similarly, our fixed income investments are selected for their strong financial profiles as well as for their support of important social or environmental needs.

Sonen's private markets investment strategy, focusing on global sustainable real assets, 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. Last, Sonen introduced a new absolute return strategy in 2016, providing investors 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 last year's impact report, we integrated the United Nations Sustainable Development Goals within our impact analysis, aiming to illustrate how these goals provide critical alignment with the world's most pressing needs and investment capital. Throughout this report we will continue to show how Sonen's investment strategies across asset classes align with the United Nations' SDGs.

In 2016, 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 2016 demonstrated significantly better sustainability performance evidenced through:

- › Reduced carbon emissions, particularly in the highest emissions industries;
- › Greater water efficiency;
- › Higher health and safety ratings; and
- › Greater gender diversity on corporate boards.

Specific thematic investments in public markets—investments in fixed income and publicly traded companies that actively provide solutions for the world's social and environmental challenges—focused on a number of themes including:

- › Water utilities, technologies and infrastructure;
- › Energy efficiency (projects and technologies) and renewable power generation; and
- › Community development (e.g. affordable rental housing and low-income home ownership).

To further enhance the overall impact performance of our public market strategies, in 2016 Sonen strengthened its activities relating to shareholder advocacy, including:

- › Continuing to increase our engagement practices to work directly with companies to improve ESG practices, achieving our goals through collaboration rather than formal shareholder resolutions in several instances;
- › Taking a more active role as an investor signatory to the Chemical Footprint Project, and encouraging companies to participate in more stringent chemical disclosures, given the link to human and environmental health; and
- › Reaching successful agreement with SPX Corporation regarding a path to comprehensive sustainability reporting, resulting in the withdrawal

of our shareholder resolution on that topic.

Sonen's private markets strategy, focused on sustainable real assets, completed three new investments during 2016, bringing the strategy's total number of investments to eight. Underlying investments in real assets target specific environmental outcomes, and currently include:

- › Sustainable timber operations, stream restoration and mitigation banking in the U.S.;
- › Green real estate, focusing on providing environmentally sustainable housing in urban U.S. markets and green workforce housing in South Africa; and
- › Clean power, providing utility-scale solar and wind power generation in the U.S.; commercial and industrial solar power installations in the Northeast US; and small- and large-scale clean power generation in sub-Saharan Africa and in South East Asia.

Each underlying investment in Sonen's real asset strategy reports on specific impact indicators, which are aggregated and summarized in this report. Over the next 24 months, Sonen intends to make an additional seven investments that will include sustainable agriculture, land and water resources, and environmental infrastructure across the globe.

Finally, in 2016 Sonen introduced global multi-strategy, an absolute return strategy that provides exposures to a series of investments with low correlation to public equities and fixed income markets. Specific thematic exposures in this strategy include:

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

EXECUTIVE SUMMARY

SONEN STRATEGIES KEY

- Sonen Strategy
- Benchmark

PERFORMANCE DISCUSSION

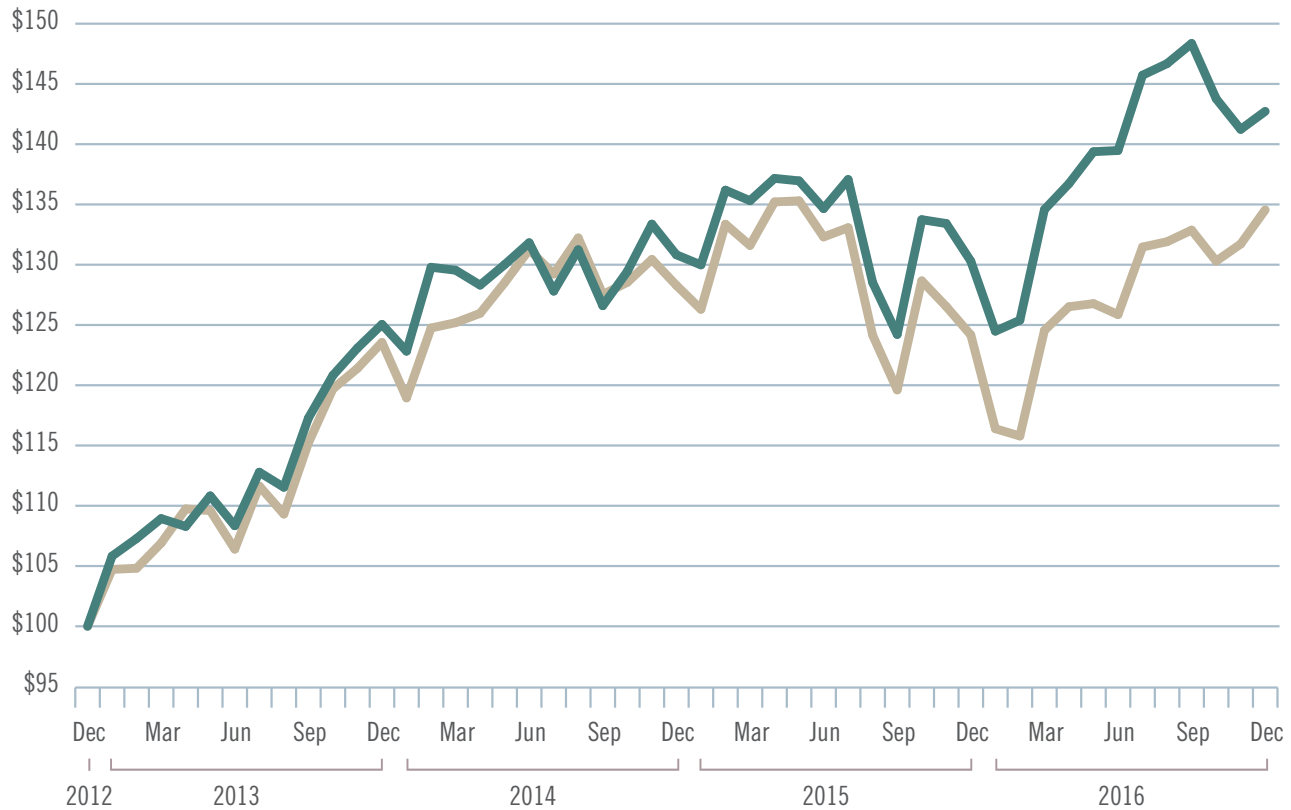
PUBLIC EQUITY

In 2016, the Sonen equity strategy (the “strategy”) returned 9.53% net of all fees vs. 8.36% for the MSCI ACWI IMI Index (the “index”), outperforming by 1.17%. Over the last three years the strategy returned 4.51% net of all fees vs. 3.24% for the index, outperforming by 1.27%, and since inception the strategy has returned 9.30% net of all fees vs. 7.99% for the index, outperforming by 1.31%.

In addition to its financial outperformance, the public equity strategy included exposures to what we refer to throughout this report as either Sustainable or Thematic issue areas. Investments that Sonen categorizes as Sustainable are those that do business in a sustainable way as measured by our impact evaluation process. Thematic investments are those involved in a commercial enterprise that *measurably contributes to global sustainability challenges*.¹

Major contributors to relative performance in 2016 included Sustainable Industrial companies, particularly in the machinery segment, as well as Thematic companies in the water sector. Detractors included

SONEN GLOBAL EQUITY STRATEGY (NET) VS. MSCI ACWI IMI ND INDEX SINCE INCEPTION 1/3/2013



Past performance is no indication of future results. Index returns are presented for comparative purposes only. The 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.

EXECUTIVE SUMMARY

significant underweights to traditional Energy and Financials.

PERFORMANCE DISCUSSION

FIXED INCOME

In 2016, the Sonen fixed income strategy (the “strategy”) returned 2.47% net of all fees vs. 2.09% for the Bloomberg Barclays Global Aggregate Bond Index (the “index”), outperforming by 0.38%. Over the last three years the strategy returned 0.18% net of all fees vs. -0.19% for the index, outperforming by 0.37%, and since inception the strategy has returned -1.14% net of all fees vs. -0.86% for the index, underperforming by 0.28%.

Sonen’s fixed income strategy is diversified across sectors, with Sustainable investments in corporates and high ESG-rated sovereign bonds, and Thematic investments in green bonds, municipals, and asset-backed securities.

Major contributors to relative performance in 2016 included Supranational Green Bonds denominated in emerging market currencies, as well as USD-denominated corporate green bonds. Detractors included affordable housing mortgage-backed securities (MBS) and select Sustainable corporate bonds.

■ SONEN GLOBAL FIXED INCOME STRATEGY (NET) VS. ■ BLOOMBERG BARCLAYS GLOBAL AGGREGATE BOND TR INDEX
SINCE INCEPTION 12/10/2012



Investments in bonds are subject to credit, prepayment, call and interest rate risk. As interest rates rise, bond prices will decline. Credit risk refers to the loss in the value of a security based on a default in the payment of principal and/or interest of the security, or the perception of the market of such a default.



IMPACT METHODOLOGY HOW SONEN ASSESSES IMPACT

As a brief review of the methodology outlined in our preceding impact reports, Sonen uses a series of proprietary tools and definitions to explain, monitor and measure the impact created and delivered by our strategies and investments. This approach helps create a standardized methodology to accomplish the following goals:

A

Evaluate the impact of our strategies in a consistent manner with qualitative and quantitative data;

B

Test our alignment with the United Nations Sustainable Development Goals (SDGs);

C

Evaluate the degree to which impact creation is attributable to any single investor or investment, often referred to as ‘additionality’; and

D

Determine the breadth, depth and durability of the impact created.

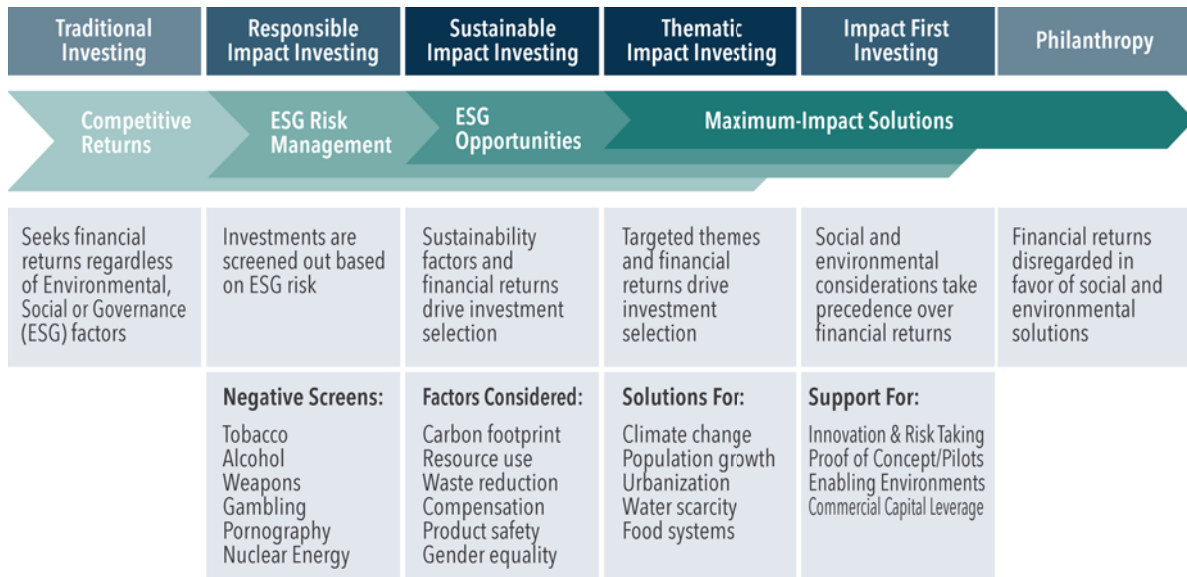
Sonen’s investment process includes a commitment to quantifying and qualifying the impact of each investment in all its strategies.

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

HOW SONEN ASSESSES IMPACT

SONEN IMPACT INVESTING SPECTRUM



social or environmental challenges such as climate change, resource scarcity or the needs of low-income communities. These qualifications are made based on how a company derives most its business

revenue. Wherever possible, we identify specific positive social and environmental impact themes that correlate with the United Nations' 2030 Agenda for Sustainable Development.

METHODOLOGY UPDATE

At the start of 2016, Sonen enhanced its impact classification methodology to further leverage our own internal research efforts, our internal impact frameworks and to provide a more granular evaluation of the individual securities that comprise each of our investment strategies. This enhancement took advantage of more robust ESG disclosures and data availability, and reflects the culmination of a year's worth of internal research and refinement.

Our improved methodology allows us to more accurately classify the impact within our strategies, as it is based heavily on individual securities-level analysis and the key sources of revenue for those securities. This methodology revealed that Sonen's strategies contain a larger percentage of Thematic holdings and impact themes than previously reported (such as cross-sector solutions including environmental services, waste and pollution and energy efficiency). These themes are now separated into distinct components. Lastly, the improved impact qualification methodology resulted in a shift within the existing Thematic categories, caused by several factors:

- › **Health:** As of 2016, we now include "Health" as an impact theme. Our enhanced methodology includes companies dedicated to curing and treating human diseases, illnesses and improving human health through technologies or services.
- › **Underrepresented Climate Solutions:** As climate solutions become more complex and integrated into business activities, new taxonomies are required to better capture the variety of goods and services that deliver positive climate-related outcomes. Our previous taxonomy included Infrastructure as a standalone Thematic category, which we now break out into categories that provide more granularity to business activities, such as Environmental Infrastructure, Water Infrastructure and Clean Power Generation.

HOW SONEN ASSESSES IMPACT

Sonen’s public markets strategies consist of a mix of both Sustainable and Thematic securities. Sustainable exposures across equities and fixed income securities exhibit industry leadership along ESG dimensions such as carbon emissions, workforce health and safety, and corporate transparency. Sonen’s Sustainable exposures are constructed specifically to exhibit strong ESG attributes in differentiated and complimentary ways. We believe that such sustainability performance, as reflected through ESG data, reveals actual, positive impacts among corporations and is indicative of better management quality overall. We further believe this ultimately results in improved financial returns and reduced overall financial and impact risks.

Sonen’s private markets strategy consists completely of Thematic investments with exposures to various positive environmental impacts captured in quantitative terms using standard industry impact indicators from the IRIS taxonomy.

IMPACT INVESTING AND THE UNITED NATIONS’ 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

As explained in our 2015 Annual Impact Report, the UN 2030 Agenda for Sustainable Development is intended to mobilize public and private sector resources, calling explicitly on businesses and the private sector to:

- a. Apply creativity and innovation to solve the world’s sustainable development challenges;
- b. Decrease the negative impact corporations have on global sustainability; and
- c. Increase the private sector’s positive contribution to the sustainable development agenda.²


Our 2015 Annual Impact Report, Sonen was among the first investment firms to track its investments’ contributions to the Sustainable Development Goals (SDGs). In the last year, Sonen has deepened our analysis to better understand the contribution our public and private markets investments make to the

SDGs, specifically through proposed impact indicators from the UN. Table 2 (on the next page) illustrates where Sonen’s investment strategies align most closely to a subset of the 17 SDGs, and where related impact contributions are most prominent among Sonen’s investment strategies. Impact contributions are most notable in SDG 6 (Clean Water and Sanitation); SDG 7 (Affordable and Clean Energy) and; SDG 9 (Industry, Innovation and Infrastructure).

During 2016, Sonen examined the specific underlying impact targets articulated for each SDG, and more importantly, the proposed impact indicators that the global community will use to assess our success each year through 2030.³ By using such specifics as the intended targets and impact indicators for respective SDGs, Sonen can reveal where its strategies are making real, measurable contributions to the Sustainable Development Agenda.

Table 1 below illustrates the respective impact targets and impact indicators that evaluate progress toward SDG 7 – Clean Energy.

TABLE 1: SDG 7, CLEAN ENERGY

	RELEVANT TARGETS	RELEVANT INDICATORS
SDG 7	7.3	7.3.1
Ensure access to affordable, reliable, sustainable and modern energy for all	By 2030, double the global rate of improvement in energy efficiency	Energy intensity measured in terms of primary energy and GDP

Sonen can evaluate its contribution to SDG 7 using proposed indicator 7.3.1 above, “energy intensity,” which measures the amount of carbon that is required to produce one unit of economic output. Intensity provides relative performance comparisons across underlying securities (companies, or entire countries) of vastly different sizes.

