



THE SORENSON IMPACT FOUNDATION'S PATH TO MISSION ALIGNMENT



SORENSON
IMPACT FOUNDATION



SEPIO
CAPITAL



“In one quarter, we made more investment in impact by using our corpus than we did in the five prior years combined with PRIs.”

—Jim Sorenson



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A LETTER FROM JIM SORENSON



After almost a decade of learning by doing and a never-ending commitment to forge ahead in a nascent space, I am proud that the Sorenson Impact Foundation has held true to its mission of serving the needs of underserved communities around the world through supporting innovative, game-changing start-ups and the impact investing space broadly. Part of our success has come from our parallel commitments to be nimble, react to inevitable change in a new and growing space, and open our hearts and minds to the notion that some of the greatest discoveries are yet to be realized.

Beginning in early 2017, we opened our minds in an unprecedented way: we decided to leverage the foundation's balance sheet (~95% of any foundation's assets) to support our mission and impact alongside our programmatic dollars (~5% of any foundation's assets). Seeing the numbers, it may come as a surprise that this was a new idea. That is where the need to be bold and break down historical barriers came in, not just for SIF but for other foundations, like Heron, Ford, Phillips, and Cordes, who have embarked on similar journeys.

Historically, our foundation, like many of our peers', focused on growing the field through our grant work and "putting our money where our mouths are" by making equity and debt investments in the form of program-related investments (PRIs). We took what a typical investor would consider to be enormous risks investing in early-stage impact start-ups and taking a chance on ideas that we thought had the potential to make an outsized positive difference. I am proud to say that in just five years, we have impacted well over two million lives around the globe through our direct investments, 75% of which are residents of low-income communities.

Yet, even though we manage our program-related investments like any other investor, had the program-related investments not been spent as investments, they would have been allocated as grant dollars. So, the primary risk we were taking was that we would not succeed in promoting impact investing as a viable asset class. The real risk to our portfolio was, in fact, de minimis.

The balance sheet of a foundation is its survival mechanism, and historically, financial advisors and trustees have guarded it closely. However, as the impact investing space has continued to gain momentum, we recognize we are at a time when we have enough options to truly invest our portfolio for impact and financial growth simultaneously, without concession or undue incremental risk.

So, we did. At this moment, we have aligned ~50% of our assets with our mission, which we accomplished in just 15 months. And the rest of the portfolio is set to be aligned, not only with our mission but with deeper thematic investments by the end of 2020. Through this effort, we have supported companies that are improving equity for women and people of color, enhancing clean energy solutions, and creating affordable housing. Importantly, we have not sacrificed a dollar of investment gain; since starting the mission-alignment process in December 2017, we have outperformed various market-rate benchmarks and are now tracking over 100 bps above our simple benchmark.*

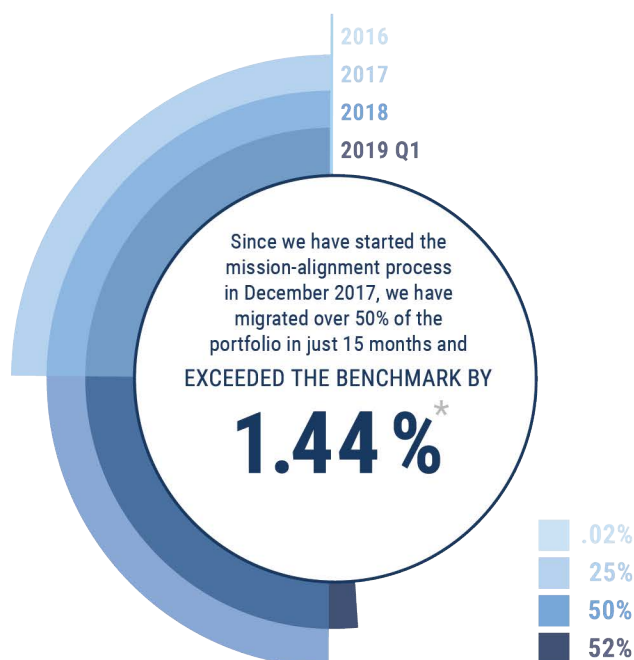
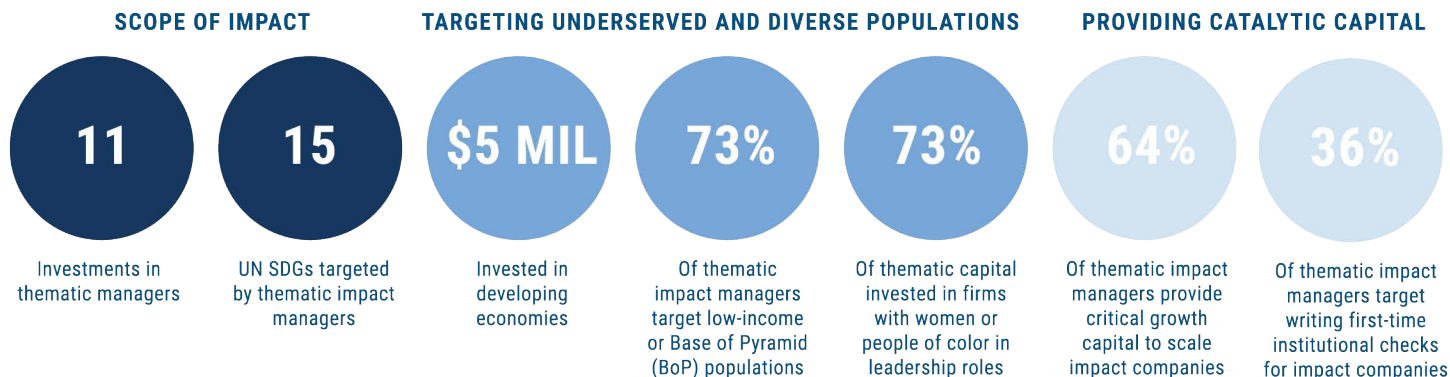
It is my hope that this case study detailing our mission-alignment journey as well as its early positive results can serve as inspiration to other foundations that, like us, have the power to leverage their balance sheets and trillions of investment dollars to truly make an impact in this world.


Jim Sorenson



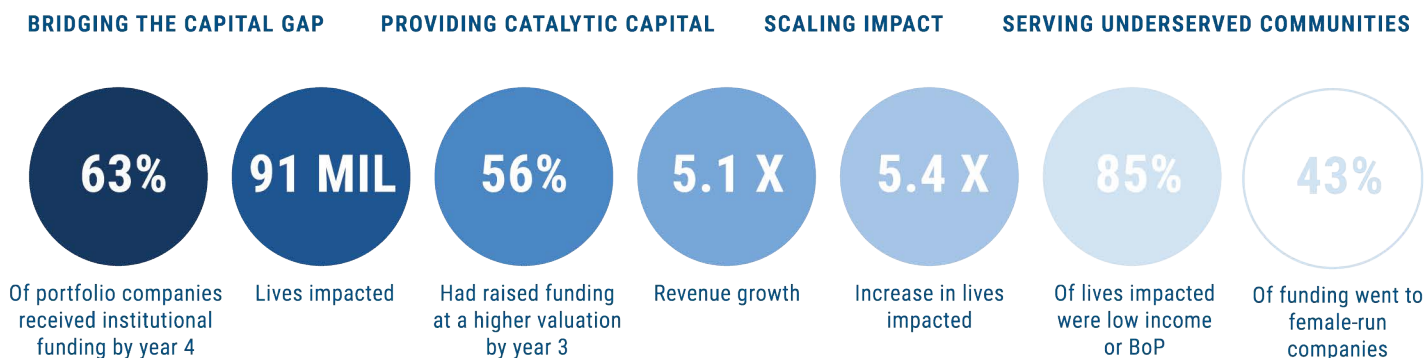
*Past performance shown is not indicative of future results, which could differ substantially. Performance shown is since inception of the mission-alignment process, beginning on December 31, 2017, through March 31, 2019, for which SIF returned 3.16% and the simple benchmark returned 1.72%. For the quarter ended March 31, 2019, SIF returned 10.28% and the simple benchmark returned 10.33%. For the year ended March 31, 2019, SIF returned 4.30% and the simple benchmark returned 3.25%. Performance shown represents time-weighted returns and includes only investments that can be evaluated on a time-weighted basis, which represented 96% of the SIF portfolio as of March 31, 2019. Returns are reported in U.S. dollars on an annualized basis, are net of fees, and are applicable only to the Sorenson Impact Foundation. The simple benchmark, designed to approximate exposures in the SIF portfolio, is a blend of 80% global equities, as represented by the MSCI All Country World Index, and 20% bonds, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index. Please refer to the disclosures section for a complete description of performance.

MISSION-RELATED INVESTMENT RESULTS TO DATE



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PROGRAM-RELATED INVESTMENT RESULTS TO DATE



LIVES IMPACTED INCLUDES CATALYTIC PRI FUND INVESTMENTS. THE REMAINING DATAPPOINTS ARE BASED ON DIRECT INVESTMENTS ONLY.

THE HISTORY OF THE SORENSON IMPACT FOUNDATION

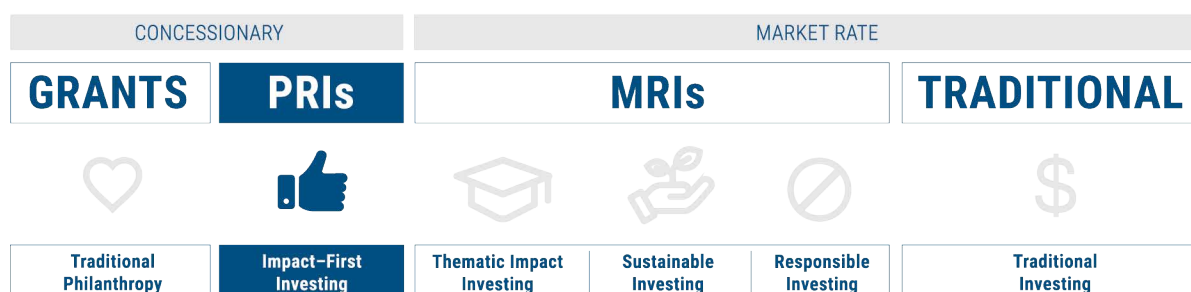
The Sorenson Impact Foundation (SIF) is unique among most U.S. foundations: founded in 2012, when the impact investing field was still in its earliest stages, SIF was established decidedly to invest in socially impactful businesses while encouraging others to do the same. By taking a new approach to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

SIF is driven by the knowledge that in developing nations alone, an estimated \$2.5 trillion funding gap¹ exists between the capital required to meet the United Nations' Sustainable Development Goals (UN SDGs) and the capital slated for SDG advancement. As traditional investors continue to explore impact investing in varying degrees of depth, SIF seeks to inspire action as a first mover, being willing to take early risk for the sake of proving what works and what doesn't, as well as to establish best practices and benchmarks that can engage a broad array of investors.²

ENTREPRENEURIAL ROOTS INSPIRED A BOLD APPROACH TO IMPACT INVESTING

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

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





After several years of exploring the available forms of “impact investing” at the time, in 2012, Jim took a bold step and established a foundation that would be dedicated to impact investing, both making investments and building the ecosystem. He established the foundation’s core mission — to fund innovative, scalable solutions to the world’s most pressing challenges — and worked with lawyers and tax accountants to determine how the foundation could utilize its annual distribution requirement as well as its corpus to make catalytic investments in early-stage social enterprises and newly emerging impact funds. Ultimately, the foundation decided to start its work as an impact investor using program-related investments (PRIs), which are deemed by the IRS to be treated like a grant for tax purposes even though the capital can be returned, with a profit, for reinvestment into future causes. Program-related investments were a logical first step into impact investing for the foundation; after all, had the dollars not been deployed to launch for-profit businesses with social missions, they would have been granted, or given away, primarily to non-profits with social missions.

However, as the foundation was being established, SIF took the notion of investing in PRIs a step further. Despite the fact that PRI investing had been around for a long time, most foundations regarded PRIs as a relatively risky strategy due to the IRS’s vague guidance and definitions. As a result, most foundations’ PRIs were low- or no-interest loans, primarily to non-profits. The idea of investing in equity or equity-like transactions as a PRI was a relatively new concept, so SIF worked closely with tax accountants and lawyers as it developed its investment process. SIF’s goal was to be able to support very early but potentially disruptive and game-changing companies with flexible capital solutions, including different types of equity

and debt strategies. In addition, the foundation viewed more traditional venture capital-investing tools like equity as a more catalytic way to signal that impact investing could look and feel a lot like traditional investing. As an “impact-first” investor that evaluates the value of the impact before considering financial return, SIF’s investment in early-stage impact businesses can de-risk the capital structure for future investments by those who may not have an “impact-first” mandate; this would enable companies with a high potential social impact to get off the ground and reach a point where their business models could be viewed as investable by broader audiences. In addition, as SIF would typically be writing the first non-friends-and-family check to an entrepreneur, the foundation knew that they could serve the important role of providing “friendly” and patient capital in an investor pool.

SIF’s intentional focus on impact investing paired with its desire to unlock deeper impact from existing tools has enabled the foundation to become a leader in the space as it has now made almost 50 program-related impact investments and seeded numerous impact investing intermediaries and ecosystem enablers. Over the last six years, the foundation’s PRIs into impact start-ups alone have impacted over two million lives across five continents, with 75% of all impact being directed at low-income communities. The foundation has also invested catalytic capital into nine new impact funds, five of which have gone on to raise additional funds with institutional investors. SIF was also among the original investors in the first pay for success bond in the U.S. In addition, in 2019, SIF announced a new grant program that is focused primarily on building the infrastructure, tools, network, and best practices necessary to further advance social entrepreneurship and impact investing as well as implementation of recently passed legislation to promote impact investing.



**OUR IMPACT
THUS FAR**

PROGRAM-RELATED INVESTMENT RESULTS TO DATE

\$12.6 MILLION IN DIRECT EARLY-STAGE START-UP INVESTMENTS

\$13.3 MILLION IN CATALYTIC FUND & SOCIAL IMPACT BOND INVESTMENTS

BRIDGING THE CAPITAL GAP

PROVIDING CATALYTIC CAPITAL

SCALING IMPACT

SERVING UNDERSERVED COMMUNITIES

63%

Of portfolio companies received institutional funding by year 4

91 MIL

Lives impacted

56%

Had raised funding at a higher valuation by year 3

5.1 X

Revenue growth

5.4 X

Increase in lives impacted

85%

Of lives impacted were low income or BoP

43%

Of funding went to female-run companies

LIVES IMPACTED INCLUDES CATALYTIC PRI FUND INVESTMENTS. THE REMAINING DATAPPOINTS ARE BASED ON DIRECT INVESTMENTS ONLY.



FIELD BUILDING

9 FIRST-TIME IMPACT FUND

strategies catalyzed; 5 have now received institutional or DFI funds since SIF invested

Invested in **1ST PAY FOR SUCCESS BOND** in the U.S.

Endowed and funded the Sorenson Impact Center and the education of **>50 STUDENTS PER SEMESTER**

Funded early-stage research and pilots that have led to the **DEVELOPMENT OF REPUTABLE DATA & ECOSYSTEM PLAYERS**, including impactterms.org, Village Capital, The ImPACT, Align17, and Roadmap

EDUCATION & ADVOCACY

An owner and funder of the **LARGEST U.S. IMPACT CONFERENCE, ATTRACTING OVER 2,000** attendees from around the world

1 OF 19 FOUNDATIONS (\$80B CORPUS) APPOINTED to the Impact Investing Alliance's President's Council, with Jim appointed to the advisory board

Jim speaks at **DOZENS OF EVENTS** per year

BUILDING AN IMPACT INVESTING PLATFORM

As an investor himself, Jim knew that in order to inspire the broader investment sector to consider “impact” a credible and investable space, the foundation would need to run a sophisticated sourcing, due diligence, and portfolio management process just like any other investment fund. Capitalizing on growing interest in social impact from the University of Utah’s Eccles School of Business, Jim endowed the Sorenson Impact Center (SIC) in 2013 to serve as a thought leader and service provider for impact investors. With the endowment, SIC created a program called Impact Fellows, recruiting graduate and undergraduate students from four local universities to participate in a program where they would be able to gain hands-on investment experience by conducting robust due diligence for SIF’s potential investments and presenting to SIF’s investment committee and board.

Another important purpose of establishing the SIC was the benefit the students would receive from gaining real-world investment experience and presenting to an investment committee composed of seasoned local private equity and venture capital impact investors. SIF was able to leverage the student’s work to make complex investment decisions and provide training to what SIF hoped would become the next generation of impact investors and social entrepreneurs. Jim describes the original thinking on the student program as something “we hoped would ‘plant the impact seed’ from an early age with future business leaders; maybe they’d go to work for Wall Street after graduation, but they’d always have ‘impact’ in the back of their minds from the experiences they first had gaining business and investment experience.” The Impact Fellows program was wildly popular in its first year, attracting dozens of students, and when those students were able to leverage their investment experiences to attain coveted jobs in the financial sector at a higher rate than their peers, SIC’s Impact Fellows quickly grew to become one of the most popular programs on the University of Utah’s campus.

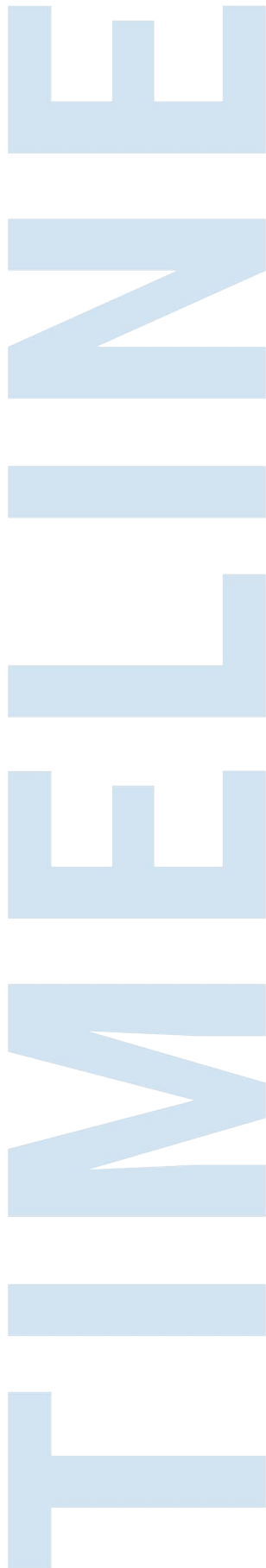
By leveraging the students at the Sorenson Impact Center, as well as the investment professionals who train and manage them on deal teams that look strikingly similar to those at any private equity firm,

SIF was able to establish a best-in-class level of sourcing and due diligence rigor while continuing to put as many dollars towards the mission as possible. In turn, as an early mover in the impact investing space, SIC was able to grow and become a thought leader in tangential impact sectors and now offers its Impact Fellows program not only for impact investing but also for public policy, data science, and impact field building. SIC currently employs 45 professionals, and each semester over 50 students go through its highly selective fellows programs.

A Commitment to Remain Nimble and Bold Enabled the Foundation to Constantly Innovate

The foundation’s strategy and its role in the industry have morphed in response to the constant evolution and growth that the impact investing ecosystem has experienced over the last decade. Unlike the owners of other investment funds or foundations, Jim was determined to keep the investment parameters and focus of the foundation broad so that SIF would have the flexibility to grow and change alongside the rapidly evolving industry. As a result, the foundation does not have stated regional or sector focuses, but instead looks for investment opportunities that are 1) innovative, 2) charitable, 3) serving an underserved community, and 4) in need of catalytic or “but for” capital to get off the ground or to the next level of growth. Jim’s philosophy was always to “leave room for the innovative ideas that haven’t been thought of yet.” Today, staying true to its core, the foundation screens for opportunities to invest in companies where the impact is tightly aligned to the revenue model and not easily removed from the equation; SIF prefers to keep its investment parameters broad in order to be open to companies with high potential impact and innovation.





2012

- + Sorenson Impact Foundation founded by Jim and Krista Sorenson

2013

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

2014

- + 10 PRIs made in year 2
- + Started investing in the GP and LP of new, start-up impact funds in addition to direct equity investments

2015

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

2016

- + 9 PRIs made
- + Appointed to the U.S. Impact Investing Alliance's President's Council
- + Sorenson Impact Center expands fellows program into policy advisory

2017

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

2018

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

HOW THE FOUNDATION DECIDED TO MULTIPLY ITS IMPACT

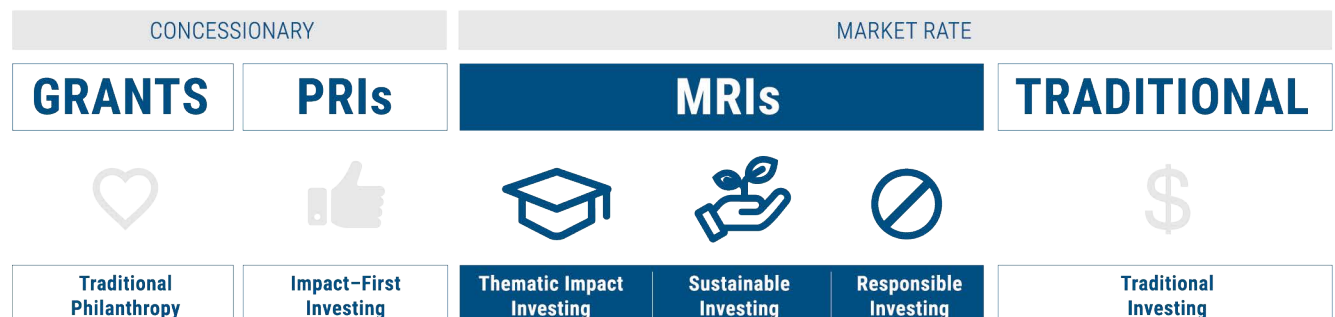
Building on SIF's experience with program-related investments, in early 2016, Jim went to the foundation's financial advisors, a team that then worked at a large investment bank, to discuss how they could mission-align the investments in the corpus. After years of working with the bank's manager research team to identify impactful investments, SIF's advisor team was able to source two impact opportunities: a private investment in charter school development and a pay-for-success initiative focused on reducing recidivism. However, due to the pace and complexity of operating within a large financial institution, the team struggled to find a programmatic way to scale this process and meaningfully mission-align the rest of SIF's corpus from inside the bank platform.

In May 2017, SIF's financial advisors spun out of the investment bank to form Sepio Capital, an independent multi-family office and institutional advisory firm. Among the reasons for their spin-out was the desire to understand and evaluate the impact landscape in its entirety and build impact portfolios for clients, including SIF. To continue building out an impact investing practice,

the Sepio team hired an investment advisor from Cambridge Associates who had experience constructing impact investment portfolios. With additional impact resources in house and the freedom to examine the entire impact landscape, the Sepio team set out to chart a mission-alignment journey for SIF. As with any portfolio construction process, there were key initial steps to work through as well as complex questions to resolve.

After interviewing financial advisors, foundations, investment firms, and fund managers about the mission-alignment process and gathering as much data as possible, Sepio and SIF, acknowledging that there was no definitive playbook in the market, embarked on the process of moving the foundation's corpus toward mission alignment and building their own playbook in the process. With a bias toward action, Jim, as chairman of the foundation's board, articulated, "We know there will be some learning by doing with this process, but we need a place to start; I believe there is a way to invest in mission-related investments that will also sustain the foundation into the future."

THE IMPACT INVESTING SPECTRUM





“There wasn’t a playbook for how to completely mission-align our portfolio, **so we created one.**”
—Jim Sorenson

MISSION-ALIGNING THE “OTHER 95%”: A STEP-BY-STEP GUIDE

STEP 1: SETTING IMPACT OBJECTIVES – ALIGNMENT PERCENTAGE & BROAD IMPACT OR THEMATIC PRIORITIES?

The first step in SIF’s mission-alignment journey was to determine the foundation’s impact objectives – both the percentage of the corpus that would be mission-aligned and the specific impact themes, if any.

Alignment Percentage

After months of deliberation, SIF’s board of directors made a monumental decision in 2017 to seek mission alignment for 100% of the foundation’s corpus assets, joining a small group of 100% impact investors. Jim, Meredith, and the Sepio team had spent months speaking with other foundations who had embarked on the “100% journey” as well as those who were carving out portions of their portfolios for impact investing. Ultimately, in the spirit of continuing to be bold and push the boundaries of the market, the foundation determined that it would seek to align 100% of its assets with its mission. “We wanted to start with the most ambitious objective possible, rather than put arbitrary, incremental objectives in place before we knew what was ahead of us. **We knew that if we could do it well and demonstrate that you could preserve and grow your assets with impact investing, then we could help dispel notions in the market that impact investing is not possible if one is seeking financial return,”** Jim described.

Broad Impact or Thematic Priorities

When looking at peers, SIF discovered that the majority of those who had embarked on mission alignment in the past had done so with a specific thematic focus that they could apply to each asset class, such as women and children or poverty alleviation. However, aligning to a particular cause was never SIF’s mission. Instead, SIF was focused on launching the most innovative ideas for social good and helping others to do the same. In addition, building a 100% mission-aligned portfolio with a single thematic impact priority would create the potential for incremental risk due to concentration. As such, it would have required considering strategies for altering the risk/return profile of the foundation to offset this risk, such as increasing the foundation’s strategic targets to defensive asset classes.

After significant deliberation by SIF’s board of directors, the foundation decided that its impact investment strategy for the corpus would mirror the impact objectives of the foundation’s program-related investments: to create broad-based impact and serve as catalytic field builders for the impact investing space. “I wanted to invest in the very best options for achieving a financial return and the highest possible social impact simultaneously,” Jim told his financial advisors.









For the Sepio Capital team, the broad-impact mandate was a double-edged sword. On the one hand, a broad mandate meant running the risk of “boiling the ocean” looking for the best investments. However, it also meant greater flexibility to push toward deep thematic impact given the ability to diversify among different impact themes, from financial inclusion and education to clean energy and affordable housing.

STEP 2: SETTING RISK & RETURN OBJECTIVES – MARKET-RATE OR CONCESSIONARY?

As the foundation's financial advisor, the Sepio Capital team's primary responsibility has always been to preserve the foundation's assets and purchasing power in perpetuity. Therefore, understanding the potential financial risk and return implications for both environmental, social, and governance (ESG) and thematic impact investing strategies was paramount. Furthermore, both Sepio and SIF needed to make a decision about whether or not it would view its corpus as 100% market-rate, as it had in the past, or a combination of market-rate and concessionary, as others have done.

In order to feel comfortable adopting a 100% market-rate return objective with a 100% mission-alignment mandate, the Sepio team needed to canvas the impact investing landscape to ensure that there were enough investable market-rate return options across asset classes to build a sufficiently diversified portfolio. After significant market research, the team concluded there was a robust selection of ESG investments across most major traditional asset classes, including global public equities and bonds. For thematic investments, the opportunity set was more limited, with the majority of opportunities available in smaller-cap global equities and private investments, such as early-stage venture capital. Based on the state of the ESG and thematic impact opportunity set, the Sepio team felt comfortable using ESG investments in major asset classes coupled with thematic impact investments in small-cap equities and alternative asset classes to build a 100% market-rate return portfolio that was 100% mission aligned. The team also recognized that as the thematic impact landscape continued to grow, the portfolio would be able to rely less on ESG strategies and push toward thematic impact investments over time.

Summary of ESG and Thematic Impact Landscape by Asset Class

LANDSCAPE SUMMARY		
ASSET CLASS	ESG	THEMATIC
GLOBAL EQUITY	 SRI/ESG passive indexing options Many traditional firms incorporating ESG into their process Strong & growing universe of active ESG managers	Strong and growing universe of active thematic impact managers Most options in environmental equities & global small-cap equities
U.S. EQUITY	 SRI/ESG passive indexing options Many traditional firms incorporating ESG into their process Limited but growing universe of active ESG managers	Small universe of active thematic impact managers
NON-U.S. EQUITY	 SRI/ESG passive indexing options, though ESG data not as robust Some traditional firms incorporating ESG into their process Limited but growing universe of active ESG managers	Small universe of active thematic impact managers
EMERGING MARKETS EQUITY	 SRI/ESG passive indexing options, though ESG data least robust Some traditional firms incorporating ESG into their process Limited but growing universe of active ESG managers	Small universe of active thematic impact managers
DIVERSIFIERS	 Limited number of hedge funds considering SRI/ESG	Robust & growing universe of thematic impact private credit strategies, such as SME finance and small business lending
PRIVATE INVESTMENTS	 Increasing number of traditional firms incorporating ESG	Very strong thematic early stage VC and VC landscape Limited but increasing thematic growth equity/buyout funds
REAL ASSETS	 Limited number of funds considering ESG, particularly considering that fossil fuel companies are an important component of landscape	Growing universe of thematic equity managers with some inflation sensitivity, such as renewable energy equities Strong and growing universe of thematic private real assets
GLOBAL FIXED INCOME	 Many traditional firms incorporating ESG into their process Strong and growing universe of active ESG managers	Growing universe of active thematic impact and green bond strategies

STEP 3: REVIEWING ASSET ALLOCATION – SHOULD AN IMPACT PORTFOLIO LOOK “DIFFERENT”?

Once the impact and return objectives had been set, the next step was to determine if any changes needed to be made to the foundation’s asset allocation in order to maximize risk-adjusted return and impact simultaneously. Two initial changes were made to the foundation’s strategic asset allocation policy targets. The first change was to add a policy target to global equity strategies in addition to the traditional regional equity targets – U.S., international developed, and emerging markets – upon recognizing that the most robust opportunity set of thematic impact equity managers were those with a global mandate. The second change was to increase the private investments target from 5% to 15%, acknowledging that private investments are an important tool for achieving deep thematic impact. Importantly, since they were blazing a new trail, the foundation board agreed to review the asset allocation targets periodically as the impact investing landscape will only continue to grow and evolve.

In addition to asset allocation differences, there are some additional portfolio construction considerations to think through when building an impact portfolio. First, any time an investor makes bets on certain themes, concentration risk can be introduced in the portfolio. With impact portfolios, it is especially important to monitor concentration in growth-oriented sectors, such as information technology and healthcare, which (1) tend to score better through an ESG lens than value-oriented sectors and (2) are home to more solutions-oriented companies. Second, because the majority of pure-play impact companies are relatively early stage and often accessed through smaller-cap public equity managers or private investment funds, it is important to be mindful of a small-cap bias and illiquidity risk in the portfolio.



STEP 4: IMPLEMENTATION – ROTATING CAPITAL INTO MISSION-ALIGNED STRATEGIES

After SIF had followed the strategic-planning process and set impact objectives, risk and return objectives, and asset allocation, the next step was to begin actually moving assets. With a large and broad mandate to find the best impact investments across themes, causes, and asset classes and re-build SIF's entire corpus, the Sepio team set to work developing its own network in the impact space and leveraging SIF's existing partnerships to build a pipeline and begin to evaluate options. At the December 2017 board meeting, SIF's board set a mission-alignment target of 50% by the end of 2018, an ambitious goal for the first year of implementation.

"I knew I was asking them to accomplish something that seemed difficult at best, or perhaps impossible. I wanted them to generate the same risk and return profile for our portfolio using new investment strategies and fund managers that were less proven and didn't have the same track records," Jim acknowledged.

Getting Started with ESG Investments

The foundation started by mission-aligning "low-hanging fruit," rotating existing core public domestic equity and fixed income exposure into investment strategies that look strikingly similar to traditional investment funds, but invested with an ESG lens. In other words, instead of investing with managers that considered solely traditional financial analysis when making investment decisions, Sepio identified managers that also incorporated ESG opportunities and risks into their investment decision-making process.



ESG MANAGER SPOTLIGHT

Generation Global Equity Fund Global Equities

Generation's firm-wide vision is to see sustainable, long-term investing become best practice and sustainable capitalism become the enduring economic model. The firm believes successful long-term equity investing requires a broad, systemic view of future business risks and opportunities, including consideration of environmental, social, and governance factors. In addition to including material ESG factors into security selection, the Generation Global Equity team reports on ESG metrics at the portfolio level.

Manager profiles are provided as a courtesy and should merely serve as examples of mission-aligned strategies. Manager profiles should not be considered investment advice.

