



sonen capital

# 2018 IMPACT REPORT

FINANCIAL AND IMPACT REPORTING IN PUBLIC AND PRIVATE MARKETS

# Table of Contents

## PUBLICATION DETAILS

### PUBLISHER

Sonen Capital  
456 Montgomery Street, Suite 400  
San Francisco, CA 94104  
info@sonencapital.com  
www.sonencapital.com

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

This report was published in May 2019.

### LEAD AUTHOR

Will Morgan

### EDITING & DESIGN

Amando Balbuena

### DATA SOURCE

MSCI ESG Research

3. Leadership Perspective
4. Executive Summary
7. Impact Evaluation and Methodology
8. Global Fixed Income Impact Analysis
13. Global Public Equity Impact Analysis
20. Shareholder Advocacy & Industry Engagement
25. