

sonen capital

Lessons from the Field



**EVOLUTION OF AN
IMPACT PORTFOLIO:**
From Implementation to Results

In collaboration with  KL Felicitas Foundation

PERFORMANCE UPDATE

PUBLICATION DETAILS

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PLEASE SEE IMPORTANT DISCLAIMERS IN APPENDIX III AT THE END OF THIS DOCUMENT.

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Sonen Capital Role in Investments Presented. Neither Raúl Pomares nor Sonen Capital had any role in the Impact First Portfolio. In addition, Sonen Capital was founded in September 2011, and therefore the performance data presented in this report prior to such time was made under the supervision of Raúl Pomares (with significant input from KLF) and by an investment team that is different than that of Sonen Capital. There can be no assurances that Sonen Capital would have achieved similar performance, or that investments made by Sonen Capital in the future, will achieve their stated objectives or avoid losses.

ABOUT THIS UPDATED REPORT

This report updates the information provided in the October 2013 report, *Evolution of an Impact Portfolio: From Implementation to Results*, which highlighted the financial performance of the KL Felicitas Foundation's (KLF) portfolio from 2006 - 2012. We are pleased to provide the financial performance of the portfolio for the 2013 and 2014 calendar years.

All performance data contained in this report was calculated by an independent third-party performance measurement service, Cairn Investment Performance Consulting. Cairn determined the performance data utilizing the cash flows and returns of the portfolio holdings from information provided by underlying investment managers and custodian statements. The KLF portfolio is a unique blend of investments, not all of which are managed by Sonen. This report is intended to demonstrate the performance of an impact portfolio in general. It is not meant as an illustration of the returns of a Sonen client.

One significant change in the Foundation's asset allocation since the end of 2012 is a greater orientation to global strategies in its public market portfolio. This change is reflected by the elimination of allocations to KLF's previous US Public Equity and US Fixed Income investments. The Foundation's exposures are now targeting globally-oriented strategies for public equities and fixed income. The charts for the Foundation's equity and fixed income allocations reflect performance since inception.

This greater emphasis on global exposures (encompassing domestic, international and emerging markets) provides a broader set of opportunities to achieve measurable, social and environmental impact, and to more effectively seek competitive investment returns. The global approach further diversifies the portfolio without increasing the overall level of risk.

***THE KL FELICITAS FOUNDATION PORTFOLIO
ILLUSTRATES THE REAL POTENTIAL OF ALIGNING A
FINANCIALLY COMPETITIVE INVESTMENT STRATEGY
WITH SPECIFIC SOCIAL AND ENVIRONMENTAL GOALS.***



100% IMPACT

As of December 31, 2014 the KL Felicitas Foundation's portfolio was 99.50% invested in impact investments.

The KL Felicitas Foundation has come a long way since it decided to explore the process of an investment portfolio 100% oriented towards positive impact. The road to achieving such a portfolio of impact investments was not straightforward nor completed overnight. Rather, the process resembled the twists and turns reflected by the river on the cover of this paper, where moving downstream was not swift, but ultimately brought the Foundation to its final destination.

In 2006, two years after the Foundation's decision to move to 100% impact, the portfolio had invested only 2% of its assets to impact. However, as the impact investing industry evolved and matured, so did the portfolio.

By 2012, the number of available impact investment opportunities had multiplied across asset classes, themes, sectors and geographies. This led to opportunities to deploy capital in increasingly diversified, innovative and scalable strategies. As a result, the Foundation's portfolio was able to achieve an 85% allocation of its assets to impact investments.

By the end of 2014, further evolution in the impact space allowed the Foundation's portfolio to be comprised of 99.5% impact investments. This composition reflects a diversified, multi-asset class portfolio that has provided both traditional index-competitive, risk-adjusted returns with meaningful and measurable social and environmental impact. An investment portfolio dedicated to 100% impact, without compromising financial outcomes, is far less of a challenge today than it was just a few years ago.

We believe that growth in the number of impact investment opportunities reflects increased demand for environmentally and socially responsible exposures. In response to this demand and, dare we say imperative, investment firms, entrepreneurs and businesses in general are developing more impact oriented strategies and conducting operations in a more socially and environmentally responsible manner. We anticipate this evolution to continue, validating the notion that private capital can, and will, have a significant role in solving some of the most challenging global issues. But for this to happen in a scalable and sustainable manner, impact investments must continue to deliver attractive investment returns and be financially viable. Without these outcomes, the desired growth and impact creation will not happen.

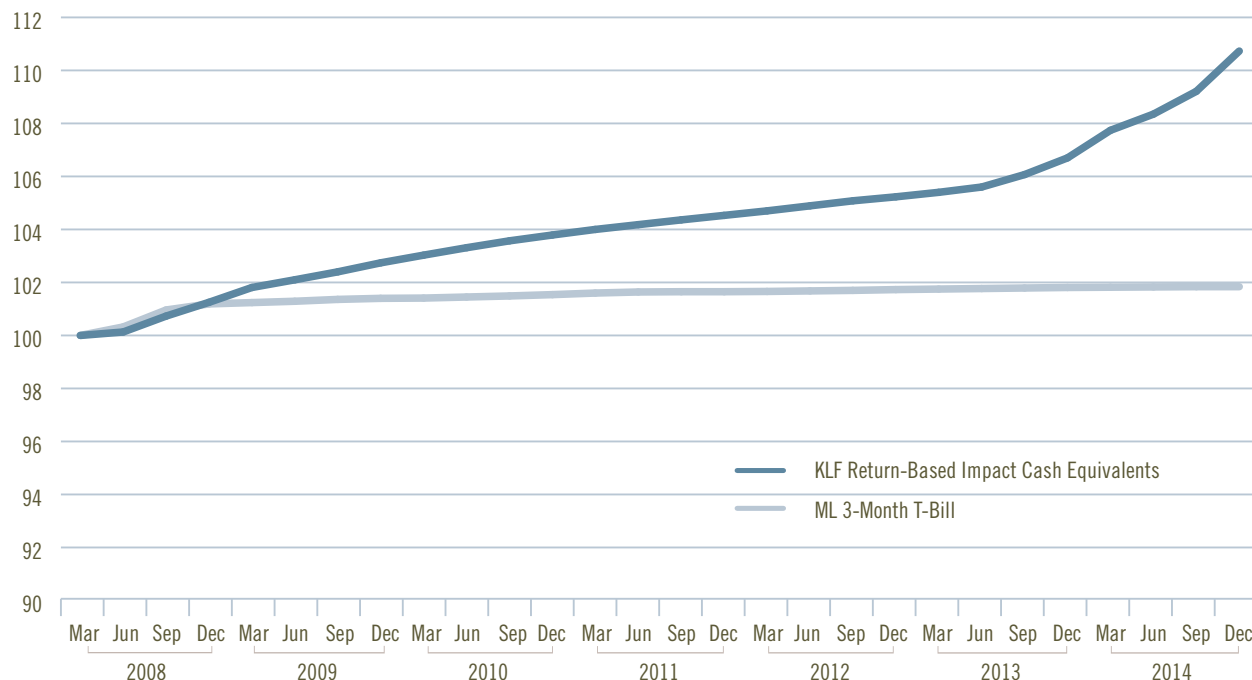
Our prior report disclosed the Foundation's various impact themes, outcomes and measurements as well as its financial performance. In this iteration, our report will exclusively focus on the Foundation's financial performance – something that we believe is often overlooked in the impact investment community.