HOW SONEN ASSESSES IMPACT

Table 2: Sonen Investment Strategies' Alignment with UN Sustainable Development Goals

	GOAL DESCRIPTION	SONEN PUBLIC EQUITY STRATEGY	SONEN FIXED INCOME STRATEGY	SONEN REAL ASSETS STRATEGY	SONEN GLOBAL MULTI-STRATEGY
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	✓			
	Ensure healthy lives and promote well-being for all at all ages.	✓	✓		
	Ensure availability and sustainable management of water and sanitation for all.	✓	✓		✓
	Ensure access to affordable, reliable, sustainable and modern energy for all.	✓	✓	✓	✓
	Promote sustained, inclusive and sustainable economic growth, productive employment and decent work.	✓			✓
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	✓	✓	✓	
	Make cities and human settlements inclusive, safe, resilient and sustainable.		✓	✓	
	Ensure sustainable consumption and production patterns.	✓	✓		
	Protect, restore and promote sustainable use of terrestrial ecosystems.			✓	

HOW SONEN ASSESSES IMPACT

CHART 1: CARBON EMISSIONS INTENSITIES (SCOPE 1 AND 2) BETWEEN 2011-2015

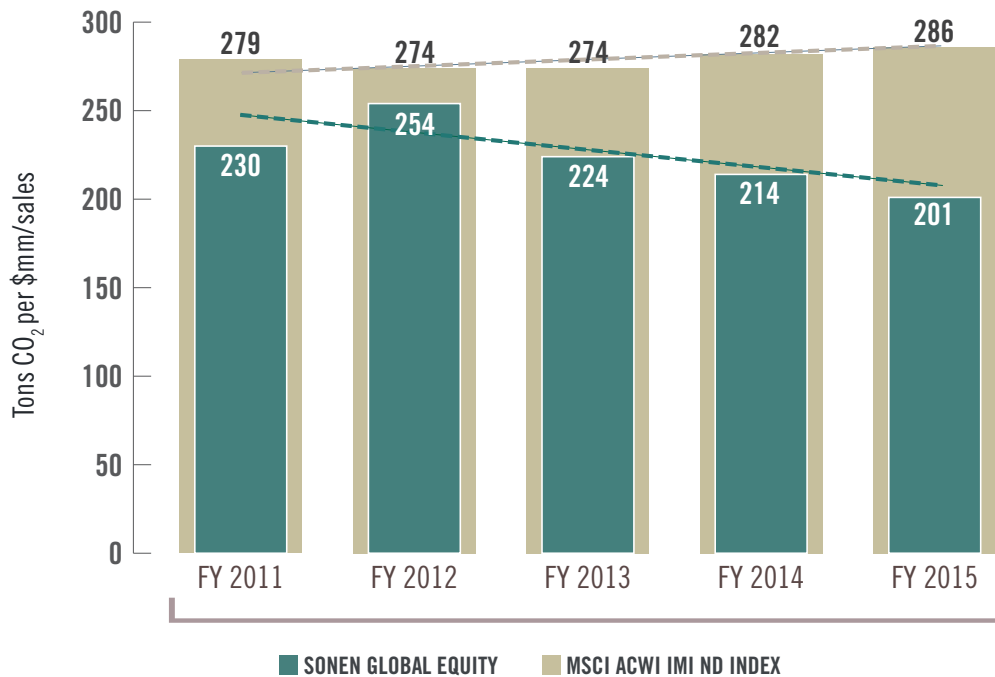


Chart 1 illustrates the carbon intensity for Sonen’s public equity strategy compared to the MSCI ACWI IMI benchmark. (Note: this chart depicts the underlying holdings of Sonen’s public equity strategy and the benchmark as of 12/31/2016, and illustrates those securities’ historical performance back to 2011. It is not meant to imply that the same underlying securities

were held at any time prior to 12/31/2016). This chart readily illustrates that Sonen’s collection of securities, as of 12/31/2016, have collectively reduced carbon intensities over the last five years. In contrast, the constituents of the benchmark increased carbon intensities over the same period.

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.

**CHART 2: CARBON EMISSIONS INTENSITIES FOR SOVEREIGN NATIONS:
SONEN GLOBAL FIXED INCOME STRATEGY VS. REGIONAL AVERAGES**

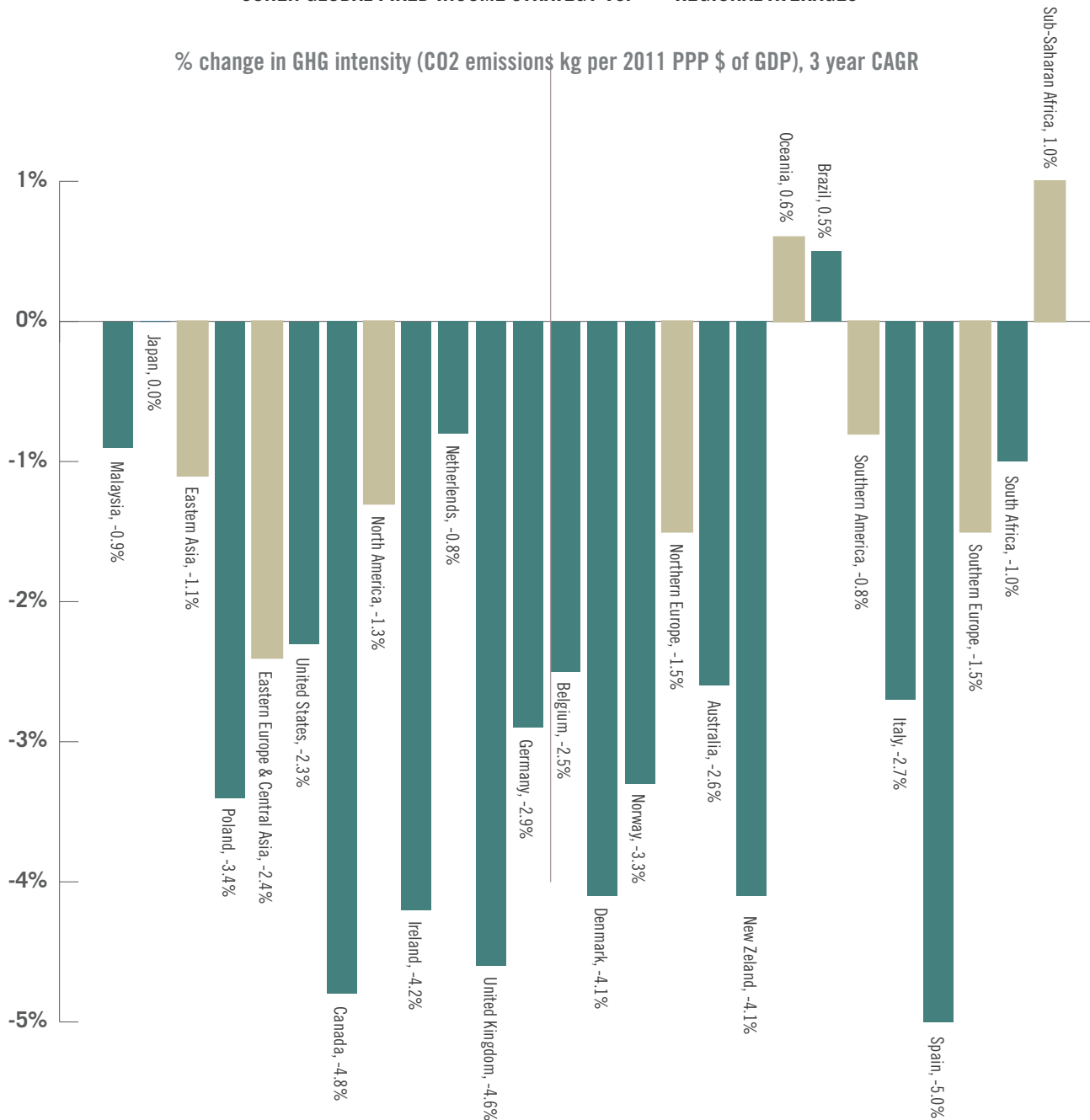


Chart Source Data: MSCI ESG Research 12/31/2016. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

To illustrate a similar analysis in fixed income securities, chart 2 depicts carbon intensity reductions, measured in compounded annual rates of reduction, among sovereign bonds held by Sonen (such bonds comprise 35% of the fixed income strategy). For each sovereign bond holding within the fixed income strategy, reductions in carbon emissions intensities exceed regional averages, and far outperform the global average emissions intensity trend, which has increased by 0.2% over the same period. The exception is The

Netherlands, which reduced intensity by 0.8% over the period, compared to a 1.5% regional reduction for Northern Europe, underperforming the regional average by 0.7%.

We believe that such analyses reveal where Sonen’s underlying strategies, across asset classes, are making measurable contributions to SDG 7 using the impact indicators proposed by the United Nations.



PUBLIC MARKETS

2016 IMPACT ANALYSIS

PUBLIC MARKETS

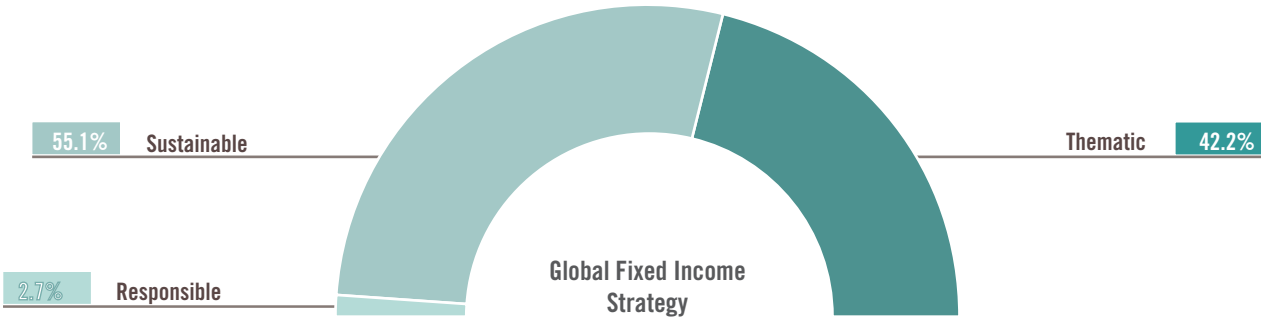
This section of the Impact Report discusses the overall impact of Sonen’s fixed income and public equity strategies, and how underlying securities contribute to specific SDGs.

FIXED INCOME IMPACT EVALUATION

2016 HIGHLIGHTS

- › Made specific contributions to six of the UN Sustainable Development Goals, including health, water, energy, infrastructure, sustainable cities and responsible consumption/production.
- › Invested in German Development Bank KfW’s green bonds, which will save the equivalent of 2.2M tons of GHG emissions annually through projects financed.⁴
- › Municipal bond holdings highlight leadership in sustainable urban planning, especially around wastewater recapture, recycling and reuse across the US.

CHART 3: RESPONSIBLE, SUSTAINABLE AND THEMATIC BREAKDOWN OF SONEN’S GLOBAL FIXED INCOME STRATEGY



AIMS IN FIXED INCOME IMPACT INVESTING

CHART 4: AIMS IN SUSTAINABLE FIXED INCOME

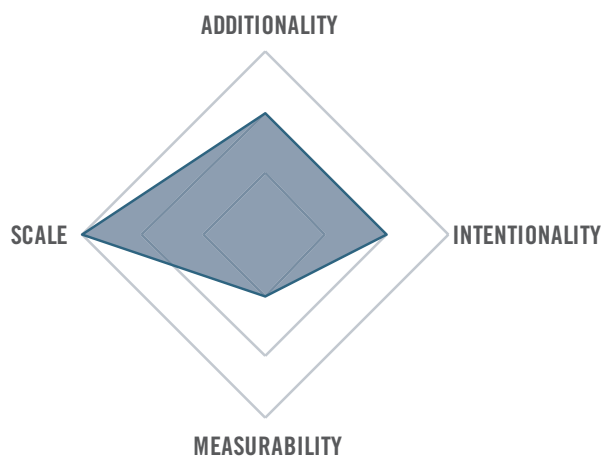
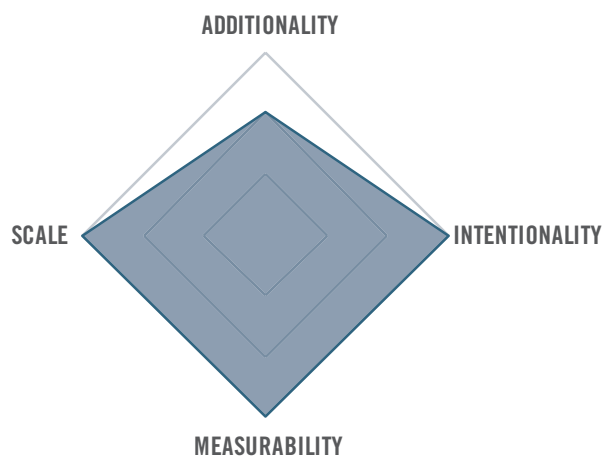


CHART 5: AIMS IN THEMATIC FIXED INCOME



Sonen’s AIMS framework helps describe four key dimensions to impact creation across asset classes. These dimensions are Additionality, Intentionality, Measurability and Scale. Charts 4 and 5 illustrate how AIMS varies across Sonen’s sustainable and thematic fixed income strategies.

AIMS DIMENSION	SUSTAINABLE FIXED INCOME	THEMATIC FIXED INCOME
ADDITIONALITY	MEDIUM Depending on the issuance, investor additionality can be sizeable in underwriting specific projects and activities. This is particularly true for high yield municipal bonds, but less so for large federal issuance or supranational bonds.	
INTENTIONALITY	MEDIUM Corporate bonds are selected for various ESG attributes, which reflect company focus on managing ESG risks and opportunities.	HIGH Green bonds issued to underwrite specific social and environmental projects reflect a high level of intentionality to create specific outcomes.
MEASURABILITY	LOW ESG characteristics across fixed income securities can be measured and compared to industry peers but few quantifiable outputs are available.	HIGH Green bonds often articulate specific social or environmental outputs that will result from project underwriting.
SCALE	HIGH While outputs are not always quantifiable the scale at which sovereign bonds operate is significant.	HIGH Supranational green bonds and corporate green bonds’ underlying projects often occur at sizeable scale.

SUSTAINABLE INVESTING IN FIXED INCOME

Securities in Sonen’s fixed income strategy align resources with specific sustainability criteria or impact objectives. Sustainable securities are evaluated on *how* they conduct their business along specific ESG dimensions (as opposed to *what they do*), as well as how such ESG performance makes a direct contribution to various SDGs. In 2016, 55% of Sonen’s fixed income strategy included sustainable holdings across sovereign, corporate and municipal bonds.

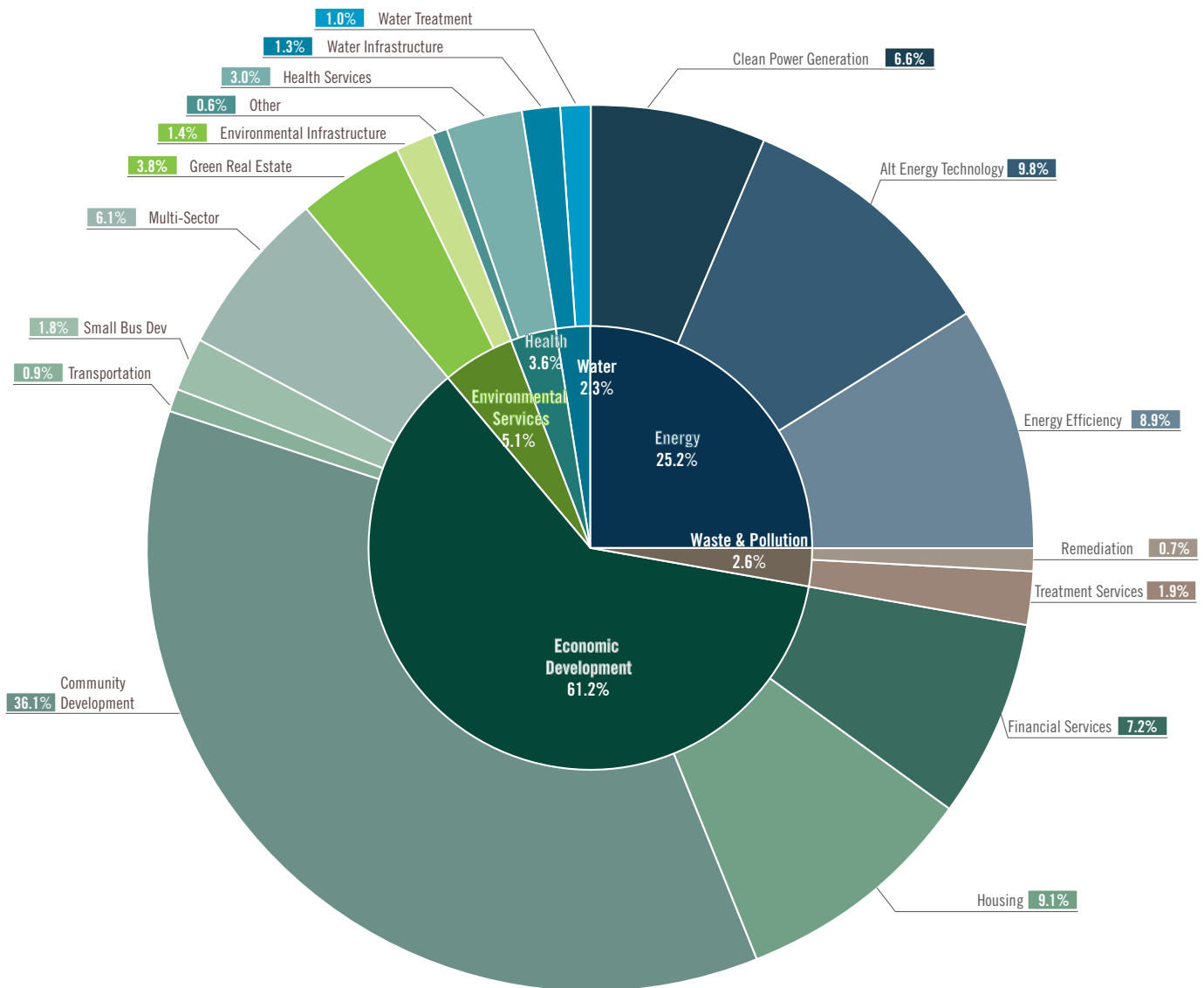
THEMATIC INVESTING IN FIXED INCOME

Thematic issuers are evaluated by *what* products and services they produce, i.e. how business activities are aligned with specific social or environmental objectives. We believe that thematic investing provides one of the clearest, most direct and tangible connections between

an investor’s resources and an underlying business activity that creates positive social or environmental impact.

Over 42% of Sonen’s fixed income strategy provide thematic exposures through Agency Backed Securities (ABS) such as those issued by Fannie Mae, Municipal Bonds, Corporate Green Bonds and Supranational Bonds (such as World Bank and the European Investment Bank bonds). All of these bonds use proceeds to advance specific social or environmental impact objectives. Prominent impact themes in 2016 included economic development (e.g. affordable rental housing, low-income home ownership) and energy (e.g. financing energy efficiency projects, renewable power generation).

CHART 6: THEMATIC SECTORS AND SUBSECTORS IN SONEN’S FIXED INCOME STRATEGY



IMPACT INVESTING IN FIXED INCOME

Table 3: Example Holdings Where Sonen’s Fixed Income Strategy Made Tangible Contributions to Various SDGs.



SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all.

- | RELEVANT IMPACT TARGETS | RELEVANT IMPACT INDICATORS |
|---|--|
| <ul style="list-style-type: none"> › Improve water quality by reducing pollution and reducing untreated wastewater › Increase water-use efficiency across all sectors › Ensure sustainable withdrawals | <ul style="list-style-type: none"> › Proportion of wastewater safely treated › Change in water use efficiency › Water stress: Levels of freshwater withdrawal |

DC WATER AND SEWER MUNICIPAL BOND DC Water and Sewer Authority (DC Water) provides wastewater collection and treatment services to more than two million Washington metro area customers. The Blue Plains Advanced Wastewater Treatment Plant is the largest treatment plant in the world, capable of treating 384 million gallons of sewage a day. On average, more than 330 million gallons of raw sewage flow into the Plant every day. (Source: DC Water & Sewer)



SDG 7: AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

- | RELEVANT TARGETS | RELEVANT INDICATORS |
|--|--|
| <ul style="list-style-type: none"> › Universal access to affordable and reliable energy › Increase renewable energy in global energy mix › Improve energy efficiency › Expand infrastructure and develop technology for supplying renewable energy | <ul style="list-style-type: none"> › Proportion of population with access to electricity › Renewable energy share in the total final energy consumption › Energy intensity improvement › Investments in energy efficiency as a percentage of GDP and the amount of foreign direct investment infrastructure and technology |

KfW GREEN BOND is a German bank and a development institution that acts on behalf of the Federal Government and Ministry for Economic Cooperation. KfW is among the largest financier of renewable energy, environmental and climate protection projects as well as a pioneer in issuing green bonds to finance renewable energy projects. KfW is a co-financer of the “Green Climate Fund” which supports climate adaptation and resilience projects.

KfW is expected to save the equivalent of 2.2 million tons of greenhouse gas (GHG) emissions per year through projects financed by the four green bonds it issued in 2016, the bank said in a report .



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- | RELEVANT TARGETS | RELEVANT INDICATORS |
|--|--|
| <ul style="list-style-type: none"> › Develop and facilitate resilient and sustainable infrastructure › Transition infrastructure and industries to make them sustainable | <ul style="list-style-type: none"> › CO₂ emission per unit of value added › Passenger volume by mode of transport › Total official international support (official development assistance plus other official flows) to infrastructure |

WORLD BANK GREEN BONDS: UPGRADING AND GREENING RIO DE JANEIRO’S URBAN RAIL SYSTEM

The project supports the development of a low-carbon, non-motorized public transportation system and improve the policy framework for sustainable transport within Rio de Janeiro (RJ). The project’s goal is to improve transit quality

IMPACT INVESTING IN FIXED INCOME

and resilience to natural disasters, as well as put in place a low carbon transportation growth path. With the acquisition of 60 electric powered, energy efficient trains, Rio's passenger rail system (Supervia) will add significant capacity and provide a safer and more cost-efficient suburban rail transport for the RJ metropolitan area.

With one of the highest rates of income inequality in Latin America, this project aims to provide accessible and affordable transportation to the poor populations who rely on public transportation as well as reduce travel time by reducing inefficient bus services.⁵

Quantifiable outcomes from this project include:

- › Approximately **34,000 tons** of CO₂ reduced by project end
- › Additional **70,200 passengers** served per day.
- › **60 new trains** and upgraded infrastructure for the Supervia system leading to shorter travel times
- › Bicycles and parking facilities in selected Supervia stations.



SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

RELEVANT TARGETS	RELEVANT INDICATORS
------------------	---------------------

Make cities and human settlements inclusive, safe, resilient and sustainable.

- | | |
|---|---|
| <ul style="list-style-type: none"> › Universal access to sustainable transport systems › Reduce adverse environmental impact of cities, particularly by municipal waste and other waste management. | <ul style="list-style-type: none"> › Proportion of urban solid waste regularly collected |
|---|---|

BUILD NYC RESOURCE CORPORATION'S SOLID WASTE DISPOSAL MUNICIPAL REVENUE BOND: Build NYC Resource Corporation's bond supports the installation of machinery and equipment for use at Pratt Paper NY's solid waste disposal and recycled containerboard manufacturing facility.

- › Processes 35% of all waste paper generated in New York's five boroughs, including 100% of Manhattan's waste paper.
- › Processes recovered paper and currently produces an average of approximately 380,000 tons per year of recycled linerboard and corrugated medium

PUBLIC EQUITY IMPACT EVALUATION 2016 HIGHLIGHTS

- › Sonen's public equity strategy continued to outperform on specific indicators of environmental and social performance (evaluated through ESG data), and displays a strong contribution to UN Sustainable Development Goals relating to energy and water efficiency;
- › Thematic public equity securities provided specific contributions to numerous SDGs relating to health, sustainable agriculture, energy and sustainable infrastructure;
- › Sonen again outperformed its benchmark relating to gender diversity on corporate boards.
- › Throughout the year, Sonen engaged with its portfolio of companies through our shareholder advocacy program to help support ESG leadership throughout all pillars of corporate action such as political spending transparency, sustainability reporting and encouraging diversity in leadership.

AIMS IN PUBLIC EQUITY IMPACT INVESTING

CHART 7: AIMS IN SUSTAINABLE PUBLIC EQUITY

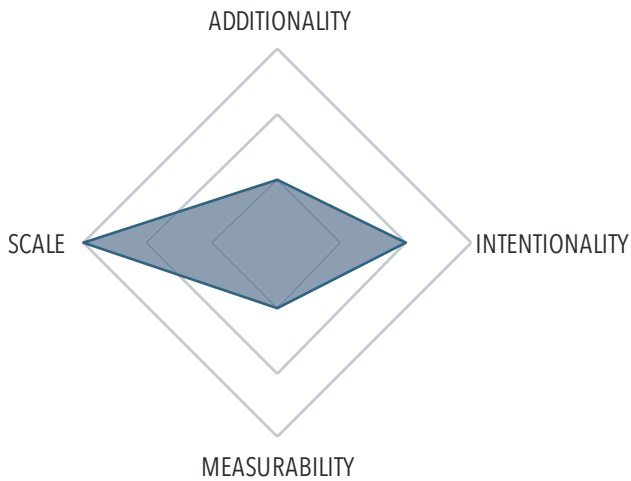
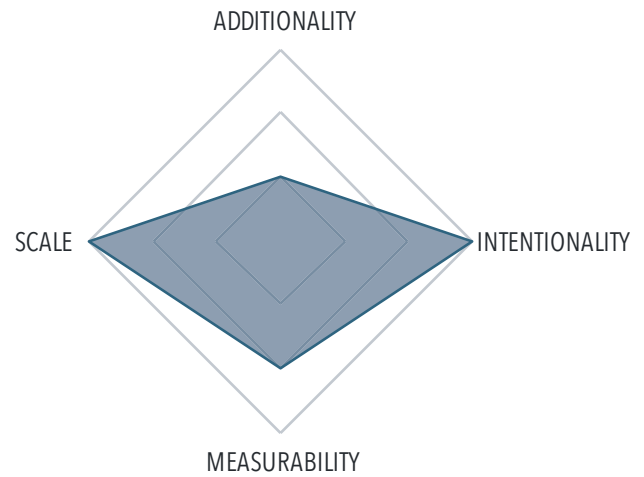


CHART 8: AIMS IN THEMATIC PUBLIC EQUITY



Sonen’s AIMS framework helps describe four key dimensions to impact creation across asset classes. These dimensions are Additionality, Intentionality, Measurability and Scale. Charts 7 and 8 illustrate how AIMS varies across Sonen’s sustainable and Thematic public equity strategies.

AIMS DIMENSION	SUSTAINABLE PUBLIC EQUITY	THEMATIC PUBLIC EQUITY
ADDITIONALITY	LOW Trading securities on secondary markets does not result in measurable impacts. The exception is in cases of shareholder advocacy and engagement, where such activity may result in demonstrable change in corporate behavior.	
INTENTIONALITY	MEDIUM Actively incorporating ESG factors into operations decisions reflect an intention to improve related performance	HIGH Underlying business activities in Thematic securities intentionally provide goods and services with a positive social or environmental impact
MEASURABILITY	LOW Aside from performance comparisons of various ESG factors, measurability of long-term impacts is relatively low.	MEDIUM Since Thematic securities produce goods or services that relate to specific issues, underlying impact can occasionally be quantified or relayed specifically.
SCALE	HIGH The scale at which ESG activities are undertaken are often very sizeable and thus positive results take place at significant scale.	HIGH Thematic impact resulting from the sales of goods and services can occur at significant scale and thus create impact in a significant manner.

Similar to Sonen’s fixed income strategy, each holding in our public equity strategy is classified as either Sustainable or Thematic. In this section of the report, we describe the specific impact of our 2016 public equity holdings.

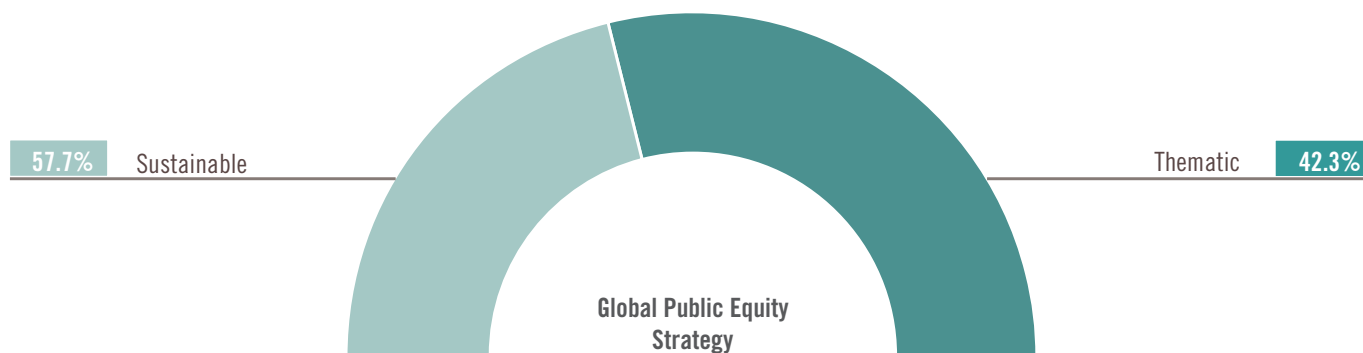
SUSTAINABLE INVESTING IN PUBLIC EQUITY

For Sonen’s public equity strategy, we compare the relative environmental, social and governance performance of underlying securities against conventional financial benchmarks using aggregated ESG data and ratings. Sonen’s public equity strategy is global in nature, and thus we benchmark its financial

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. Evaluate securities’ (at individual or portfolio level) respective contribution to the SDGs. As mentioned earlier, some specific proposed impact indicators for the SDGs map well to various ESG data, and, where possible, allow investors to evaluate portfolio contributions to the SDGs.

CHART 9: SUSTAINABLE AND THEMATIC BREAKDOWN OF SONEN’S GLOBAL PUBLIC EQUITY STRATEGY



and impact performance against the MSCI All Country World Investable Market Index (ACWI).

Sonen’s Public Equity strategy ended 2016 with a nearly 60% exposure to Sustainable securities.

Sustainable exposures in public equity can be evaluated using ESG performance indicators, allowing for direct comparisons across industries, sectors or market benchmarks. Such aggregated ESG data and performance ratings can be used 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

ENVIRONMENT: HIGHLIGHTS ON ESG PERFORMANCE

For public equity, we measure environmental performance using two Key Performance Indicators (KPIs) that we believe are critical to the most pressing environmental sustainability issues: climate change and rates of water use. For **climate change**, the KPI used is carbon emissions; for **rates of water use**, the KPI used is tons of water withdrawal.

Sonen’s public equity strategy showed better environmental performance relative to its benchmark as measured by these KPIs. For each KPI, the strategy exhibited significantly reduced emissions and water resource use as compared to the benchmark, revealing the proactive policy choices of the underlying holdings, as well as selection biases that favor environmental performance.

IMPACT INVESTING IN PUBLIC EQUITY

For selected KPIs, Sonen evaluated total weighted amounts (emissions or water use) to illustrate the aggregate performance relative to market benchmarks. Sonen also measured average intensity (tons of emissions/US\$ million in sales or cubic meters (m³) of water use/US\$ million in sales) for underlying securities to compare the average performance among underlying securities. Intensity metrics essentially convey a company's environmental cost per unit of sales, allowing for comparison between securities and portfolios of very different sizes. By either convention, Sonen's public equity strategy clearly outperformed its benchmark.

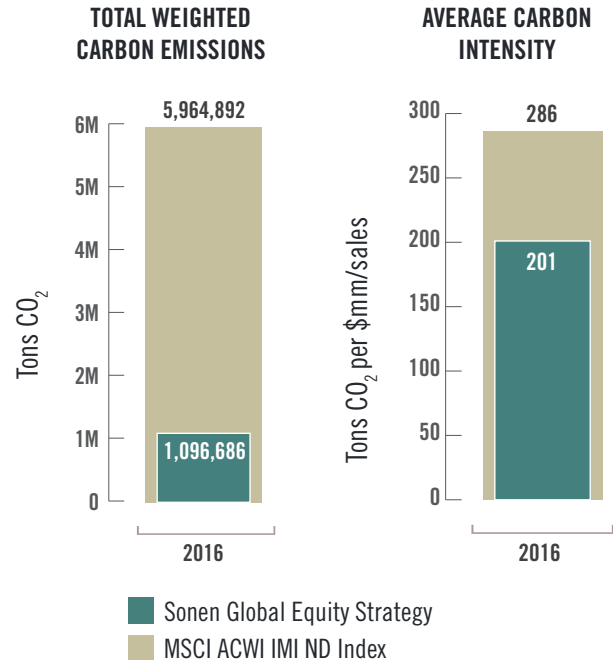
The following sections offer detailed summaries of relative ESG performance between Sonen's public equity strategy and that of the MSCI ACWI.

CARBON EMISSIONS

ESG performance data relating to carbon emissions reveals how companies are contributing to global sustainable development goals through specific corporate practices, an explicit invitation from the UN 2030 Agenda for Sustainable Development. In this case, carbon emissions and carbon intensities data can show improvements in energy efficiency and increased sustainability practices generally, both explicit SDG goals.

Through evaluating carbon emissions for the entire public equity strategy, and illustrating carbon intensities for the ten most carbon intensive industries in the benchmark, the strategy demonstrates a significantly lower carbon profile compared to the benchmark.

CHART 10 & 11



Specifically:

- › Total weighted carbon emissions were 5.4x better than the market benchmark.
- › Average portfolio carbon intensity was also 42% better than the market benchmark

In Chart 12 on the next page, we illustrate the carbon intensity of the ten most carbon intensive industries in the MSCI ACWI IMI Index and compare the carbon intensity of Sonen's public equity strategy for each industry.⁶ In all cases, Sonen's strategy maintains lower carbon intensities, and avoids industry exposure



SDG 7 AFFORDABLE AND CLEAN ENERGY

TARGET: Double the rate of improvement in energy efficiency by 2030

INDICATOR: Energy intensity improvement

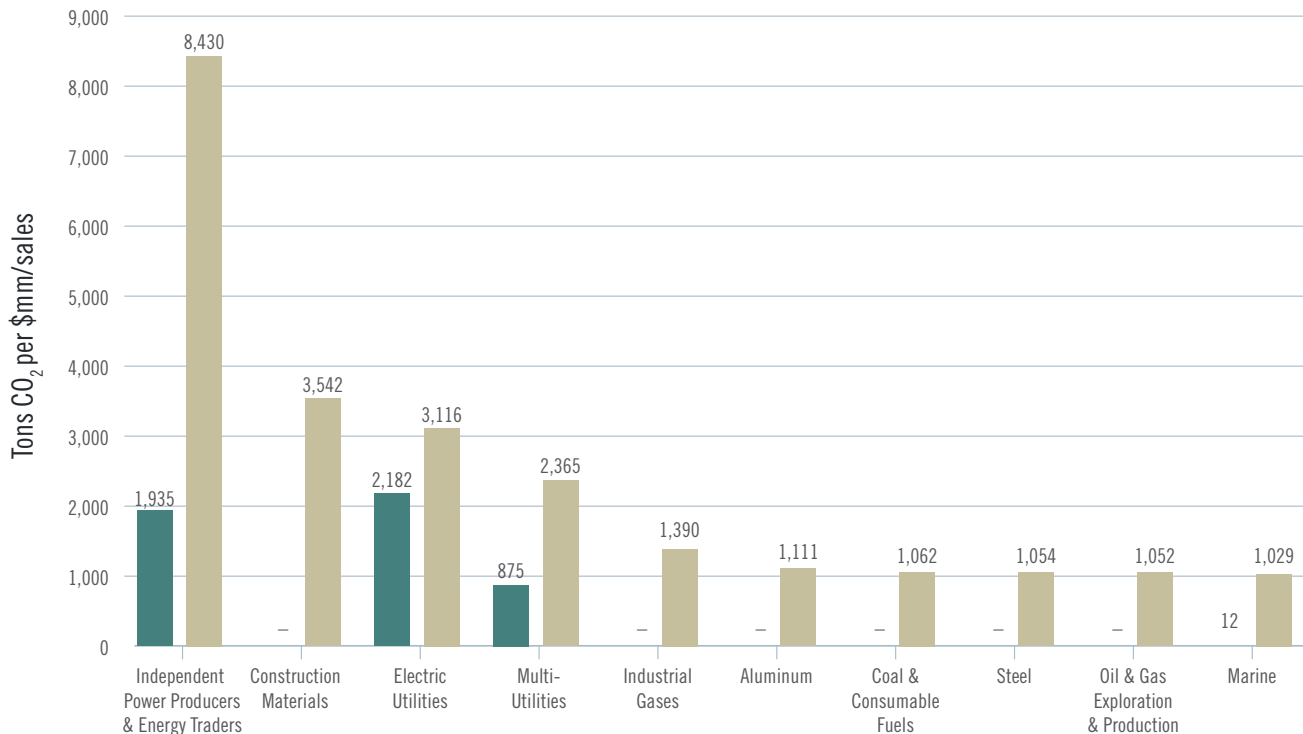
Sonen's public equity portfolio exhibits significantly lower carbon emissions and carbon intensities than the MSCI ACWI, reflecting greater sustainability practices generally, as well as greater resource efficiency with respect to carbon emissions.

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.

IMPACT INVESTING IN PUBLIC EQUITY

CHART 12: CARBON INTENSITY PERFORMANCE FOR 10 MOST CARBON INTENSIVE INDUSTRIES IN MSCI ACWI BENCHMARK



altogether in six of those industries (construction materials, industrial gases, aluminum, coal, steel and oil/gas exploration and production).

WATER USE

Similar to carbon emissions, ESG data relating to water use reveals the extent to which companies are

contributing to global sustainable development goals. Water withdrawal data, reflecting an absolute amount of water use for corporate operations, is an explicit point of performance measurement as articulated by the UN in SDG 6. Through evaluating total weighted water withdrawals and average water withdrawal intensities, Sonen's public equity strategy demonstrates



SDG 6 CLEAN WATER AND SANITATION

TARGET: Sustainability increase water-use efficiency across all sectors and ensure sustainable withdrawals

INDICATOR:

1. Freshwater withdrawal as a proportion of available freshwater resources
2. Change in water-use efficiency over time

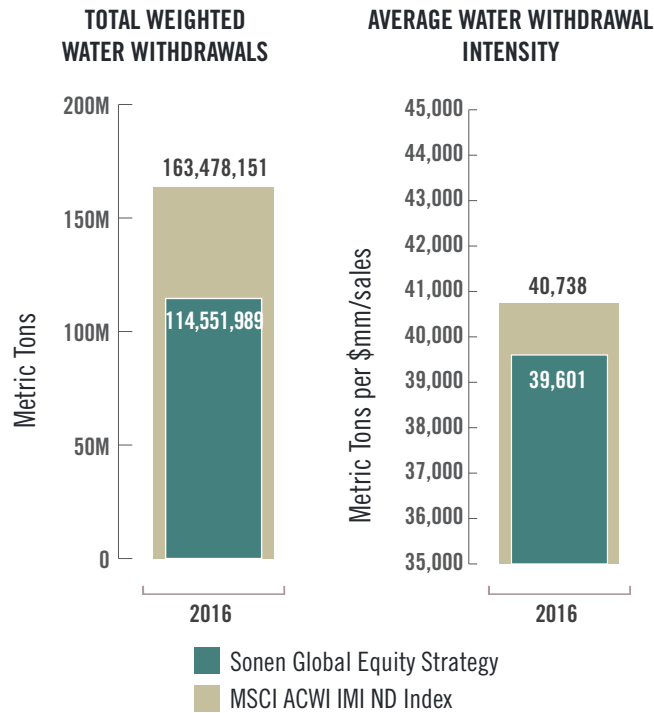
Sonen's Public Equity Strategy demonstrates significantly reduced water use and water withdrawals compared to the benchmark.

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.

IMPACT INVESTING IN PUBLIC EQUITY

CHART 13 & 14



significantly lower water use compared to the benchmark. Specifically:

- › Total weighted water withdrawals were 43% lower than the benchmark;⁷ and
- › Average water withdrawal intensity reflects slightly lower overall rates of water use intensity, with an average water withdrawal intensity of 3% less than that of the benchmark.

Chart 17 on the next page compares water intensity among the ten most water-intensive industries in the MSCI ACWI IMI Index for Sonen’s public equity strategy and the MSCI ACWI IMI benchmark.⁸ With one exception (water utilities), Sonen’s strategy maintains lower water intensities than the benchmark and avoids many of the most water intensive industries altogether.

While Sonen’s public equity strategy has exposures to eight separate water utilities, only one is reporting water intensity values for the reporting period, which may account for this underperformance because of a

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.

lack of sufficient data points. While this water utility exhibits water use intensity higher than the benchmark average, it is the first U.S. utility to be included in the Dow Jones Sustainability Index, and is the first U.S. water and wastewater company to report on ESG performance against the Global Reporting Initiative guidelines.⁹

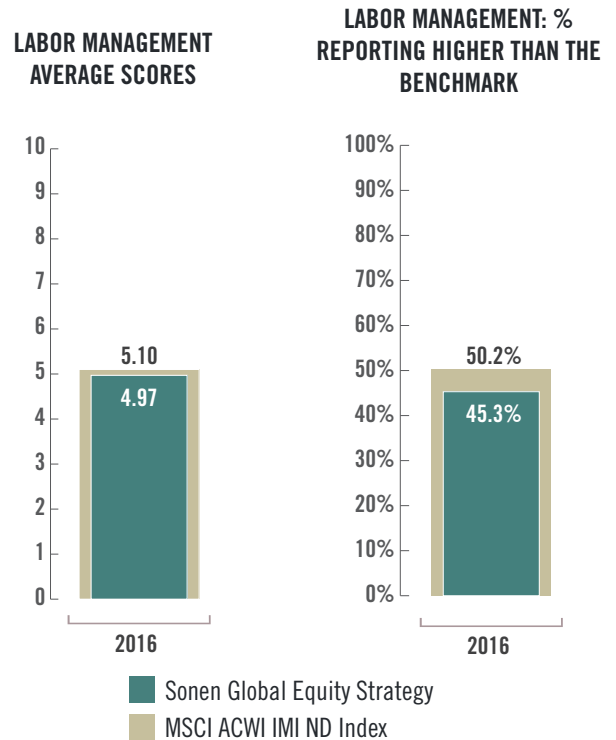
SOCIAL: HIGHLIGHTS ON ESG PERFORMANCE

Social performance in Sonen’s public equity strategy is reported through three specific KPIs that we believe are representative of corporate best practices, and that also reflect many of the concerns among impact investors.¹⁰ These are the following:

1. Labor management

reflects the extent to which

CHART 15 & 16



companies ensure greater job satisfaction among employees, evaluated specifically through several dimensions, such as employee benefits, performance incentives, employee engagement and

Chart Source Data: MSCI ESG Research 12/31/2016. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

IMPACT INVESTING IN PUBLIC EQUITY

CHART 17: WATER INTENSITY PERFORMANCE FOR 10 MOST WATER INTENSIVE INDUSTRIES IN ACWI IMI BENCHMARK

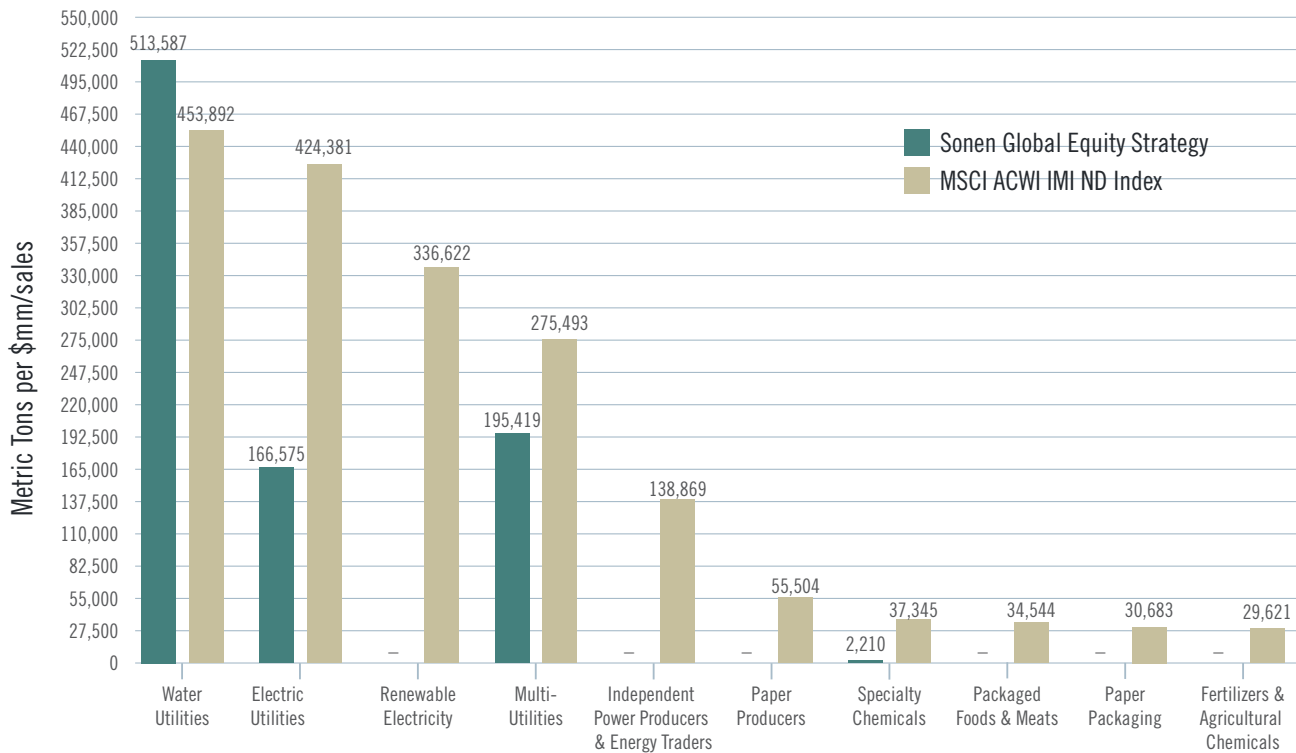


Chart Source Data: MSCI ESG Research 12/31/2016. Measuring and comparing intensity (unit/\$mm in revenue) allows for a comparison between companies with significantly different scales of operations and/or market capitalizations. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

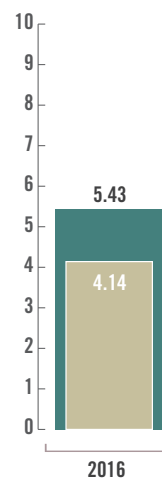
CHART 17 & 18

professional development programs.

Average scores for Labor Management are 4.97 and 5.10 for Sonen’s Global Equity Strategy and the MSCI ACWI IMI Benchmark, respectively, revealing slight underperformance among Sonen’s underlying securities. When comparing the percent of securities that earn Labor Management scores higher than the average benchmark score, 45.3% of Sonen’s securities report scores that exceed the average ratings of the benchmark, vs. 50.2% of underlying securities in the benchmark, also reflecting slight underperformance. Over the following year, Sonen will examine the origin of this underperformance and explore how it may engage with companies to improve related ratings or divest from these securities altogether.

2. Controversial Sourcing reflects the degree to which companies rely on raw materials that originate from regions associated with human rights and labor abuses, or whose sourcing may actually encourage

CONTROVERSIAL SOURCING AVERAGE SCORES



CONTROVERSIAL SOURCING: % REPORTING HIGHER THAN BENCHMARK AVERAGE SCORES

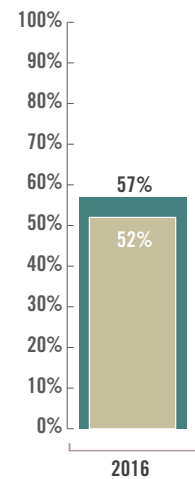


Chart Source Data: MSCI ESG Research 12/31/2016. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

IMPACT INVESTING IN PUBLIC EQUITY

such conflicts. This issue was of particular importance for copper, tin and tungsten, which often originate in regions with poor human rights records.

During 2016, Sonen’s performance on this indicator improved compared to 2015, reflected by higher average scores (5.4 vs. 4.1 for 2016 and 2015, respectively) as well as a higher proportion of securities which gain scores that exceed the benchmark’s average scores (57% vs 52%). As in 2015, reporting intervals for this indicator remain very low, as few companies can fully or reliably report on the extent of their exposure to conflict minerals through complex supply chains. Given the interest among impact investors in this topic, however, Sonen will continue to report on controversial sourcing, and encourage greater rates of reporting by relevant companies.

3. Health and Safety reflects the degree to which companies ensure worker safety through best

CHART 19 & 20

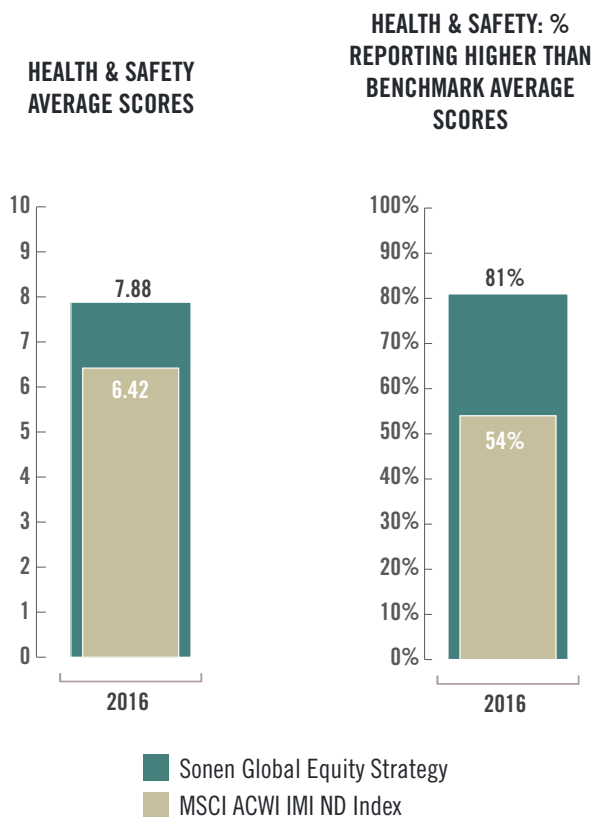


Chart Source Data: MSCI ESG Research 12/31/2016. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

practices in workplace safety. This performance indicator was particularly relevant for companies and industries operating in geographies far removed from corporate headquarters and where labor standards may be less stringent.

During 2016, Sonen significantly outperformed the market benchmark for Health and Safety, evaluated both by average scores (7.9 vs 6.4) and by the percent of companies that report higher than average benchmark ratings (81 % vs. 54%).

GOVERNANCE: HIGHLIGHTS ON ESG PERFORMANCE

Governance performance in Sonen’s public equity strategy is reported through three different governance KPIs that we believe are indicative of best practices. Governance KPIs include a) Gender diversity on corporate boards; b) Business ethics and fraud; and c) Board independence.

Apart from empirical data suggesting improved financial performance resulting from greater board diversity,¹¹ Sonen believes that pursuing greater board diversity and investing in companies that focus on minimizing ethical compromises are reflective of the intentions and attitudes of our clients as well as impact investors generally.

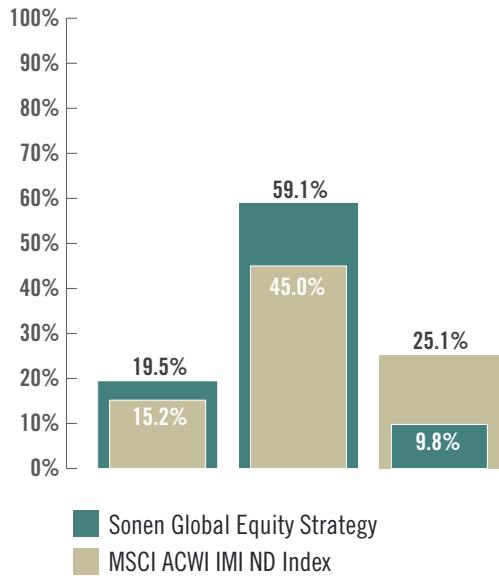
Chart 21 illustrates Sonen’s public equity strategy and its benchmark along three dimensions:

1. The average percentage of women serving on corporate boards;
2. The percentage of underlying portfolio companies with gender representation exceeding that of the benchmark average; and
3. The percent of companies reporting zero gender diversity on corporate boards.

In 2016 Sonen’s public equity strategy benefited from higher rates of female representation on corporate boards, measured in terms of average gender pro-

IMPACT INVESTING IN PUBLIC EQUITY

CHART 21: GENDER DIVERSITY ON CORPORATE BOARDS



portions as well as across companies. Average female board representation among companies in the strategy was 38% greater than that of the benchmark (19.5% vs 15.2%). Sonen’s public equity strategy also had many fewer companies reporting zero women on their boards than the benchmark (9.8% vs 25.1%).

Chart 23 relates average corporate performance for Business Ethics and Fraud relative to average benchmark performance.¹² Governance scores reflect exposure to or involvement in public controversies, such as insider trading or ongoing litigation, that may reflect poor ethical judgment or leadership. Sonen’s average scores for this KPI, 4.8, slightly outperform average scores for the benchmark (4.7). However, 76.5% of all holdings in Sonen’s strategy reported related performance that exceeded average benchmark performance, slightly underperforming the benchmark of 77.4%.

Sonen’s final Governance KPI in Chart 24 illustrates the proportion of independent directors among Sonen’s public equity holdings compared to the benchmark. Sonen exhibits a higher average proportion of independent directors (71% vs. 66%). Sonen also maintains a larger proportion of securities (72%) that report higher rates of overall independence compared to the benchmark (60%).

CHART 22 & 23

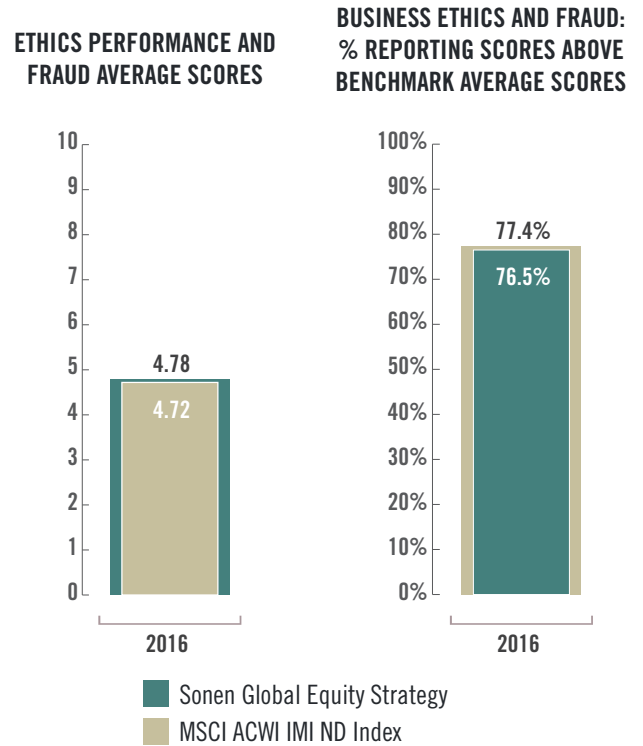


CHART 24: BOARD INDEPENDENCE: AVERAGE % INDEPENDENCE AND % REPORTING SCORES ABOVE BENCHMARK AVERAGE

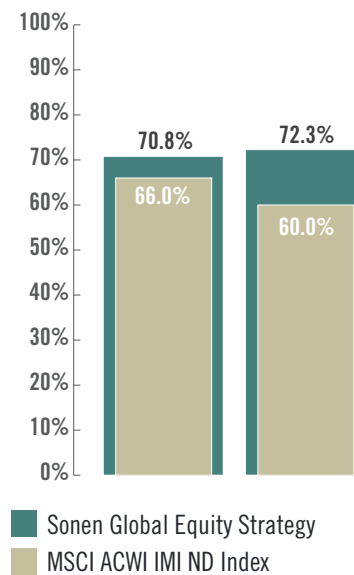


Chart Source Data: MSCI ESG Research 12/31/2016. At the time of publishing, FY2015 represents that latest available year of data from MSCI ESG Research.

IMPACT INVESTING IN PUBLIC EQUITY

THEMATIC INVESTING IN PUBLIC EQUITY

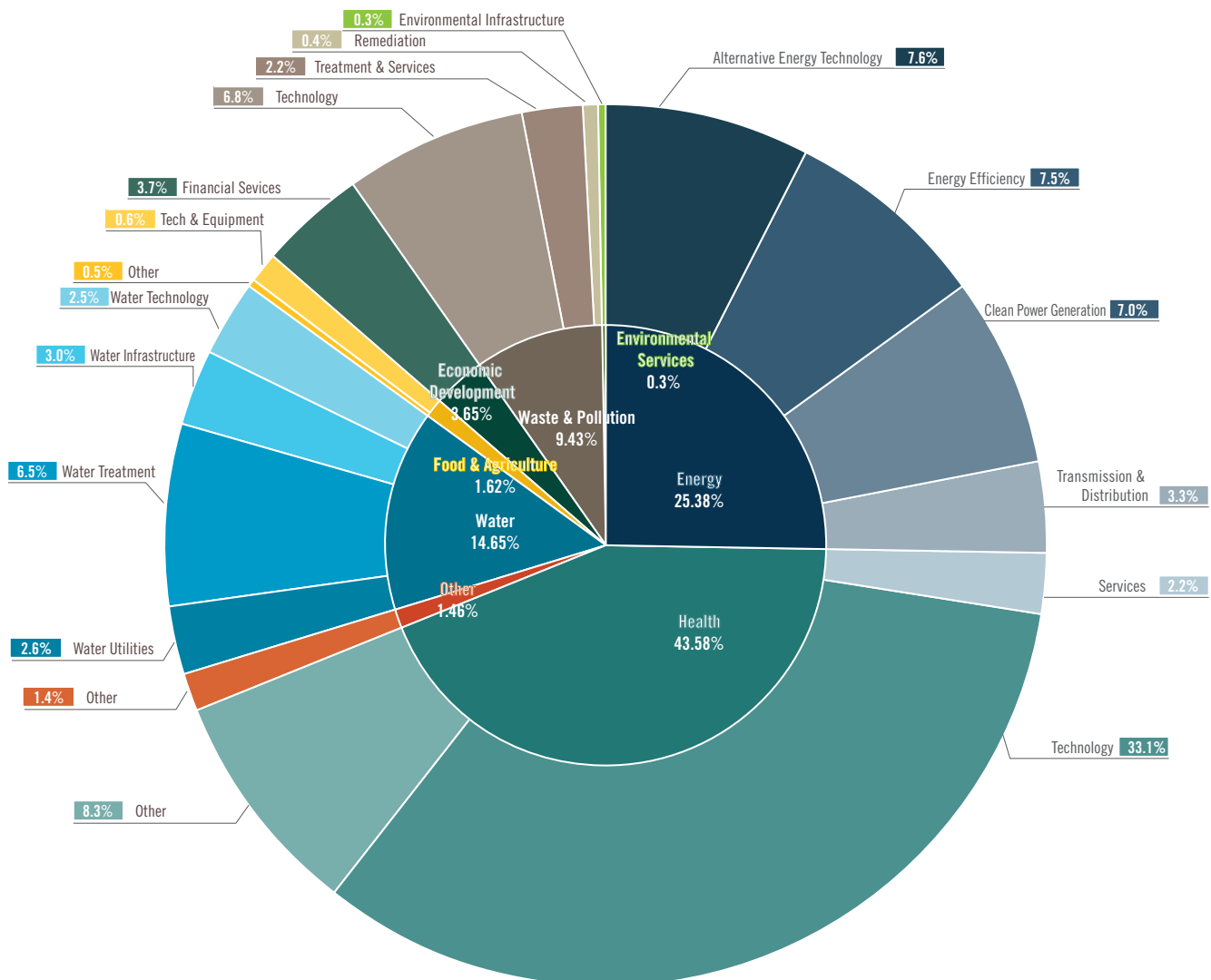
Just as in fixed income securities, Thematic public equity securities are evaluated by how business activities are aligned with specific social or environmental objectives. Sonen’s Thematic public equity investments are intended to provide diverse, complementary and highly targeted impact exposures.

Thematic securities in Sonen’s Public Equity strategy help advance the 2030 Agenda for Sustainable Development through specific exposures to underlying

securities and themes. Prominent impact themes across Sonen’s Global Public Equity strategy in 2016 include: Water (utilities, technologies, infrastructure); Energy (efficiency and renewable technologies); Infrastructure (transportation and waste management); and Community Development (economic development and water infrastructure).

Table 4 illustrates the six UN Sustainable Development Goals (SDGs) to which Sonen’s holdings in public equity most prominently contributed in 2016. Table 4 also provides various examples of public equity securities that contributed toward specific SDGs during 2016.

CHART 25: THEMATIC SECTORS AND SUBSECTORS IN SONEN'S PUBLIC EQUITY STRATEGY



IMPACT INVESTING IN PUBLIC EQUITY

Table 4: Sonen Public Equity Strategy’s Contribution to UN SDGs



SDG 2: END HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- | RELEVANT TARGETS | RELEVANT INDICATORS |
|--|--|
| <ul style="list-style-type: none"> › Sustainable food production systems; › increase productivity and production, › adaptation to climate change, extreme weather, drought, flooding and › improve land and soil quality | <ul style="list-style-type: none"> › Proportion of agricultural area under productive and sustainable agriculture |

Trimble, Inc. sells a variety of positioning technologies including (such as GPS, laser, optical) in a variety of industries. In the agriculture sector, Trimble’s technologies play an important role in ‘precision agriculture,’ particularly through highly accurate water and fertigation that can increase crop productivity through optimized water and nutrient inputs. Agricultural watering technologies include field drainage tiles, water management software and laser transmitters that make more efficient use of limited water resources.



SDG 3: GOOD HEALTH AND WELL BEING

Ensure healthy lives and promote well-being for all at all ages

- | RELEVANT TARGETS | RELEVANT INDICATORS |
|---|--|
| <ul style="list-style-type: none"> › By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. | <ul style="list-style-type: none"> › Number of people requiring interventions against neglected tropical diseases › Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease |

Merck KGaA: Founded in 1668, Merck KGaA (“Merck”) is a Germany-based science and technology company in healthcare, life science and performance materials.

- › Ranks #4 globally in the Access to Medicine Index (rating the distribution of life-saving medicines, vaccines and diagnostics accessible to low and middle-income populations).
- › Since 2007 Merck’s Praziquantel tablets have helped treat an estimated 100 million schistosomiasis (a common parasitic, potentially deadly infection caused by snails in contaminated water that kills over 200,000 people annually) sufferers in Africa, mostly school children.
- › In 2016, Merck donated 500 millionth Praziquantel tablets to the World Health Organization (WHO). The Company plans to donate 250 million tablets (worth ~\$23M) a year to the WHO as part of a collaborative program with the Bill & Melinda Gates Foundation, USAID and others.

IMPACT INVESTING IN PUBLIC EQUITY



SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all.

- › Ensure availability and sustainable management of water and sanitation for all.
- › Improve water quality by reducing pollution and the proportion of untreated wastewater;
- › Increasing water recycling and safe reuse globally

RELEVANT INDICATORS

- › Proportion of population using safely managed drinking water and sanitation services
- › Proportion of wastewater safely treated
- › Change in water-use efficiency over time

Arcadis’ water business addresses the entire water cycle, including water supply and treatment, engineering and management of public distribution networks, and water management systems for public and private sector clients. Arcadis is an active member of the global dialogue on corporate sustainability, through participation in the World Business Council for Sustainable Development, the UN Global Compact, and the UN-Habitat Shelter Program.

EL PASO WATER SUPPLY

Arcadis, in partnership with El Paso Water Utilities (EPWU) is currently testing an advanced water purification facility for “direct potable reuse” (DPR). The facility will be the second DPR facility in the world and will diversify El Paso’s water supply. The facility can recycle and purify 10 million gallons of water daily. This water purification system will be the first of its kind in the US. The pilot program, conducted in 2015, demonstrated the efficacy of the technology, and will provide El Paso with a more sustainable water supply and greater resilience to climate change and drought.

PUERTO RICO AQUEDUCT AND SEWER AUTHORITY

Capital improvement program for collection, treatment and disposal of domestic and industrial wastewater provides 3.6 million Puerto Ricans with improved wastewater service.¹³



SDG 7: AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

- › Double the rate of improvement in energy efficiency
- › Upgrade technology for supplying modern and sustainable energy services

RELEVANT INDICATORS

- › Renewable energy share in the total final energy consumption
- › Proportion of population with access to electricity

Pennon is a United Kingdom-based environmental and resource management company. Pennon’s waste recycling and recovery business operates through eight energy recovery facilities, with several more under construction, fed by a network of 313 recycling, waste management and energy recovery facilities. As an example of one business line, the company operates landfill sites for alternative energy, capturing and using landfill gas to generate electricity.

Quantifiable outputs include:

- › Recycling more than 7.4 million tons of waste annually, producing enough energy to power 330,000 homes.
- › In 2016, the company generated more than 1,496 GWh of energy from renewable sources.¹⁴

IMPACT INVESTING IN PUBLIC EQUITY



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- › Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- › Upgrade infrastructure and retrofit industries to make them sustainable, increase resource-use efficiency and adopt clean and environmentally sound technologies and industrial processes.

RELEVANT INDICATORS

- › CO2 emission per unit of value added

Veolia provides a broad portfolio of industrial waste management services to companies across multiple industries. Veolia’s innovative services and technologies in water, energy and waste enable its customers to operate more sustainably, using fewer resources or capturing valuable natural resources through pollution mitigation or treatment. The company reduces overall GHG emissions by reducing emissions from facilities it manages, and by enabling third party customers to reduce emissions through the use of Veolia’s technologies.

- › Waste recovery: 30.2 million metric tons of waste recovered as materials or energy in 2015.¹⁵
- › Water recycling: wastewater recycling for industrial customers totaling 346 million cubic meters.¹⁶
- › Reduced CO₂ emissions: Reduced emissions by 56 million metric tons of CO₂.¹⁷
- › Avoided CO₂ emissions: 28 million metric tons CO₂ equivalent.¹⁸



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

- › Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil
- › By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- › Encourage companies to adopt sustainable practices and to integrate sustainability information into reporting

RELEVANT INDICATORS

- › Material footprint per capita or per GDP
- › Proportion of hazardous waste treated
- › National recycling rate, tons of material recycled
- › Number of companies publishing sustainability reports

Nike has set the ambitious goal of moving towards a closed-loop system and creating zero waste from its contract footwear manufacturing business. Nike’s operations focus on eliminating waste through more efficient product design and manufacturing technologies.

- › In FY15, 54 million pounds of factory scrap was transformed into premium materials used in Nike performance footwear and apparel.
- › In footwear manufacturing, 92% of total waste was diverted from landfill.



SHAREHOLDER ADVOCACY & INDUSTRY ENGAGEMENT

2016 HIGHLIGHTS:

- › Throughout the year, the goal of Sonen’s work in shareholder advocacy and engagement was to help support ESG leadership throughout all pillars of corporate action for the companies in our portfolios through a blend of dialogue, engagement on key issues and shareholder advocacy.
- › Sonen also continued its active participation within our network of industry working groups that bring together investors, NGOs and other organizations to collaborate in supporting key topics across E, S and G issue areas – proudly supporting initiatives such as an investor coalition representing \$13T in assets urging the G20 to ratify the Paris Climate Agreement and an Investor Statement opposing North Carolina’s discriminatory House Bill 2.
- › In 2016, Sonen led the filing of one shareholder resolution with SPX Corporation, which was withdrawn after a successful engagement. Three additional dialogues were resolved without the necessity of shareholder resolutions with Covanta, Edwards Lifesciences and Linear Technology.

Sonen’s work on behalf of shareholders aims to advance best practices and disclosures across corporate environmental, social and governance activities. We consider shareholder advocacy a critical lever by which to express investor Intentionality (see Sonen’s AIMS™ framework¹⁹) in public markets. Our efforts generally focus on improving corporate sustainability policy given our belief in the importance of ESG performance. We also believe it is important to send the critical message to company leadership that these topics are of growing

importance to their shareholders as well as the broader investment community.

ADVOCACY AND INDUSTRY AFFILIATIONS

As part of our efforts around engagement and advocacy, over the course of 2016 Sonen continued its membership with a number of industry working groups as well as participated in initiatives that strive to provide increased transparency into corporate policies and

practices as they relate to sustainability. These advocacy activities are summarized on page 34, but overall seek to lend our voice to the global group of investors advocating for mandating and increasing disclosure and transparency around key ESG issue areas. The areas that we have spent much of our time on include lobbying for general transparency around ESG, promoting gender equality and diversity within corporate leadership, and advocating for meaningful, and science-based, action on climate. We believe that this work is a critical step in aligning capital with sustainable business practices over the long-term.

One industry group that we are proud to have increased our involvement with is as a signatory to the Chemical Footprint Project (CFP) and the Investors Environmental Health Network (IEHN). These initiatives reflect our belief in the need for chemical safety through careful measurement and disclosure of hazardous chemical use, as well as by identifying safer alternatives. Along with other CFP signatories and IEHN partners, Sonen has been actively engaging with the companies we invest in to advocate for the use of this tool as a way to encourage companies to provide greater transparency along their chemical supply chain with the goal of identifying and replacing chemicals of high concern to human or environmental health. In 2016, we participated in conversations or engagements with Apple, Becton Dickinson, and Nike. We were also proud to participate in the BizNGO conference to discuss the ESG materiality of this issue area. Sonen remains a proud member of the following organizations and working groups.

- › Portfolio Decarbonisation Coalition (UN Climate Summit)



- › CERES, Investors Network on Climate Risk (INCR)



- › Carbon Disclosure Project (Signatory)



- › Chemical Footprint Project (Investor Signatory)



- › Farm Animal Investment Risk & Return (FAIRR)



- › The Business Benchmark on Farm Animal Welfare



- › Thirty Percent Coalition



- › Investors Initiative on Sustainable Stock Exchanges (IISE)



- › Certified B Corporation (Recognized as 2016 Best for the World)



- › GIIRS Rated Platinum (score)126.8



SHAREHOLDER ADVOCACY & INDUSTRY ENGAGEMENT

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, only resorting to filing shareholder resolutions (which are presented to all company shareholders on the annual proxy, as well as at the company's annual general meeting) with a company if efforts to come to a mutual agreement are unsuccessful.

In 2016, Sonen lead one shareholder resolution, and co-filed three shareholder resolutions in addition to several other company dialogues that resulted in meaningful action. The resolutions and their outcomes are summarized on the next page.

In addition to continued engagement with the companies listed in the table above, Sonen filed four shareholder proposals at the end of 2016 for inclusion within 2017 proxy statements on the topics of gender diversity, linking GHG emissions to science-based targets, linking ESG performance to executive compensation, as well as methane emissions reduction and disclosure. We look forward to reporting on those outcomes in next year's annual report.

PROXY VOTING

As part of our ongoing portfolio monitoring, and in collaboration with our sub-managers, Sonen evaluates and tracks all proxy voting activity. During 2016, companies in Sonen's strategies were subject to 26 proxy votes from shareholder resolutions primarily focusing on governance, climate/environment and political spending. Our voting record supported 62% of all shareholder resolutions (including but not limited to ESG proposals), generally supporting votes that we believe to be in best long-term interests of the company and in support of robust sustainability programs rather than those deemed overly prescriptive or short-term focused. Our voting record is available to our clients by request.

Sonen's Shareholder Advocacy Process

Formal outreach to company regarding concern over specific ESG issues

1

Dialogue with Company to seek agreement and resolution. Includes working with Company to improve ESG performance.

2

If no agreement is reached, filing of a Shareholder Proposal.

3

SHAREHOLDER ADVOCACY & INDUSTRY ENGAGEMENT

Table 5: Sonen Shareholder Resolutions

Company Name	Nature of Engagement	Proposal	Status / Outcome
SPX CORPORATION	Filed Shareholder Proposal	Sonen filed a shareholder proposal requesting that the SPX Corporation issue a comprehensive annual sustainability report addressing sustainability risks and opportunities.	Withdrawn: As a result of pressure from shareholders, the company agreed to disclose agreed upon sustainability information on a set timeline, beginning with a preliminary FY2016 sustainability report including data on waste, water, emissions and energy, to be published in the summer of 2017.
COVANTA	Dialogue	Along with Dignity Health, Sonen engaged in a dialogue with Covanta surrounding its disclosures on political spending, advocating for greater transparency.	Through positive collaboration with Covanta's team, Sonen was able to provide input to the Company's <u>Political Contribution Policy & Disclosures</u> , which are now published on the investor relations page of its website.
EDWARDS LIFESCIENCES	Dialogue	Sonen engaged directly with Edwards Lifesciences to improve political transparency disclosures.	With input from the Center for Political Accountability, Sonen provided recommendations on exemplary disclosures on the topic, which the Company integrated and made available on its <u>website</u> .
LINEAR TECHNOLOGY	Dialogue	Sonen Capital has engaged in a dialogue with Linear Technology for over a year, applying pressure to improve the gender diversity of its board.	Before being acquired by Analog Devices in July of 2016, the organization has made commitments to replace two board members who will retire over the next two years, and is currently evaluating candidates. The Company had also agreed to provide Sonen with updates on its progress bi-annually.



PRIVATE MARKETS

2016 IMPACT ANALYSIS

SONEN MULTI-STRATEGY

2016 HIGHLIGHTS

- › Launched in 2016, Sonen's newest multi-strategy provides unique impact exposures unavailable through more traditional investments and that have a low correlation to the traditional equity and bond markets.
- › The strategy invested in Australia's successful water rights trading market, helping restore the water ecology in the Murray Darling Basin and establishing more efficient use of water within this arid region.
- › The strategy also invested in a trade finance fund, which provides financing to enterprises in over 30 African countries, creating jobs as well as increasing food security through the financing of commodities.

As we continue to develop solutions to provide our clients with optimized impact exposure across asset classes, Sonen launched its fourth investment strategy in March of 2016. Sonen's multi-strategy is a global solution that invests in unique exposures otherwise unavailable through more traditional equity and fixed income strategies.

Within this strategy, Sonen identifies highly-targeted thematic investments with the goal of achieving attractive risk-adjusted returns alongside specific environmental and social benefits. The strategy's focus on highly thematic impact exposures provides a complement to our existing solutions given its

intermediate liquidity profile and minimal correlation to traditional assets. The impact focus helps drive global sustainability through themes including renewable energy, ecosystem services and financial services for small and medium enterprises globally.

Global multi-strategy provides exposure across diverse investment strategies that, as a result, make capturing a discrete set of impact metrics difficult. Our AIMS (Additionality, Intentionality, Measurability and Scale) is useful to explain how impact can be expressed where such metrics are unavailable.²⁰ As an illustration of how to evaluate such impact using our AIMS framework, please reference Table 7 on the next page:

Table 6: Impact Summary for Sonen Multi-Strategy

Impact Outcome	Definition	Relevant SDG and Impact Targets
Ecosystem Services	<ul style="list-style-type: none"> Acquire tradeable water assets to support the efficient allocation of water in water-stressed regions. 	<p>SDG 15: Life on Land</p> <ul style="list-style-type: none"> Ensure conservation and restoration of inland freshwater ecosystems <p>SDG 6: Water</p> <ul style="list-style-type: none"> Ensure sustainable water withdrawals and supply of freshwater Protect and restore water related ecosystems
Clean Energy Long/Short	<ul style="list-style-type: none"> Acquire exposure to clean energy through long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. 	
Fossil Fuel Free Multi-Strategy	<ul style="list-style-type: none"> Provides diversification and the potential for attractive risk-adjusted returns due to exposure to a variety of specialized investment strategies that are fossil fuel free. 	
Trade Finance	<ul style="list-style-type: none"> Provides capital to local financial institutions in emerging and underserved markets to stimulate economic growth through support for SMEs. 	<p>SDG 8: Employment</p> <ul style="list-style-type: none"> Encourage growth of small and medium enterprises through access to financial services <p>SDG 9: Industry and Innovation</p> <ul style="list-style-type: none"> Increase access of small-scale enterprises in developing countries to financial services

Table 7: How Impact is Expressed through Sonen’s AIMS Impact Framework

Impact Dimension	Satellite*		Core*	
	Ecosystem Service	Community Development	Clean Energy / Long Short	Multi-Strategy (Low Carbon)
Additionality	High	High	Low	Low
Intentionality	High	High	High	Medium
Measurability	High	High	Low	Low
Scale	Low	Low	Medium	High

Where possible, Sonen will collect and report specific social or environmental data from thematic allocations, such as for ecosystem services (environmental health, income generation, water efficiency) and community development (jobs created, enterprises support, loans provided).

CASE STUDY: ECOSYSTEM SERVICES (AUSTRALIA)

One of the first investments made in the multi-strategy

was in a water rights trading manager based in Australia. This solution offers a significant opportunity for Australian farmers, ranchers and the general population to make more efficient use of water resources, and holds significant implications for the advance of successful market-based water rationalization worldwide.

IMPACT INVESTING IN GLOBAL MULTI-STRATEGY

WATER SCARCITY & NEED FOR ECOSYSTEM

SERVICES: Australia is the driest inhabited continent on earth, with highly variable rainfall and river flows. The Murray Darling Basin (MDB) comprises 14% of the continent's total land area, and is one of the world's largest and most productive river basins, accounting for \$19 billion of agricultural production annually and providing one-third of Australia's total food supply.²¹ After decades of poor resource management, water runoff to rivers, creeks and wetlands is severely diminished, leaving most local ecosystems within the Basin in poor health.

THE SOLUTION: The MDB's "Water for the Future Program" aims to give farmers and communities more confidence in planning for a future with less water, to put water use on a sustainable footing, to enhance irrigation productivity and to improve river and wetland health.²²

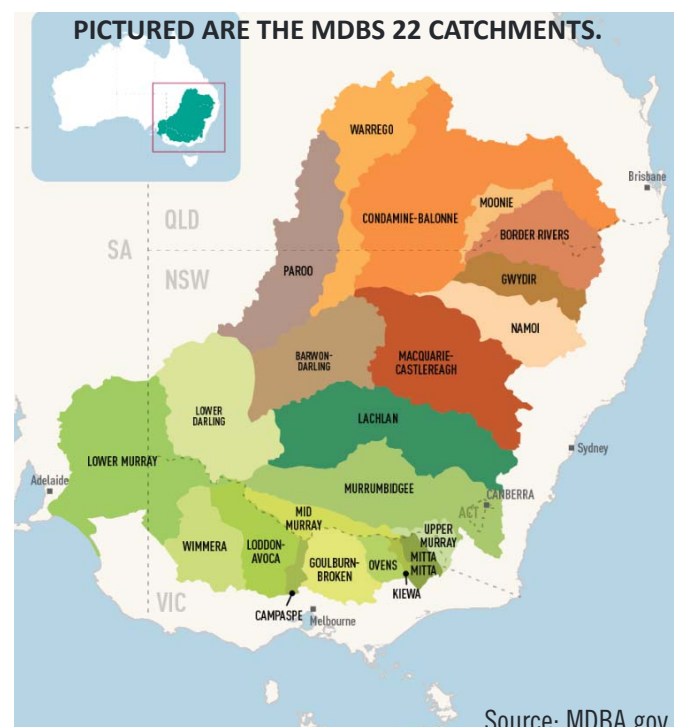
To optimize limited water resources, in 1994 Australia's Water Reform Framework created a national legal mechanism for a water "market," based on the view that water is a commodity. Since that time, water markets in Australia have developed substantially. The MDB water market is the largest water market in the world and is globally recognized as a successful example of a cap and trade mechanism for a natural resource,²³ providing social, environmental and financial benefits to all stakeholders. Various positive social and environmental impacts resulting from water rights trading include:

- › **Environmental health** benefits through restored natural river flows in waterways, flood plains and estuaries. Planning and decisions are driven by the need to maximize environmental outcomes. At least 60% of long-term water flows remain in waterways and floodplains.²⁴
- › **Productive efficiency:** the price signal for water in the market incentivizes users to make efficient use of all inputs and invest in improving the efficiency of their on-farm water use.²⁵
- › **Income generation:** Water allocation sales can

be a crucial source of income during periods of drought. For many irrigators, water sales were their only source of income for four dry years during the Millennium Drought.²⁶

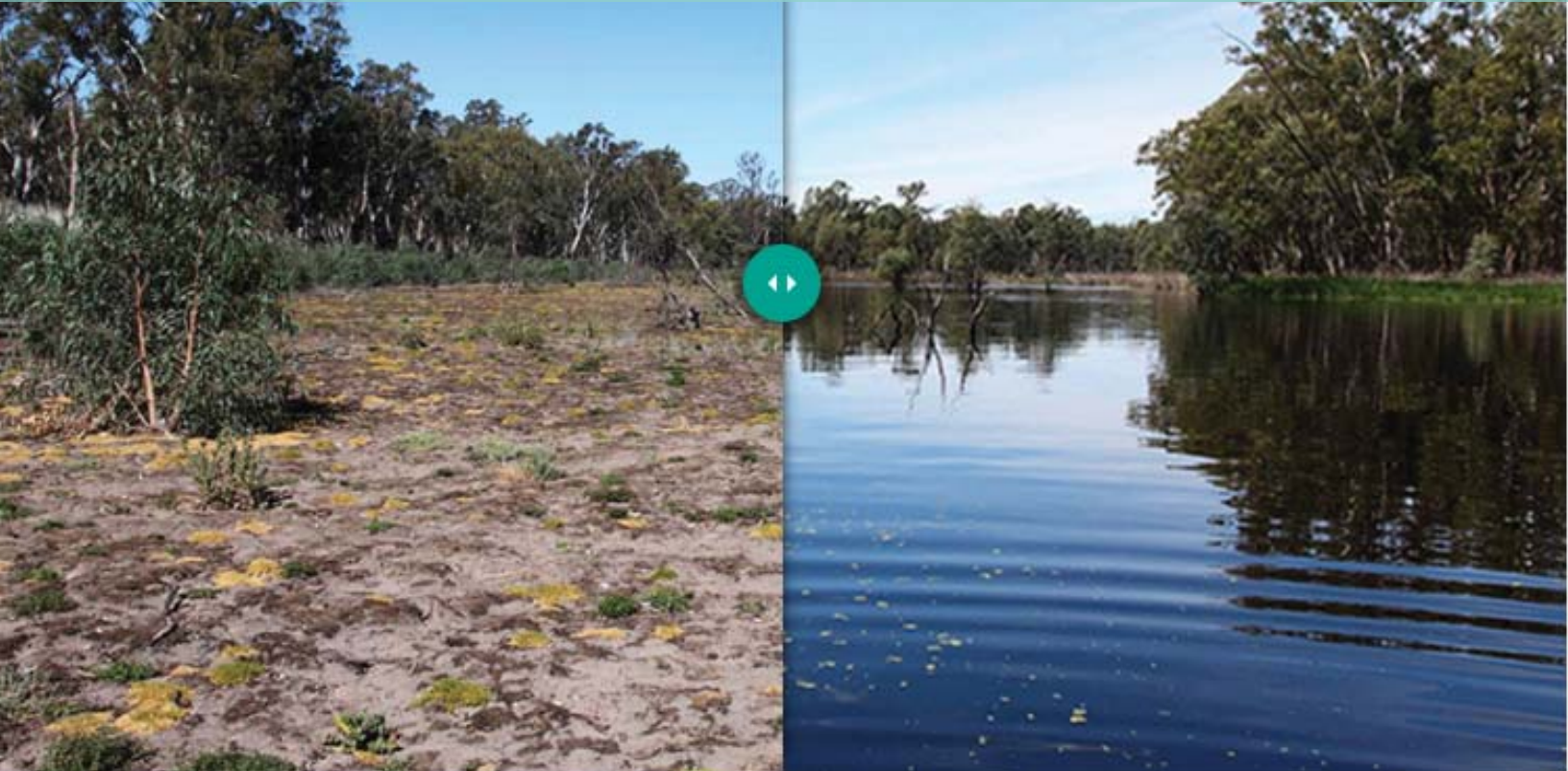
- › **Increased flexibility** to manage water availability risks and production decisions for individual irrigators in cases of drought, commodity market conditions and personal exigencies.²⁷
- › **Additional investment** to improve transmission systems, reduce evaporation and increase reliability of supply.²⁸

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.²⁹ As a critical indicator of efficiency, water markets within MDB facilitated the reallocation of water from consumptive uses to non-consumptive uses (i.e. water remaining in waterways) through government purchases of water entitlements from willing sellers.³⁰



IMPACT INVESTING IN GLOBAL MULTI-STRATEGY

The long-range plan for the MDB is to maximize environmental benefits by allowing more water to remain unconsumed by human activity. As a result, more than 60% of long-term water flows remain in waterways and floodplains. This picture illustrates the before and after effects of “environmental watering” on the Gunbower Forest in Victoria, Australia. Photo Source: MDBA.gov



SONEN GLOBAL SUSTAINABLE REAL ASSETS

2016 HIGHLIGHTS

- › As of the end of 2016, the strategy’s clean power investments generated 1,571,692 MWh of renewable energy and avoided 1,076,649 tons CO2 emissions, the equivalent of removing 233,317 passenger vehicles from the road for one year.
- › Sonen expanded its investment in clean power into an operational hydropower project in Indonesia, where only 5% of all energy consumption is from renewable sources.
- › Sonen’s investments in green real estate now include more than 4,372 total units of housing and commercial real estate, 72% of which have

sustainability certifications. Energy savings across the real estate portfolio total more than seven million KWh annually, equivalent to burning 5.3 million tons of coal.³¹

Launched in 2014, Sonen’s global sustainable real assets strategy focuses on addressing resource scarcity by focusing on four intended environmental outcomes: Sustainability, Efficiency, Renewability and Restoration (to learn more about the specific targeted outcomes, please reference table 9, p. 39, “Long-term Target Impact Outcomes for Sonen’s Real Assets Strategy” in our 2015 Annual Impact Report). By investing in real assets that address global pressures such as climate change, population growth and overuse of natural resources, Sonen seeks to accelerate the transition

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

to a low-carbon economy and environment, promote resource use efficiency and increase the stock of land, water and trees under sustainable management in a traditional private equity structure.

In pursuit of these four long-term impact outcomes, investments are spread around six key impact sectors within the strategy. These include Green Real Estate, Clean Power, Sustainable Timber, Environmental Infrastructure, Sustainable Agriculture and Land/Water Resources. Charts 26 through 29 illustrates the geographic and impact sector exposure of our real assets holdings as of December 31, 2016, as well as the anticipated geographic and impact sector target exposures by the end of the investment period in mid-2019.³²

Sonen’s real assets strategy provides access to a global portfolio of what we believe to be high-quality real asset strategies diversified across sectors, investment stages and geographies. Underlying investments are aimed at optimizing investment returns and providing clear, measured impact that relate to the strategy’s intended impact outcomes. As of December 31, 2016, Sonen has completed eight real assets investments across three impact sectors. These are summarized in Table 8 and investments are listed in the order in which they were made.

CHART 26: GSRA CURRENT GEOGRAPHIC EXPOSURE

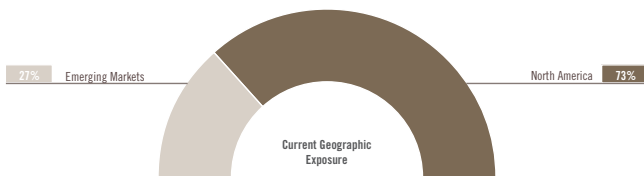


CHART 27: GSRA CURRENT SECTOR EXPOSURE

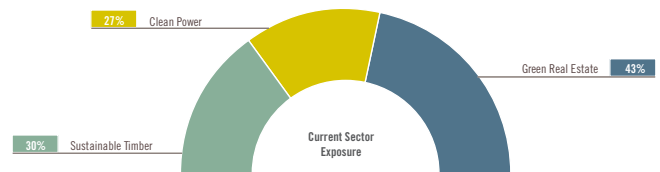


CHART 28: GSRA TARGET PORTFOLIO GEOGRAPHIC EXPOSURE

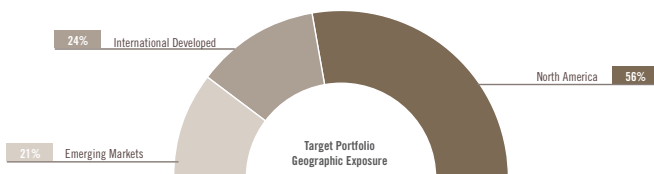
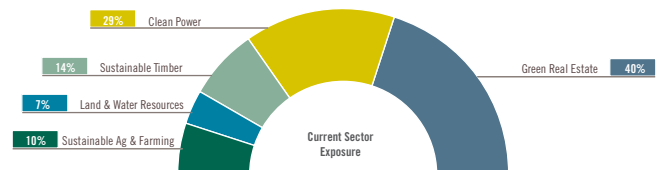


CHART 29: GSRA TARGET PORTFOLIO SECTOR EXPOSURE



IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

Table 8: Sonen's 2016 Real Assets Investments

Impact Sector	Description
Sustainable Timber (North America)	Investments in large working landscapes and mitigation banks with high conservation value in the US and Canada.
Green Real Estate (Africa)	Invests in the acquisition and development of green and other affordable residential and supporting commercial real estate for lower- and middle-income households.
Green Real Estate (USA)	Transitions well-located properties suffering from poor management or undercapitalization to value growth and income generation through capital improvements focused largely on sustainability features.
Clean Power (Africa)	Invests in the development and construction of renewable energy generation assets across Sub-Saharan Africa, including small hydro, wind, geothermal and solar production.
Clean Power (US)	Investment in a company that develops, acquires or finances utility-scale solar energy projects operating under long-term power purchase agreements.
Clean Power (US)	Invests in commercial solar opportunities in the US, including to rural and economically underserved geographies.
Green Real Estate (US)	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.
Clean Power (Asia)	Invests in renewable energy projects in South and Southeast Asia including small hydro, wind, geothermal and solar construction.

Across these eight investments, underlying managers collectively:

- › Invested in five sustainable timber properties totaling over 171,551 acres of sustainably managed landscapes;
- › Built or renovated twenty different green buildings with over 200,000 m² of green living space in more than 4,370 residential units; and
- › Produced over 1.5 million MWh of clean energy through wind, hydro and solar power.

Our real assets strategy also offers asset owners the opportunity to align resources very closely with the UN 2030 Agenda for Sustainable Development through its investments in environmentally friendly infrastructure, green real estate, clean power production and waste



management. For each of these investment themes, Sonen regularly collects impact data (all IRIS-compliant) that relate to the strategy's intended impact outcomes. As these investments

are long-term in nature, and some underlying projects are under construction or under development, only limited impact data is available at this point. Impact indicators for each investment theme are listed in Table 9 on the next page.

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

Table 9: Core and Supplemental Impact Indicators or Sonen Global Real Assets Strategy

Sector	Core Impact Indicators	Supplemental Impact Indicators
Clean Power	<ul style="list-style-type: none"> › MWh generated through renewable sources › GHGs offset through renewable production (tons) › Geographic location and type of renewable energy source 	<ul style="list-style-type: none"> › Number of people with access to clean power › Clean power beneficiaries, by income strata or geographic region
Sustainable Timberland	<ul style="list-style-type: none"> › Total land area under sustainable management › Trees planted (native species) › Units/Volume of sustainable timber sold 	<ul style="list-style-type: none"> › Ecological Restoration Management Area (acres) › Operational certifications › Land permanently conserved › Jobs maintained at supported enterprises
Sustainable Agriculture	<ul style="list-style-type: none"> › Total sustainable cultivated Area › Units/Volume of sustainable agricultural products sold › Total payments made to smallholder suppliers 	<ul style="list-style-type: none"> › Number of communities served › Number of permanent employees › Revenues generated at supported enterprises
Green Real Estate	<ul style="list-style-type: none"> › Energy saved/conserved (KWh) via property improvements › Total area with energy efficiency improvements (m²) › % of property with sustainable certifications 	<ul style="list-style-type: none"> › 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	<ul style="list-style-type: none"> › Total protected land area with High Conservation Value and water bodies › Ecosystem services (CO₂ sequestration, habitat) › Ecological restoration management area 	<ul style="list-style-type: none"> › Water bodies present › Land area under sustainable management with ecological restoration management › Protected land areas adjacency › Certifications
Environmental Infrastructure	<ul style="list-style-type: none"> › Total reduction in GHG emissions (CO₂e) › Clean power generated (MWh) › Amount of waste diverted from landfill › Wastewater treated and water production capacity 	<ul style="list-style-type: none"> › Jobs created by supported enterprises › Toxic emissions reductions

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

Table 10: Impact Summary for Sonen Global Real Assets Strategy

Sector	Core Impact Indicators	
	Supplemental Impact Indicator	Impact Data
Clean Power	› MWh generated through renewable sources	› 1,571,692
	› GHGs offset through renewable production (tons)	› 1,076,649
	› Geographic location and type of renewable energy source	› US, Uganda, Indonesia, UK
	› Number of people with access to clean power	› 739,574
Sustainable Timberland	› Total land area under sustainable management (acres)	› 171,551
	› Units/Volume of sustainable timber sold (tons)	› 164,421
	› Ecological Restoration Management Area (acres)	› 83
	› Operational sustainability certifications (acres)	› 57,587
	› Land permanently conserved (acres)	› 7,404
	› Jobs maintained at supported enterprises	› 47
Green Real Estate	› Energy saved/conserved (KWh) via property improvements	› 7,025,084
	› Total area with energy efficiency improvements (m ²)	› 217,616
	› % of property with sustainable certifications	› 72%
	› Percent of properties located in low-income geographies	› 29%
	› Total Number of Units	› 4,372

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

The following section of the report provides short case studies of the underlying investments that typify each impact theme within Sonen’s real assets strategy.

CASE STUDY 1: TIMBER

Sustainable forest management practices protect the ecological health of forests, preserve local biodiversity and accounts for local community interests while producing forest products.



SDG 15: LIFE ON LAND

Deforestation is the second leading cause of carbon pollution, causing 20% of total greenhouse gas emissions.³³ Global economic trends,

population growth and increased demand for timber and timber products only amplify the threat to natural ecosystems that provide wood and fiber for human consumption.

working forest conservation easements. Originally founded in 1976 and now operating its fourth fund, the Manager invests in and manages more than 650,000 acres of timberland and mitigation banking in New York, California, Florida, Tennessee, Wisconsin, Colorado, South Carolina, Virginia, Louisiana, Alabama, Delaware and West Virginia. Fully 100% of the Manager’s timberland properties are, or will soon be, certified sustainable by either the Forest Stewardship Council or the Sustainable Forestry Initiative.

In April of 2016, the Manager acquired nearly 13,000 acres of timberland in northwestern Wisconsin that host the globally rare Pine Barrens ecosystem. Working with The Conservation Fund, the Manager sold a working forest conservation easement over the majority of the property to the Wisconsin Department of Natural Resources.

Table 11: Life on Land Impact Targets and Indicators

Relevant Impact Targets	Relevant Impact Indicators
Ensure conservation, restoration and sustainable use of terrestrial ecosystems and forests	Proportion of important sites for biodiversity that are protected
Promote the implementation of sustainable management of all types of forests, restore degraded forests and increase afforestation and reforestation globally	Progress toward sustainable forest management
Ensure the conservation of mountain ecosystems	Coverage by protected areas of important sites for biodiversity

SDG 15 focuses on protecting, restoring, and promoting the sustainable use of terrestrial ecosystems, sustainably managing forests, combatting desertification, and halting and reversing land degradation and biodiversity losses.

Sonen’s real assets strategy is currently invested in one of the United States’ leading practitioners of sustainable forestry management. Through its underlying practices, this forestry manager produces sustainably-managed forest products and permanently protects its holdings from development, primarily through the sale of

Under the protection of a working forest conservation easement, the land provides both ecological and economic benefits of a productive forest. Income generation results from ongoing sustainable forest management, which creates well paid jobs within the forest products sector, a cornerstone of the regional economy for over a century. Additionally, permanent protection from development protects the abundance of unique and threatened species of the Pine Barrens ecosystem, as well as serving as a migration corridor for large-ranging wildlife including rare and protected bird and insect species.

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

Table 12: Core and Supplemental Impact Indicators: Sustainable Timber

Core Impact Indicators	2016 Impact Data
Total land under sustainable management (acres)	171,551
Native tree species planted	588 acres
Units/Volume of Sustainable Timber Sold (metric tons)	164,421

Supplemental Impact Indicators	2016 Impact Data
Ecological Restoration Management Area (acres)	83
Permanently conserved land (acres)	7,404
Operational sustainability certifications (acres)	57,587 (FSC + SFI)
Jobs maintained at supported enterprises	47

CASE STUDY 2: GREEN REAL ESTATE (UNITED STATES)

The built environment accounts for nearly one third of total greenhouse gas emissions, largely through the consumption of energy during its useful life.³⁴ Global population growth and increasing urbanization present a tremendous impact opportunity for investors to direct resources to more environmentally sustainable buildings.

In addition to the two green real estate investments made in 2015, Sonen’s strategy made its third investment in 2016, which had a greater focus on refurbishing existing middle-market, multifamily properties to be more energy and water efficient, while keeping a focus on community preservation and development, linking closely with SDG 11, building sustainable cities and communities.