Digging Deeper with Thematic Impact

By the end of 2017, with over a quarter of the portfolio mission aligned in ESG investment strategies, the foundation began to step beyond ESG investing to implement thematic investments, or investments in companies that are solving the world's biggest challenges, such as poverty, limited access to quality education and healthcare, or the effects of climate change. As previously noted, because impact companies tend to be earlier stage, smaller-cap public equity managers and private investment funds are particularly important strategies since the foundation wants to achieve thematic, solutions-oriented impact.

THEMATIC IMPACT MANAGER SPOTLIGHTS

Wellington Management Company – Global Impact Strategy

Global Equities

Wellington's Global Impact strategy aims to outperform global equities by investing in innovative companies whose core services and products address major global social and environmental challenges. The Global Impact team produces an annual impact report with key performance indicators for each company, reports on portfolio company alignment with the UN SDGs, incorporates ESG risks and opportunities into the investment process, and engages with companies on ESG and impact-related issues. In 2018, the portfolio companies provided education and job training to more than 1.8 million people, connected 148 million people to mobile financial services, cleaned more than 6 billion cubic meters of polluted water, and generated 394 terrawatt hours of renewable energy.²

Elevar Equity – Elevar Equity Fund

Early-Stage Venture Capital

Elevar Equity is an early-stage venture capital firm that invests in high-growth companies that provide essential services or products to underserved customers in low-income communities in India and Latin America. Elevar aims to enhance the economic vibrancy of low-income communities by fueling their economies through supporting companies that deliver affordable, high-quality essential services in financial services, education, healthcare, housing, and agriculture. Elevar has developed an impact measurement framework that assesses impact potential at the portfolio company level and also maps portfolio companies to the UN SDGs. In 2018 alone, Elevar's portfolio companies have served 400,000 unique businesses, supported 6,000 schools and 4 million students, treated 550,000 patients, and created 65,000 jobs.³

Urban Innovation Partners – Urban Innovation Fund

Early-Stage Venture Capital

In 1800, 6% of Americans lived in urban areas compared to 81% today, and this rapid urbanization has presented city dwellers with an ever-increasing number of challenges.⁴ Urban Innovation Fund (UIF) is a venture capital fund that invests thematically in early-stage companies trying to solve key social and sustainability issues in urban areas. UIF has created a proprietary urban outcomes framework to measure the impact of their portfolio companies, and their investment approach has funded a diverse group of entrepreneurs. At the portfolio level, companies have created 102 full-time jobs and 86 part-time jobs, and 73% of portfolio companies have a woman or person of color on the founding team.⁵

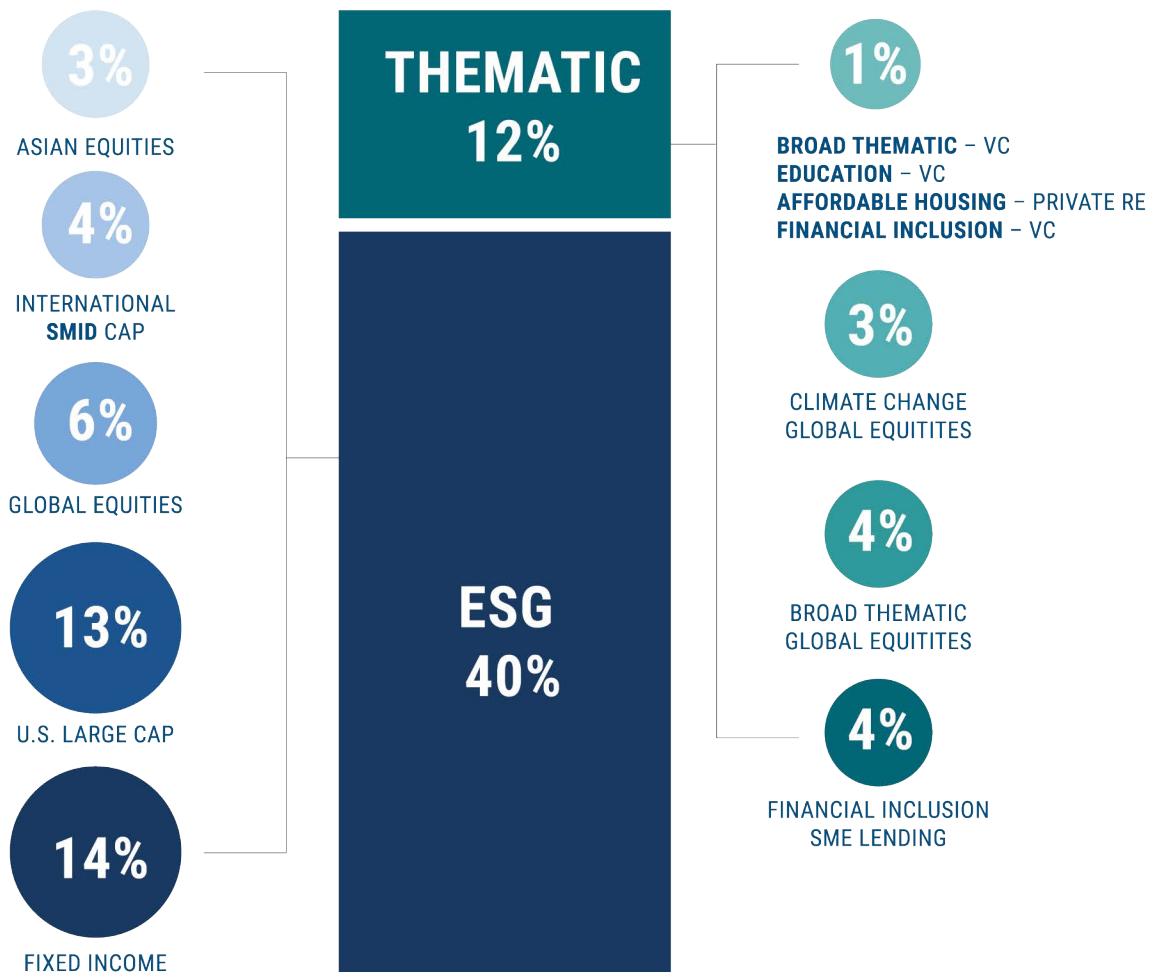
Bridge Investment Group – Workforce & Affordable Housing Fund

Private Real Estate

The Workforce and Affordable Housing Fund (WFAH) is a value-added real estate fund that aims to preserve and produce affordable housing communities for America's workforce. The fund seeks to acquire properties in communities where 51% of residents earn less than 80% of area median income, which represents over 62% of the renter population in the United States. The Bridge WFAH fund will strive to create measureable impact by rehabilitating and preserving naturally occurring affordable housing (NOAH), partnering with non-profit groups to implement and improve on-site community services and social programs, and introducing green initiatives at WFAH properties. WFAH aims to preserve up to 20,000 NOAH units over the life of the fund.

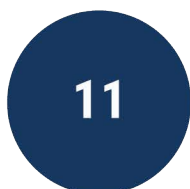
Manager profiles are provided as a courtesy and should merely serve as examples of mission-aligned strategies. Manager profiles should not be considered investment advice.

SUMMARY OF MISSION-ALIGNMENT EXPOSURES⁶



MISSION-RELATED INVESTMENT RESULTS THUS FAR

SCOPE OF IMPACT



Investments in thematic managers

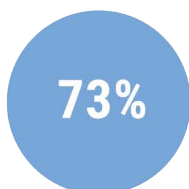


UN SDGs targeted by thematic impact managers

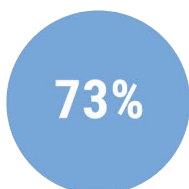
TARGETING UNDERSERVED AND DIVERSE POPULATIONS



Invested in developing economies

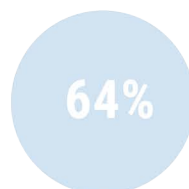


Of thematic impact managers target low-income or Base of Pyramid (BoP) populations

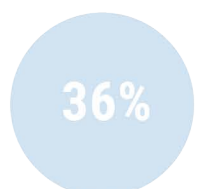


Of thematic capital invested in firms with women or people of color in leadership roles

PROVIDING CATALYTIC CAPITAL



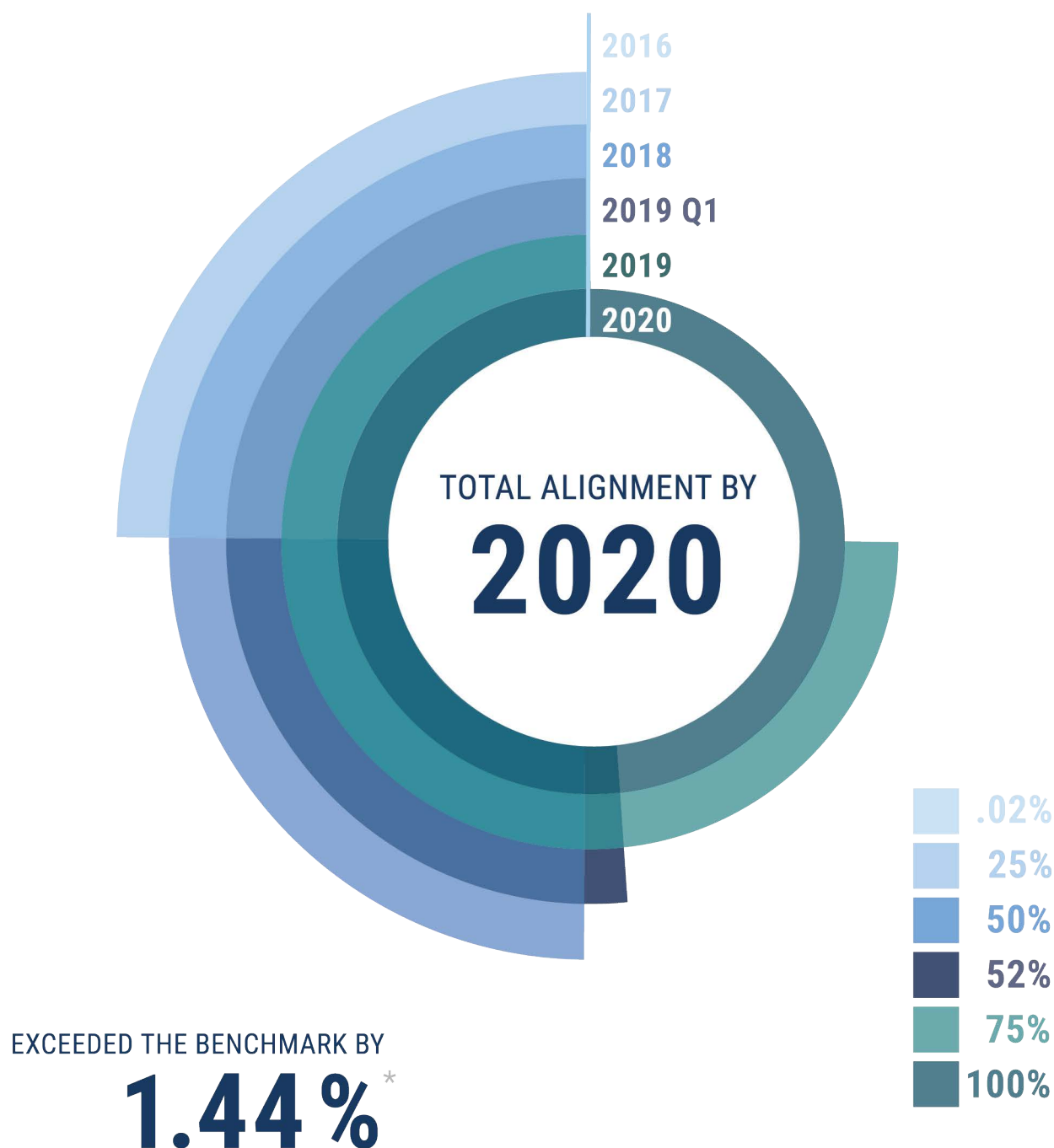
Of thematic impact managers provide critical growth capital to scale impact companies



Of thematic impact managers target writing first-time institutional checks for impact companies

INITIAL RESULTS: CAN YOU INVEST FOR GOOD AND MAINTAIN YOUR RETURNS?

Since SIF started the mission-alignment process in December 2017, the mission-aligned portfolio has grown from 0% to just over 50%. While it is still early and 15 months represents a relatively short time horizon, initial results look promising: the SIF portfolio has outperformed the simple benchmark by 1.44%.*



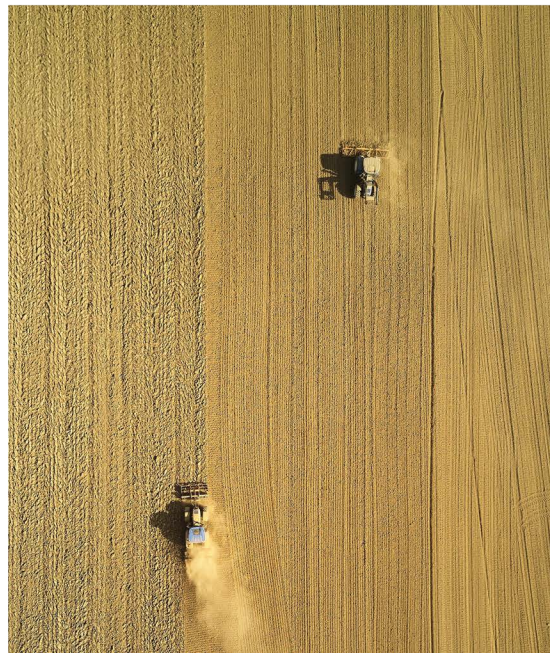
*Past performance shown is not indicative of future results, which could differ substantially. Performance shown is since inception of the mission-alignment process, beginning on December 31, 2017, through March 31, 2019, for which SIF returned 3.16% and the simple benchmark returned 1.72%. For the quarter ended March 31, 2019, SIF returned 10.28% and the simple benchmark returned 10.33%. For the year ended March 31, 2019, SIF returned 4.30% and the simple benchmark returned 3.25%. Performance shown represents time-weighted returns and includes only investments that can be evaluated on a time-weighted basis, which represented 96% of the SIF portfolio as of March 31, 2019. Returns are reported in U.S. dollars on an annualized basis, are net of fees, and are applicable only to the Sorenson Impact Foundation. The simple benchmark, designed to approximate exposures in the SIF portfolio, is a blend of 80% global equities, as represented by the MSCI All Country World Index, and 20% bonds, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index. Please refer to the disclosures section for a complete description of performance.

LOOKING AHEAD: PATHWAY TO 100% MISSION ALIGNMENT BY 2020

SIF's north star on the mission-alignment journey has always been exceptionally clear — push for 100% mission alignment by investing in the best broad-based impact investments while pursuing a market-rate return. As such, the logical next phase in the journey will be taking steps to further align the remaining 50% of the foundation's corpus assets with ESG and thematic impact investments. In addition, the foundation has an explicit goal to continue to push toward achieving thematic, solutions-oriented impact whenever possible, which should only become easier as the thematic impact opportunity set grows. Finally, an important objective that the foundation continues to work through, along with peers in the space, is to find a way to measure, reliably and holistically, the social impact of its mission-related investments.



"I don't want another portfolio composed of entirely of ESG and SRI investments — plenty of people have done that for decades. Our goal is to continue to get closer and closer to developing a portfolio that is designed to invest in companies and funds that are focused on creating positive social impact around the world as part of their core business models within the bounds of our asset allocation needs," described Jim. **"For us, our primary focus isn't about what we don't invest in; it's about what we do invest in and the way we vote with our dollars to support those companies that are making bold moves to change the world for the better."**





RECOMMENDATIONS & CONSIDERATIONS FOR OTHERS PURSUING THIS PATH

As we reflect on the progress we have made and prepare for significant continued work ahead, we wanted to share a number of takeaways from our journey thus far.

1. Perfection is the enemy of progress. The best advice we can give to prospective impact investors is to jump in and not be afraid of learning by doing. The impact ecosystem is evolving rapidly, so it is important to embrace the dynamism instead of letting it overwhelm or work against you.
2. It is not all or nothing. Building a diversified, mission-aligned portfolio inherently means that the depth of the impact will vary across investments. It is possible to build a portfolio without meaningfully altering the risk-and-return profile, strategic asset allocation, or liquidity needs using a mix of ESG investments and thematic investments.
3. Collaboration is key. The impact investing industry is still nascent, but is experiencing exponential growth. Helping to catalyze a new investment framework – one that prioritizes return, risk, and impact – demands partnerships and collaboration.

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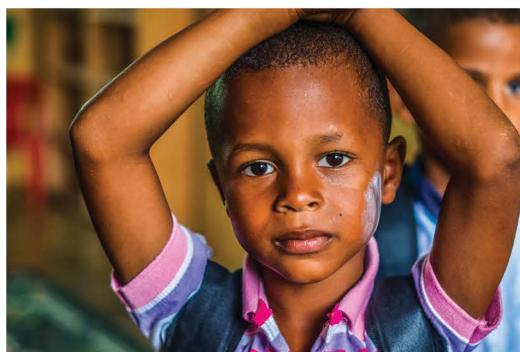
Izabel Arnold, Analyst, Sepio Capital

Joseph Harvey, Analyst, Sepio Capital

ENDNOTES

1. United Nations. "Financing for SDGs: Breaking the Bottlenecks of Investment from Policy to Impact." United Nations, 11 Jun. 2018. Page 1.
2. Rice, Eric, et. al. "Global Impact Annual Report: April 2019." Wellington Management, Apr. 2019. Page 3.
3. Posada, Johanna, et. al. "Elevar Impact Report: May 2019." Elevar Equity, May 2019. Page 2.
4. Brenner, Clara and Lein, Julie. "Urban Outcomes Report: 2018." Urban Innovation Partners, 2019. Page 5.
5. Brenner, Clara and Lein, Julie. "Urban Outcomes Report: 2018." Urban Innovation Partners, 2019. Page 4.
6. Asset allocation for Sorenson Impact Foundation is shown as of March 31, 2019.





IMPORTANT INFORMATION & DISCLOSURES

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

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All performance, returns, results, and investments mentioned apply solely to the Sorenson Impact Foundation. Performance for other clients and investors may vary or materially underperform the results published for this individual client. Performance shown is since inception of the mission-alignment process, beginning on December 31, 2017, through March 31, 2019, for which SIF returned 3.16% and the simple benchmark returned 1.72%. For the quarter ended March 31, 2019, SIF returned 10.28% and the simple benchmark returned 10.33%. For the year ended March 31, 2019, SIF returned 4.30% and the simple benchmark returned 3.25%.

All returns shown represent the total return, are inclusive of all interest and dividend income, and are net of management and advisory fees calculated according to a negotiated fee schedule. Performance for periods greater than one year are annualized. All return calculations for the portfolio and applicable benchmarks are in USD. Performance shown represents time-weighted returns and includes only investments that can be evaluated on a time-weighted basis, which represented 96% of the SIF portfolio as of March 31, 2019.

The returns of the total portfolio are compared to a blended simple benchmark containing 80% global equities (as measured by the MSCI All Country World Index) and 20% U.S. bonds (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index). Performance in excess of the benchmark is calculated by taking the weighted average return of the investment portfolio and subtracting the return of the blended 80/20 benchmark. The Sorenson Impact Foundation may utilize other indices and benchmarks internally for return comparison. The Sorenson Impact Foundation's portfolio includes assets structured as SMAs, ETFs, mutual funds, and LPs. Private investment funds are excluded for performance measurement purposes. These vehicles are managed to various equity, fixed income, commodity, real estate, and alternative investment strategies. All investments bear inherent risks. Investments in financial securities can lead to partial or total loss of invested capital.