For an explanation and demonstration of the impact creation of the Foundation's portfolio please see the separate report prepared by NPC, a charity think tank and consultancy practice, along with the KL Felicitas Foundation. The NPC report provides a comprehensive examination of the Foundation's impact in its investment portfolio. This impact report can be downloaded on [Sonen Capital's](#) and [NPC's](#) websites.

We look forward to the next update of this report in 2017 when the Foundation reports its ten-year performance track record.

PERFORMANCE BY ASSET CLASS

FIGURE 1: KLF Return-Based Impact Cash Equivalents vs. ML 3-Month T Bill, Since Inception, 5/2008



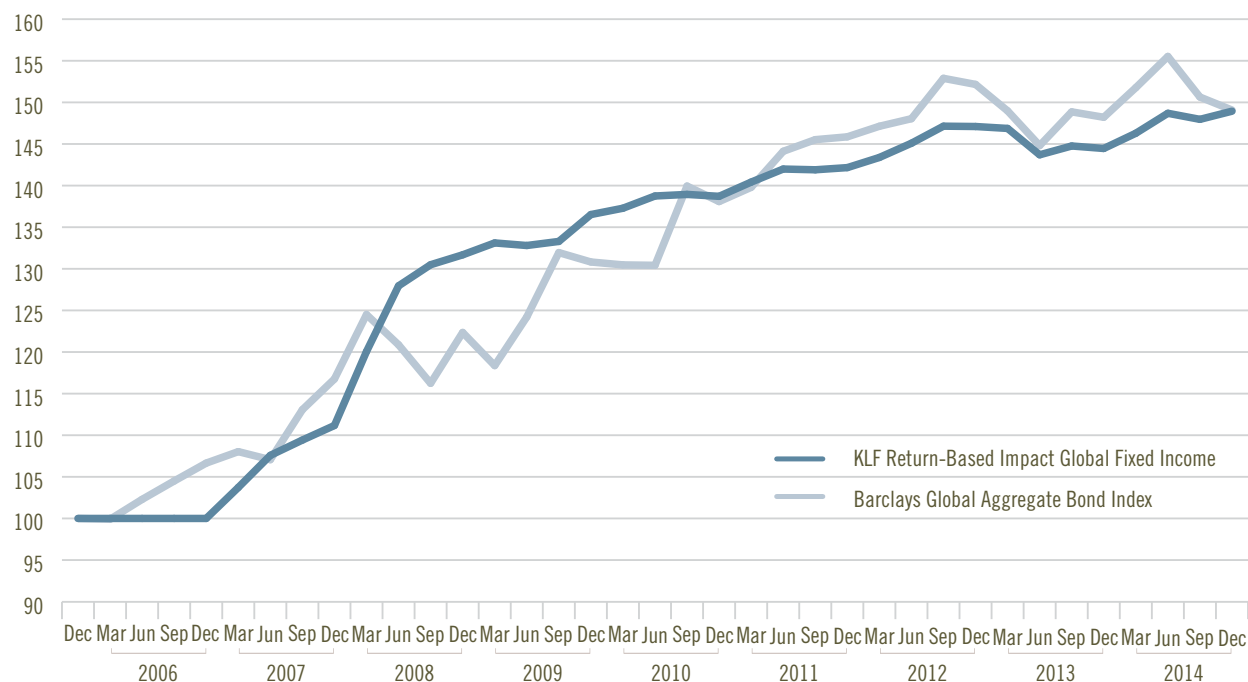
Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008
KLF Return-Based Impact Cash Equivalents	3.78%	1.89%	1.47%	1.50%	1.23%	0.68%	0.71%	1.01%	1.47%	1.25%
ML 3-Month T Bill	0.03%	0.07%	0.09%	0.26%	0.07%	0.11%	0.10%	0.13%	0.21%	2.06%

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. See Appendix II for index definitions.

Since the beginning of 2013, KLF's Cash Equivalents have included investments in microfinance and small and medium enterprise (SME) finance. Invested in both developed and developing economies, KLF took on increased credit risk in this asset class (relative to traditional cash equivalents) in order to provide short-term financing to small businesses globally and yet, still generate attractive returns. The cash equivalents allocation of KLF's Return-Based Impact Portfolio primarily delivered impact in community development and financial services themes. In addition, the Foundation has maintained deposit accounts at a number of community banks.

- (1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
- (2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital's formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF's Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers. Returns include reinvestment of dividends and distributions.
- (3) The above asset classes consist of liquid investments (marketable securities) only.
- (4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).
- (5) Please see Appendix IV for important disclaimers.

FIGURE 2: KLF Return-Based Impact Global Fixed Income vs. Barclays Global Aggregate, Since Inception, 1/2006



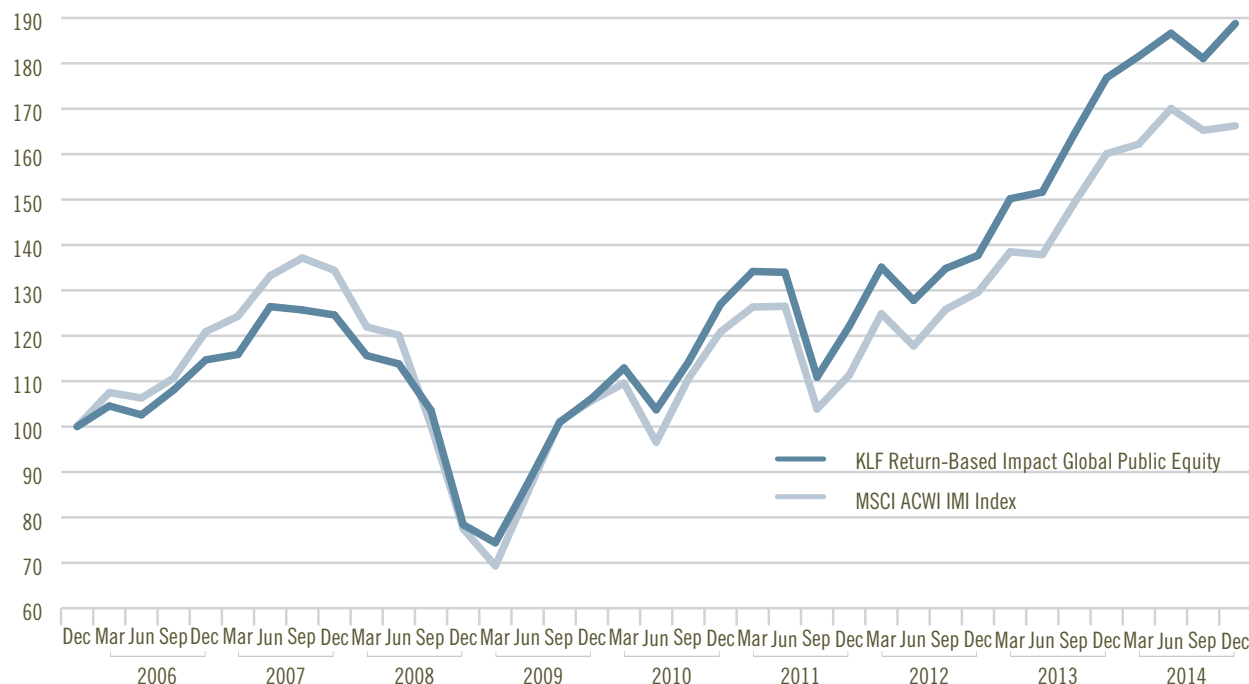
Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Return-Based Impact Global Fixed Income	3.10%	1.41%	1.67%	4.47%	-2.23%	3.47%	2.49%	1.60%	3.68%	18.45%	11.17%	0.00%
Barclays Global Aggregate	0.59%	0.73%	2.65%	4.54%	-2.60%	4.32%	5.64%	5.54%	6.93%	4.79%	9.48%	6.64%

Over the past two years, KLF’s Fixed Income allocation has been diversified across sectors, with Thematic investments in green bonds, municipals, and asset-backed securities. The Foundation also had investments in Sustainable corporates, high-ESG sovereign bonds, and microfinance. An overweight exposure to the US dollar (relative to the benchmark) contributed positively to returns over the past two years. Prominent impact themes for fixed income investments (excluding Program Related Investments) include financial services and community development. Consistent with the Foundation’s mission focus on sustainable economic development of rural communities and families, the bulk of loan recipients in the financial services impact theme are underserved populations both in the US and in emerging economies that otherwise would not have access to capital. Impact themes in this asset class also include clean energy, energy efficiency and waste management in both developed and developing economies.

Note: Investments in bonds are subject to credit, prepayment, call and interest rate risk. As interest rates rise the value of bond prices will decline. Credit risk refers to the loss in the value of a security based on a default in the payment of principle and/or interest of the security, or the perception of the market of such default. Foreign and emerging market securities involve certain risks such as currency volatility, political and social instability and reduced market liquidity.

- (1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
- (2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital’s formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF’s Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers. Returns include reinvestment of dividends and distributions.
- (3) The above asset classes consist of liquid investments (marketable securities) only.
- (4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).
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FIGURE 3: KLF Return-Based Impact Global Public Equity vs. MSCI ACWI IMI, 2/2006



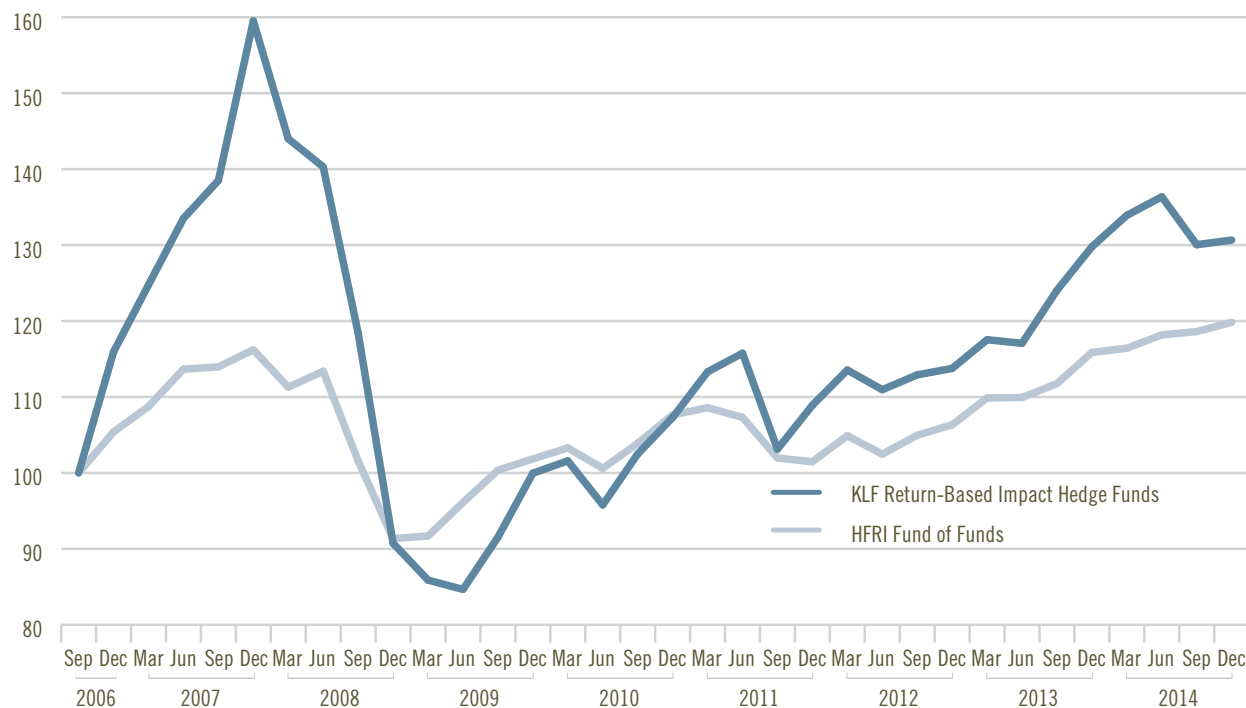
Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Return-Based Impact Global Public Equity	6.76%	15.63%	12.18%	7.32%	28.41%	12.76%	-3.81%	19.48%	35.54%	-37.07	8.62%	14.69%
MSCI ACWI IMI	3.84%	14.30%	9.48%	5.81%	23.55%	16.38%	-7.89%	14.35%	36.41%	-42.34%	11.16%	20.91%

Since 2013, KLF’s Public Equity investments have been diversified across sectors, with an emphasis on high quality, growing healthcare and technology companies, primarily in the US. A bias to these growing sectors and an overweight to the US dollar both contributed positively to returns. The Foundation has also been allocated to Thematic impact sectors, including water efficiency, renewable energy, energy efficiency, and clean technology.

Over the past two years, the KLF public equities portfolio consisted of dual exposures to Sustainable investment strategies and Thematic investment strategies. Sustainable equities strategies rely on the integration of various environmental, social and governance (“ESG”) data for investment selection and performance evaluation. KLF’s public equities were invested across several distinct strategies, each with differentiated approaches to evaluating the ESG performance of underlying holdings. In contrast, Thematic securities emphasize goods and services provided by companies that we believe are best positioned to capitalize on long-term global trends, such as resource scarcity, climate change, increased urbanization and higher protein diets. Active corporate engagement relating to these issues constitutes an integral part of these strategies.

(1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
 (2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital’s formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF’s Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers. Returns include reinvestment of dividends and distributions.
 (3) The above asset classes consist of liquid investments (marketable securities) only.
 (4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).
 (5) Please see Appendix IV for important disclaimers.

FIGURE 4: KLF Return-Based Impact Hedge Funds vs. HFRI Fund of Funds, Since Inception, 12/2006



Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Return-Based Impact Hedge Funds	0.67%	6.26%	5.50%	3.30%	14.10	4.45%	1.50%	7.35%	10.15%	-43.11%	37.58%	15.94%
HFRI Fund of Funds Index	3.37%	5.68%	3.30%	1.82%	8.96%	4.79%	-5.72%	5.70%	11.47%	-21.37%	10.25%	10.39%

Over the past two years, KLF’s Hedge Fund allocation has been diversified across geographies but thematically-oriented, focusing on water efficiency, sustainable energy and sustainable agriculture. The strategies have been highly diversified to try to dampen volatility while achieving exposure to impactful companies across critical sustainability themes. Underlying investment strategies were formulated around the urgency to address global resource scarcity resulting from population growth, increasing urbanization and higher protein diets around the world.

These hedge fund strategies invested in companies that are provided products, goods or services that increase the efficient use of water, agriculture and energy resources with the expectation that global consumer and government spending on issues related to resource scarcity is bound to grow significantly in the near future.

Risks of Hedge Funds: Hedge Funds are unregistered investments. These funds that are not subject to the SEC’s registration and disclosure requirements. Many of the investor protections common to most traditional registered investments are missing. Hedge funds often use speculative investment and trading strategies. Hedge funds are illiquid investments and are subject to restrictions on transferability and resale.

(1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.

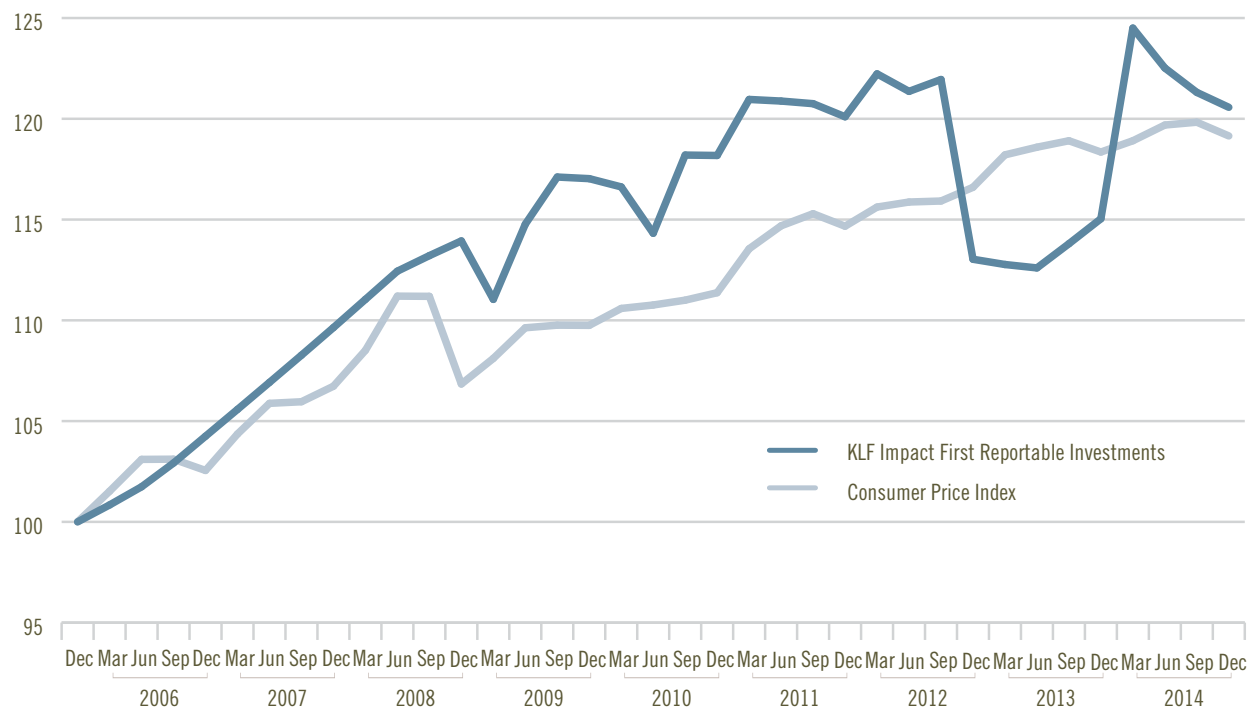
(2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital’s formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF’s Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers. Returns include reinvestment of dividends.

(3) The above asset classes consist of liquid investments (marketable securities) only.

(4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).

(5) Please see Appendix IV for important disclaimers.

FIGURE 5: KLF Return-Based Impact First Reportable Portfolio vs. Consumer Price Index, Since Inception, 1/2006



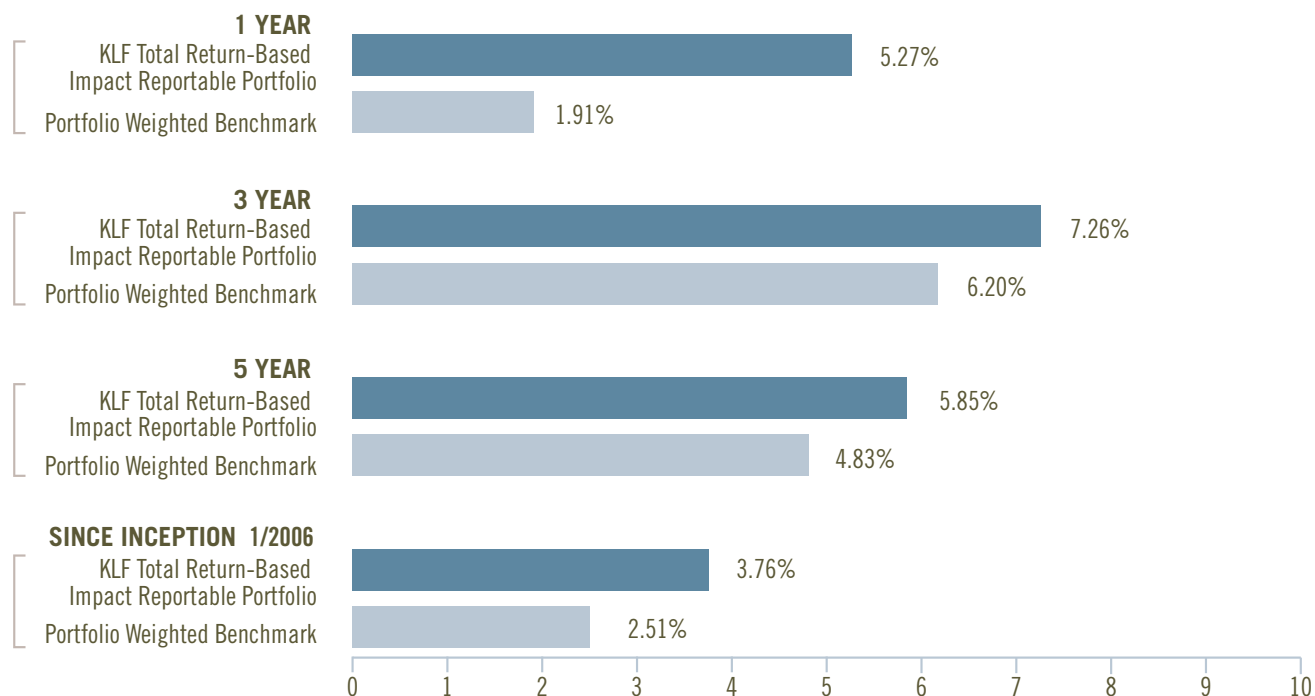
Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Impact First Reportable Portfolio	4.80%	-1.86%	-0.27%	0.89%	-4.68%	-5.38%	3.37%	0.98%	2.71%	-2.54%	5.18%	4.25%
Consumer Price Index	0.68%	1.32%	1.69%	1.98%	1.53%	1.77%	3.03%	1.44%	2.81%	-0.02%	4.11%	2.52%

KLF's Impact First allocation (high-impact investments that emphasize a desired social and/or environmental outcome in alignment with KLF's mission, rather than prioritizing financial returns) included a wide variety of investments in cash, fixed income, private equity and real assets. Impact First investment themes over the period included health, community development, energy and financial services. Investment sectors and activities included microfinance, small business lending, trade finance, social enterprise, independent media, food/agriculture and environmental markets (e.g. timber, ecosystem services). Impact First investments provided portfolio exposure in nearly every continent, dominated by Africa, India, and North America, with smaller exposures in Central America and Eastern Europe. Returns across this segment were been driven largely by interest bearing notes and short-term trade finance loans. In December 2012, the portfolio took a write-down on a debt investment made to finance capital and technical assistance to sustainable entrepreneurs in developing countries. The volatility exhibited between March 2013 to December 2014 was due to volatility of the EUR/USD exchange rate, as one of the investment in trade finance is denominated in EUR. The write-down was a result of debt restructuring by the issuer. The ultimate goal of this portion of the KLF portfolio is to serve as a revolving pool of high-impact capital, that intends to make such Impact First investments on an ongoing basis.

(1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
 (2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital's formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF's Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers.
 (3) The above asset classes consist of liquid investments (marketable securities) only.
 (4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).
 (5) Please see Appendix IV for important disclaimers.

TOTAL PORTFOLIO RETURNS

FIGURE 6: KLF Total Return-Based Impact Reportable Performance vs. Portfolio Weighted Benchmark, Since Inception, 1/2006



Period	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Impact Reportable Performance	5.27%	7.26%	5.85%	3.76%	10.95%	5.65%	-0.74%	8.51%	16.71%	-28.43%	10.63%	13.47%
Portfolio Weighted Benchmark	1.91%	6.20%	4.83%	2.51%	9.87%	6.99%	-1.79%	7.62%	19.21%	-33.40%	11.10%	11.95%

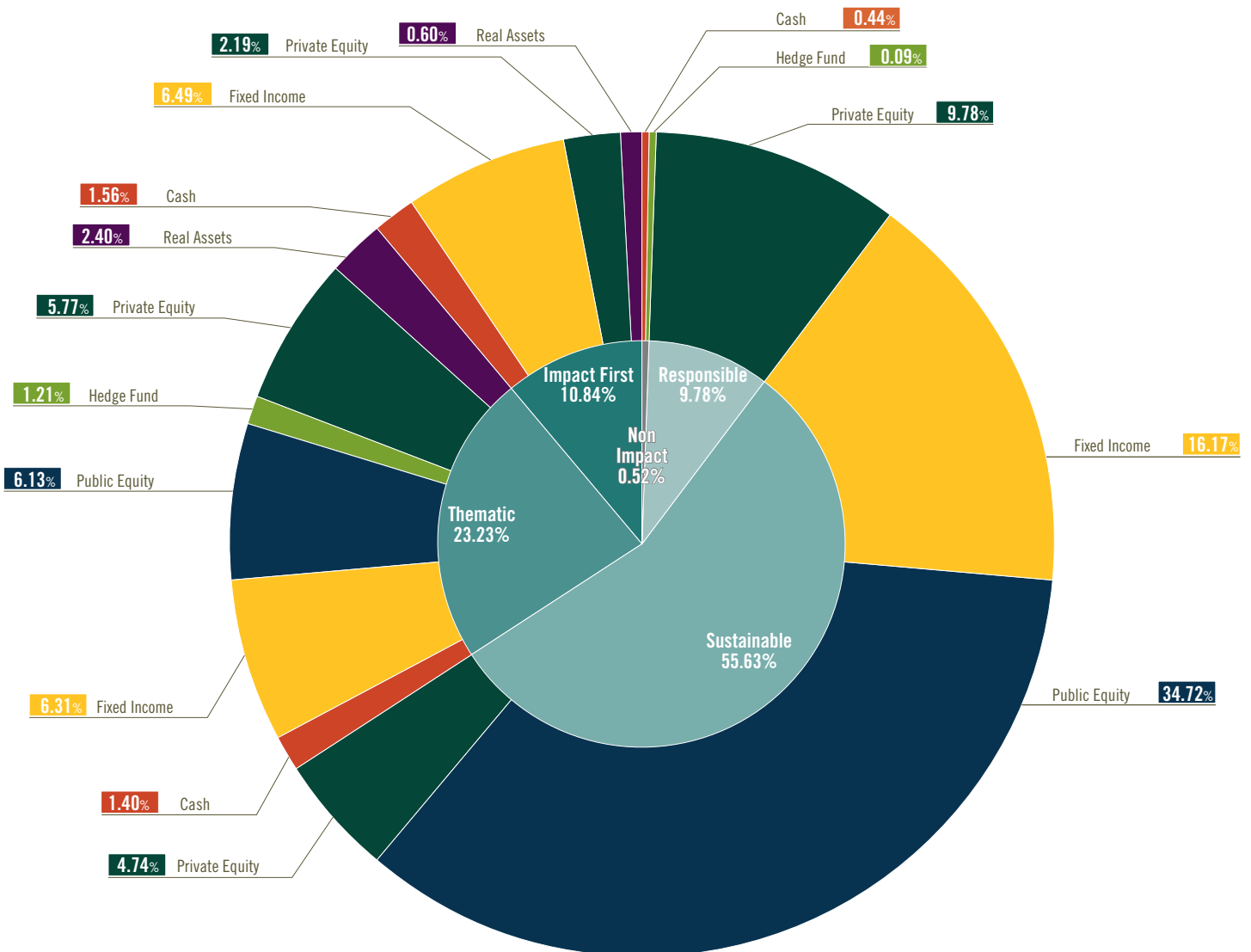
On a weighted total portfolio basis, the KLF Return-Based Impact investments performed in line, or marginally better, than the asset class exposures they assumed over the investment period since 2006. The KLF portfolio was also able to compete with, and outperform, widely accepted financial benchmarks.

- (1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
- (2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital's formation in 2011. Please refer to P.14 for a comprehensive disclosure of KLF's Return-Based Impact Portfolio performance net of all fees and Appendix III for important disclaimers. Returns include reinvestment of dividends and distributions.
- (3) The above asset classes consist of liquid investments (marketable securities) only.
- (4) For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).
- (5) The portfolio-weighted benchmark is a blend of the 3-Month Treasury Bill, Barclays Global Aggregate Index, MSCI ACWI IMI Index, and HFRI Fund of Funds Index. The blend is designed to approximate the exposures found in the reportable portion of KLF's impact portfolio. Each component of the benchmark is weighted in exactly the same proportion as the investments in the portfolio, and is re-weighted on a quarterly basis to account for changes in investment sizes.
- (6) Please see Appendix IV for important disclaimers.

Between December 31, 2012 and December 31, 2014, KLF's Return-Based Impact Portfolio increased its allocation to impact investments from 85% to 99.5% of the portfolio. The charts below illustrate the rich variety of impact investment opportunities across asset classes, and the extent to which such investments can be aligned with social or environmental purposes while still delivering risk-adjusted, financially competitive returns.