Sonen’s most recent investment in Green Real Estate focuses on the renovation and rehabilitation of existing buildings in major urban centers in the United States, such as Chicago, California’s Bay Area and Portland. This US-based Green Real Estate Manager (Manager) is a pioneer in the green real estate space, as well

as a Certified B Corporation. With over 20 years of experience, this Manager’s portfolio includes 77 LEED (Leadership in Energy and Environmental Design) properties across the US either completed or in process. Sonen’s investment in this manager’s third fund targets high quality assets in both residential and commercial sectors that create unique opportunities for environmental leadership and community development, ultimately driving financial return as well as positive impact.

As one example, a mixed-use office property in Chicago’s central business district features a 683,000 sq. ft property that holds LEED Gold and Energy Star certifications. The building includes 13,500 square feet of retail with current tenants that include Au Bon Pain, Starbucks and Walgreens. In addition to the efficiency-focused renovations, the Manager has established a robust sustainability program with its tenants that continues beyond the building’s construction to improve the building’s environmental footprint in its continued operational use – a critical next frontier for green real estate managers. Ongoing sustainability performance is tracked through a platform called Arc, which monitors building performance relative to energy, waste, waste, transportation and human comfort, and

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

will feed into the building’s LEED recertification in 2017. Programs implemented at the property include an expansion of the building’s waste and recycling program to include electronic waste through a partnership with a local, veteran-owned firm. In addition, a successful pilot composting program with commercial tenants Au Bon Pain and Starbucks expanded to all the commercial tenants in the building.

global population with access to electricity has steadily increased, there are still more than 1 billion people without access to electricity. Furthermore, only 58% of the global population has access to clean fuels and technologies for cooking. There are still 3 billion people using solid fuels (wood) and kerosene, resulting in deforestation and major health complications.³⁵ SDG 7 focuses on access to affordable, reliable, sustainable, and modern energy for all. Table 14 on the

Table 13: Core and Supplemental Impact Indicators: US Green Real Estate

Core Impact Indicators	2016 Impact Data
Energy saved or conserved (KWh) via property improvements	7,025,084
Total area with energy efficiency improvements (m ²)	217,616
Percent of properties with sustainable certifications (existing or upon completion of build)	72%

Supplemental Impact Indicators	2016 Impact Data
Percent of properties located in low-income census tracts	29%
Total Number of Units	4,372

CASE STUDY 3: CLEAN POWER (AFRICA AND ASIA)

Expanding the global supply of clean, renewable energy and related infrastructure forms a key impact goal for Sonen’s real assets strategy. Sonen’s pursuit of renewable power infrastructure investments is closely aligned with SDG 7 – “to ensure access to affordable, reliable, sustainable and modern energy for all.”



SDG 7: AFFORDABLE AND CLEAN ENERGY

According to the United Nations Sustainable Development Knowledge Platform, energy is crucial to achieving almost all of the Sustainable Development Goals. While the proportion of the

next page highlights relevant impact targets and impact indicators for SDG 7.

A core intention of Sonen’s real assets strategy is to expand global access and distribution to clean power, which we believe serves as an excellent example of aligning investment resources with global environmental needs. Sonen has invested in two domestic solar opportunities to date, with our most recent investment made in 2016 focusing on commercial solar opportunities in the US, including rural and economically underserved areas.

Detailed in our 2015 annual impact report, Sonen’s first clean power investment was made to a renewable energy fund (REF) that will serve sub-Saharan Africa. In 2016, we made a follow-on investment to a similar strategy in Asia focused on development of renewable

IMPACT INVESTING IN GLOBAL SUSTAINABLE REAL ASSETS

Table 14: Affordable and Clean Energy Relevant Impact Targets and Indicators

Relevant Impact Targets	Relevant Impact Indicators
Universal access to affordable, reliable and modern energy services	Proportion of population with access to electricity
Increase share of renewable energy in global energy mix	Renewable energy share in the total final energy consumption
Double rate of improvement in energy efficiency	Energy intensity trends
Expand infrastructure in developing countries	Proportion of population with primary reliance on clean fuels and technology

power assets in South and Southeast Asia. In both geographies, this REF aims to invest in a wide portfolio of renewable energy projects including wind, solar, hydro and geothermal generation.

INVESTMENT HIGHLIGHT:

Luduk Gadang is a run-of-river operational hydropower facility located in West Sumatra Province, Indonesia. As of 2016, Indonesia is the fourth most populous country in the world, yet its population relies largely on fossil fuel-based sources of energy, with clean power comprising just below 5% of total energy supply as of 2013.³⁶ Indonesia's carbon dioxide emissions are expected to double over the next 25 years, with the power sector the major contributor to GHG emissions.³⁷

Luduk Gadang is an example of critical investment

capital spent to facilitate the transition to renewable energy, which is not only a necessity for climate action, but also provides low-income populations with a clean, affordable source of power. The 8MW facility has avoided 10,400 tons of CO₂ in Q4,2016, as well as currently undergoing a rigorous evaluation of environmental and social standards on site. In addition to the benefits of clean power generation, the project's benefits extend to the local community through a profit-sharing program in collaboration with local NGOs as well as a restoration of an existing micro hydro plant which provides power to local farmers. The REF manager expected to enhance operational efficiencies that will increase power production by Q2 of 2017 as well as complete aspects of construction that will further improve functioning and safety during the year.

Table 15: Core and Supplemental Impact Indicators: Clean Power

Core Impact Indicators	2016 Impact Data
Total energy produced from renewable sources (MWh)	1,571,692
Total reduction in GHG emissions (Metric Tons CO ₂)	1,076,649
Geographic location of renewable energy source	U.S., Uganda, Indonesia
Type of renewable energy source	Solar, Hydro, Wind
Supplemental Impact Indicators	2016 Impact Data
Number of people with access to clean power	739,574

CONCLUSION

2017 REAL ASSETS INVESTMENT PIPELINE

Sonen anticipates completing a total of 12-16 investments in its real assets strategy across six key impact sectors by the end of its investment period in 2019. Our investment pipeline includes a number of additional impact sectors that we have not yet made investments in, but are actively targeting, including environmental infrastructure and sustainable agriculture.

For each impact theme, Sonen relies on internal 'Impact Frameworks' that identify specific social or environmental outcomes that we hope to achieve through our impact investing. 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

During Q2 of 2017, Sonen will release additional impact frameworks that will cover

1. Financial Services
2. Health

Please visit Sonen Capital's Thought Leadership web page to download our impact frameworks.

CONCLUSION

Sonen's fourth annual impact report explains our impact evaluation methodology and illustrates the impact of our public and private investment strategies. In 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, covering social and environmental concerns, readily show where Sonen's public equity strategy outperforms the benchmark, namely carbon emissions, water use, health and safety and gender diversity on corporate boards and board independence. Sonen also proudly participated in various shareholder advocacy and engagement efforts to further improve the ESG leadership that our public equity strategy already demonstrates.

In 2015 Sonen was one of the first investment firms to publicly report on the alignment of its investment strategies with the UN Sustainable Development Agenda. During 2016, we deepened our analysis to specifically illustrate where our various investment strategies provide measurable, meaningful contributions to various Sustainable Development Goals. Using proposed impact indicators from the Inter-Agency and Expert Group on SDG Indicators, we can confidently relay where specific investments, across asset classes, align closely with the UN's intended social and environmental impact outcomes by 2030.

Sonen successfully launched its fourth investment strategy, focusing on highly thematic unique strategies that have a low correlation to traditional assets. The impact focus helps drive global sustainability through themes including renewable energy, ecosystem services and financial services for small and medium enterprises globally.

Lastly, Sonen's real assets strategy completed its eighth investment in 2016, with a continued focus on green real estate, clean power infrastructure and sustainable timber. As more underlying projects are completed, we expect to gather more impact data that will speak directly to our achievement of our four intended

LOOKING AHEAD

outcomes for this strategy: Sustainability, Efficiency, Restoration and Renewability.

LOOKING AHEAD

Over 2017 Sonen will continue to refine its impact evaluation methodology and reporting. Specifically, Sonen will publish a report outlining its most recent work on using Science Based Targets (SBTs) to evaluate the climate performance of its public equity investment strategy. We will also continue to strengthen the analysis of our strategies' contributions to the UN SDGs, through expanding the body of data that we use to evaluate our success, and by considering how all asset classes can realistically make contributions to the Agenda for Sustainable Development.

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 the second and third quarters for 2017 respectively.

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



APPENDIX I: SOURCES

1. The concepts of Sustainable and Thematic are meant to classify companies based on their primary business purpose, and are not mutually exclusive or necessarily related. While all companies could potentially employ leadership across the pillars of E, S and G required of a Sustainable business (such as strong energy efficiency programs and environmental reporting, a diverse board and strong governance structures), a Thematic company must explicitly seek to improve challenges related to sustainability (such as water scarcity) through its business. It is important to note that a Thematic company may not excel across ESG issue areas, for example an energy efficiency technology company that does not publicly disclose any emissions data or other forms of environmental sustainability reporting. However, our ongoing ESG analysis ensures that no Thematic security undertakes any harmful business activity in any E, S or G category.
2. SDG Compass Guide; The Guide for Business Action on the SDGs; United Nations, World Business Council on Sustainable Development and Global Reporting Initiative, p. 4. <http://sdgcompassguide.org>
3. A global indicator framework was proposed to the UN Statistical Commission in June, 2016 by the Inter-Agency and Expert Group on SDG Indicators. The list include 230 unique impact indicators that will be used to measure collective achievement of the SDGs through 2030. For more information visit <http://unstats.un.org/sdgs/indicators/indicators-list/>
4. Environmental Finance, Feb 2017 “KfW’s Green Bonds save 2.2 Mt of GHG emissions.”
5. World Bank: <http://projects.worldbank.org/P111996/upgrading-greening-rio-de-janiero-urban-rail-system-additional-financing?lang=en&tab=overview>
6. These ten industries comprise 5.61% and 2.94% of the ACWI IMI Index and Sonen’s public equity strategy, respectively.
7. Weighted water withdrawals are calculated by taking each security’s absolute water withdrawal figure and multiplying by respective weights in the portfolio or index.
8. These ten industries comprise 6.35% and 7.09% of the ACWI IMI Index and Sonen’s public equity strategy, respectively.
9. <http://pr.amwater.com/PressReleases/releasedetail.cfm?ReleaseID=706892>
10. The following charts illustrate the number of companies, expressed as a percentage of the total portfolio providing data, that have performance ratings that are higher than the average performance rating of the MSCI ACWI benchmark. For example, 81% of companies in Sonen’s global equity strategy have Health

- and Safety performance ratings higher than the average ratings of the MSCI ACWI, vs. only 54% of companies within the ACWI.
11. Please refer to Sonen's 2014 Annual Impact report, page 32 for more information on the relationship between gender diversity in corporate boards, and financial performance.
 12. The following above? charts illustrate the number of companies, expressed as a percentage of the total portfolio providing data, that have performance ratings that are higher than the average performance rating of the MSCI ACWI benchmark. For example, 76% of companies in Sonen's global equity strategy maintain business ethics and fraud ratings higher than the average ratings of the MSCI ACWI, vs. 77% of companies within the ACWI.
 13. Arcadis 2015 Sustainability Report, p. 47. https://www.arcadis.com/media/4/4/8/{448141DB-960E-4F5A-919B-EA9ED900675A}Arcadis_Sustainability_Report_2015_DG.pdf
 14. Pennon Group Sustainability Report; <http://www.pennon-group.co.uk/sustainability/sustainability-kpis>
 15. Veolia; <http://www.veolia.com/en/natural-resources>
 16. *ibid*
 17. Veolia; <http://www.csr-performance.veolia.com/managing-environmental-performance/contribute-to-combating-climate-change/contribution-to-the-overall-reduction-in-greenhouse-gas-emissions-mitigation/>
 18. *ibid*
 19. See Sonen's 2014 Annual Impact Report, page 12, for an introduction to the AIMS framework.
 20. (To learn more about our AIMS methodology, please reference our 2014 annual impact report, p. 12)
 21. The Murray Darling Basin Balanced Water Fund; Kilter Rural, October 2015
 22. Australian Government National Water Commission, Water Markets in Australia – A Short History, p.90
 23. Blue Sky Partners Private Placement Memorandum, p.12
 24. Blue Sky Water Partners (Presentation, Institutional Investors)
 25. Australian Government National Water Commission, Water Markets in Australia – A Short History
 26. National Water Commission – Industry Case Study – Rice
 27. Australian Government National Water Commission, Water Markets in Australia – A Short History
 28. *ibid*
 29. Grafton, Horne; Water Markets in the Murray-Darling Basin; Agricultural Water Management, 2013, p.1
 30. *Ibid*, p. 1
 31. US Environmental Protection Agency, Greenhouse Gas Equivalencies Calculator, <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>
 32. These exposures are subject to change
 33. <https://us.fsc.org/en-us/what-we-do/why-forests-matter>
 34. <http://www.unep.org/sbci/pdfs/SBCI-BCCSummary.pdf>
 35. United Nations Sustainable Development Knowledge Platform; <https://sustainabledevelopment.un.org/sdg7>
 36. Asian Development Bank “Summary of Indonesia’s Energy Sector Assessment” (2015) p.7
 37. Asian Development Bank “Summary of Indonesia’s Energy Sector Assessment” (2015) p.8

APPENDIX II



The United Nations' 17 Sustainable Development Goal Sustainable Development Goal Relevant Impact Objective



End poverty in all its forms everywhere.

Eradicate extreme poverty and ensure access to economic resources. Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



Ensure healthy lives and promote well-being for all at all ages.

Reduce the global maternal, infant and child mortality rates by reduction of non-communicable diseases, epidemics as well as increasing health and reproductive healthcare services.



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Increase access to free, equitable and quality education at all stages of learning, leading to relevant and effective learning outcomes as well as ensures technical and vocational skills.



Achieve gender equality and empower all women and girls.

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. Focus on ending gender-based discrimination, violence and all other harmful practices against women and girls everywhere.



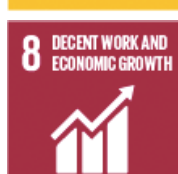
Ensure availability and sustainable management of water and sanitation for all.

Expand support in developing countries for water and sanitation activities, including water efficiency, wastewater treatment, recycling and reuse. Substantially increase water-use efficiency across all sectors and supply of freshwater to substantially reduce the number of people suffering from water scarcity.



Ensure access to affordable, reliable, sustainable and modern energy for all.

Expand infrastructure for supplying modern and sustainable energy in developing countries. Substantially increase the share of renewable energy in the global energy mix while doubling the global rate of improvement in energy efficiency.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Achieve higher levels of economic productivity through productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage enterprises in accordance with sustainable consumption and production patterns, aiming to decouple economic growth from environmental degradation.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Develop, improve and restore sustainable (increased resource use efficiency or renewable resource use) and resilient infrastructure to support sustainable economic development and human well-being, with a focus on poor and vulnerable geographies. affordable and equitable access.

APPENDIX II



The United Nations' 17 Sustainable Development Goal Sustainable Development Goal Relevant Impact Objective



Reduce inequality within and among countries.

Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.



Make cities and human settlements inclusive, safe, resilient and sustainable for all global citizens.

Reduce adverse environmental impact of cities, particularly by municipal waste and other waste management, as well as affordable, accessible and more renewable-energy based transportation systems – all of which lay the foundation for sustainable urban development.



Ensure sustainable consumption and production patterns.

Achieve sustainable management and efficient use of natural resources throughout global industries— encouraging companies to adopt sustainable reporting as a best practices, introducing an environmentally sound chemical and waste disposal policy, halving global food waste and otherwise promoting sustainable business practices.



Take urgent action to combat climate change and its impacts.

Integrate climate change measures into national policies, strategies and planning. Strengthen resilience and adaptive capacity to mitigate climate-related hazards and natural disasters globally, including improved education, awareness-raising and early warning systems.



Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. Take action for marine restoration towards replenishing fish stocks, conserving coastal and marine areas as well as reducing subsidies that contribute to over-fishing and regulating illegal and unregulated fishing.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Take urgent and decisive action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species. Promote the implementation of sustainable forest management, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Promote the rule of law at all national and international levels with the expressed goal of equal access to justice for all through reduced violence, abuse, exploitation, corruption, bribery and crime – driven by improved transparency around decision making around global governance.



Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Mobilize resources towards cooperation on issues of global relevance, such as science, technology, innovation, trade and general development

APPENDICES

Appendix III: Glossary of Terms

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.

Private Markets (Not Marked-to-Market): Investments that cannot be exchanged or converted to cash easily without a substantial loss in value.

Public Markets (Marketable Securities): Investments that can be converted to cash quickly at a reasonable price.

Appendix IV: Important Disclaimers

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