Since the end of 2012, KLF's allocation to "high impact" investments (i.e. Thematic and Impact First investment strategies) increased from 31.9% to 34.07%. Such Thematic and Impact First investments provide the greatest opportunity to align financial resources with specific social and environmental objectives and, contribute most directly to the Foundation's mission. As illustrated in Figure 7 below, high impact investment opportunities generally exist across asset classes, namely cash, fixed income, public equity, hedge funds, private equity and real assets. Roughly 55.6% of KLF's assets are invested in Sustainable strategies (compared to 45.3% at the end of 2012), dominated by

FIGURE 7: KLF Impact Investments by Impact Strategy and Asset Class

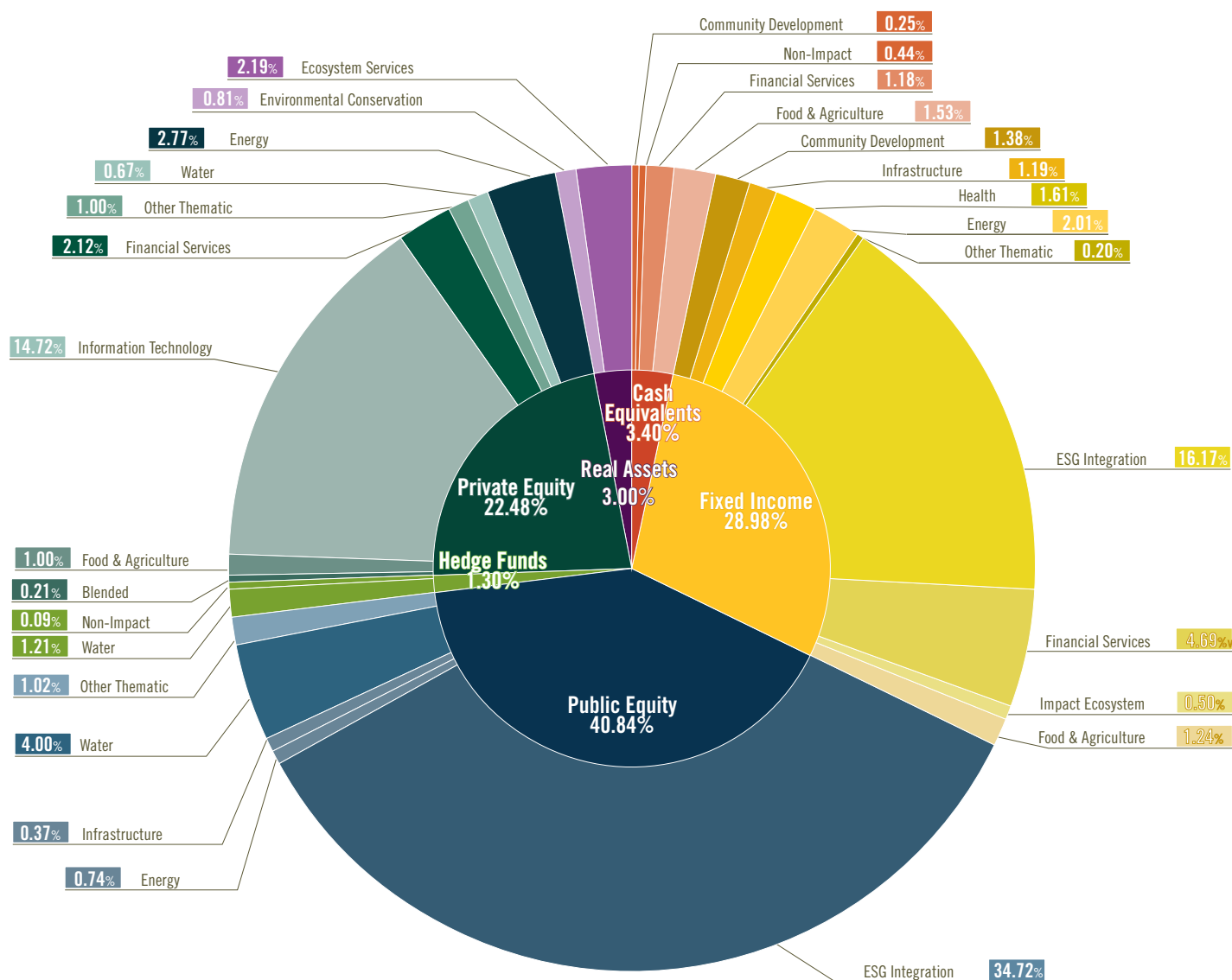


public equities and fixed income investment strategies that integrate ESG considerations into security selection in various, complementary ways. Sustainable investments also carry a smaller exposure to private equity investments but since 2012 no longer include hedge fund exposure.

Figure 7 illustrates how impact is implemented across the KLF portfolio by impact strategy (i.e. Responsible, Sustainable, Thematic and Impact First) and corresponding asset classes within each impact strategy.

Figure 8 illustrates how impact is implemented across the portfolio by asset class and corresponding impact theme.

FIGURE 8: KLF Asset Class Exposure and Impact



KLF Return-Based Impact Reportable Performance (net of all management fees) vs. Benchmark (as of December 31, 2014)

Asset Class	1 Year (2014)	3 Year	5 Year	Since Inception	2013	2012	2011	2010	2009	2008	2007	2006
KLF Return-Based Impact Cash Equivalents (Since 5/2008)	3.52%	1.63%	1.22%	0.93%	0.98%	0.43%	0.46%	0.76%	1.22%	1.07%	N/A	N/A
3-Month Treasury Bill	0.03%	0.07%	0.09%	0.26%	0.07%	0.11%	0.10%	0.13%	0.21%	2.06%	N/A	N/A
KLF Return-Based Impact Global Fixed Income (Since 1/2006)	2.59%	0.91%	1.16%	3.96%	-2.72%	2.96%	1.98%	1.10%	3.16%	17.89%	10.63%	-0.50%
Barclays Global Aggregate	0.59%	0.73%	2.65%	4.54%	-2.60%	4.32%	5.64%	5.54%	6.93%	4.79%	9.48%	6.64%
KLF Return-Based Impact Global Public Equity (Since 1/2006)	6.24%	15.07%	11.64%	6.79%	27.81%	12.21%	-4.30%	18.91%	34.91%	-37.42%	8.08%	14.14%
MSCI ACWI IMI	3.84%	14.30%	9.48%	5.81%	23.55%	16.38%	-7.89%	14.35%	36.41%	-42.34%	11.16%	20.91%
KLF Return-Based Impact Hedge Funds (Since 12/2006)	0.17%	5.73%	4.98%	2.55%	13.55%	3.93%	1.00%	6.82%	9.62%	-43.44%	36.95%	15.81%
HFRI Fund of Funds	3.37%	5.68%	3.30%	1.82%	8.96%	4.79%	-5.72%	5.70%	11.47%	-21.37%	10.25%	10.39%
KLF Total Return-Based Impact Reportable Portfolio (Since 1/2006)	4.50%	6.47%	5.07%	2.99%	10.14%	4.87%	-1.49%	7.71%	15.87%	-29.01%	9.82%	12.65%
Portfolio Weighted Benchmark	1.91%	6.20%	4.83%	2.51%	9.87%	6.87%	-1.79%	7.62%	19.21%	-33.40%	11.10%	11.95%
KLF Impact First Reportable Portfolio (Since 1/2006)	4.29%	-2.35%	-0.76%	0.39%	-5.16%	-5.86%	2.86%	0.48%	2.20%	-3.03%	4.66%	3.73%
Consumer Price Index	0.68%	1.32%	1.69%	1.98%	1.53%	1.77%	3.03%	1.44%	2.81%	-0.02%	4.11%	2.52%

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- (1) Return-Based Impact Cash Equivalents performance is shown net of all fees, including Sonen Capital's cash strategy management fee of 25 basis points
 - (2) Return-Based Impact US Fixed Income and Return-Based Impact Global Fixed Income performance are shown net of all fees, which includes Sonen Capital's fixed income management fee of 50 basis points
 - (3) Return-Based Impact US Public Equity and Return-Based Impact Global Public Equity performance are shown net of all fees, which includes Sonen Capital's public equity management fee of 50 basis points
 - (4) Return-Based Impact Global Public Equity Performance is shown net of all fees, which includes Sonen Capital's public equity management fee of 50 basis points. Performance is shown through 11/30/12, after which time KLF was not invested in Return-Based Impact Global Public Equity. The Foundation reinvested in the asset class in January, 2013
 - (5) Return-Based Impact Hedge Fund performance is shown net of all fees, which includes Sonen Capital's hedge fund management fee of 50 basis points
 - (6) Total Return-Based Impact Reportable Portfolio performance is shown net of all fees, which includes Sonen Capital's managed account fee of 75 basis points
 - (7) Impact First Reportable Portfolio performance is shown net of all fees, which includes Sonen Capital's impact first management fee of 50 basis points
 - (8) Return-Based Impact Fixed Income performance is shown net of all fees, which includes Sonen Capital's fixed income management fee of 50 basis points
 - (9) Return-Based Impact Public Equity performance is shown net of all fees, which includes Sonen Capital's public equity management fee of 50 basis points



APPENDICES

APPENDIX I: GLOSSARY OF TERMS

Gross – Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the manager of applicable funds, and miscellaneous portfolio expenses.

Illiquid (Not marked-to-market) – Investments that cannot be exchanged or converted to cash easily without a substantial loss in value.

KLF Impact-Only Portfolio – The complete impact portfolio, including all liquid and illiquid impact investments.

KLF Return-Based Impact Reportable Portfolio
Return-based impact reportable investments are evaluated on a time-weighted basis, as is the standard for investments in marketable securities.

Liquid (Marketable Securities) – Investments that can be converted to cash quickly, at a reasonable price.

Net – Net performance is shown after the

deduction of transaction costs, underlying investment management fees paid to the manager of applicable funds, miscellaneous portfolio expenses, and includes the additional expense of consulting fees paid by KLF for investment advisory services.

Return – The financial gain or loss of a security in a particular period, displayed in this paper as percentages.

Risk-Adjusted Return – Captured in part by measures such as Alpha, Sharpe Ratio, and Sortino Ratio, risk-adjusted return is a concept that measures an investment's return relative to the amount of risk involved in producing such return.

APPENDIX II: INDEX DEFINITIONS

Barclays Global Aggregate Bond Index – A broad-based measure of global Investment Grade fixed-rate debt investments. The index covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit, and collateralized

securities. The liquidity constraint for all securities in the index is \$300 million. Securities included will have at least 1 year until final maturity and be denominated in one of 23 eligible currencies.

BofA ML 3 Month US T-Bill Index – The index measures the total return on cash, including price and interest income, based on short-term government Treasury Bills of about 90-Day maturity.

CPI - The Consumer Price Index is an unmanaged index representing the rate of inflation of the US consumer prices as determined by the US Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

HFRI Fund of Funds Index – An equal-weighted index that includes over 800 constituent funds, both domestic and offshore. All funds report assets in USD, net of all fees, on a monthly basis and have at least \$50 million under management or have been actively trading for at least 12 months.

MSCI ACWI IMI Index - 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 44 country indexes comprising 23 developed and 21 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland,

Russia, South Africa, Taiwan, Thailand, and Turkey.

APPENDIX III: IMPORTANT DISCLAIMERS

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

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Sonen Capital Role in Investments Presented.

Neither Raúl Pomares nor Sonen Capital had any role in the Impact First Portfolio. In addition, Sonen Capital was founded in September 2011, and therefore the performance data presented in this report prior to such time was made under the supervision of Raúl Pomares (with significant input from KLF) by an investment team that is different than that of Sonen Capital.

There can be no assurances that Sonen Capital would have achieved similar performance, or that investments made by Sonen Capital in the future, will achieve their stated objectives or avoid losses.

Report Coverage. This report details the performance of the Return-Based Impact Portfolio created by KLF, and more specifically those investments with so-called “reportable” performance (i.e., performance that can be marked to market on a regular basis). Impact first (below-market rate) investment returns are also explored and reflected in specific sections. For purposes of accuracy and reliability, all non-impact investments as well as impact private equity and real assets investments (due to their immature stage in the investment lifecycle) are not included in the return calculations. For purposes of comparability, results are reported net of all investment managers, transactional and underlying fees. Net returns include consulting fees paid by KLF for investment advisory services. Please refer to Appendix III for a comprehensive disclosure of KLF’s Return-Based Impact Portfolio’s performance.

Return Calculation Methodologies.

Methodologies used to calculate investment returns are described in the Introduction to this report.

Performance. Past performance is not necessarily indicative of future returns, and there can be no assurance that any investment will achieve its stated objectives or avoid losses. References in this report to past returns of any investment program are no guarantee of future performance. There can be no assurance that the investments identified in this report will continue to achieve their stated past returns or achieve their targeted objectives.

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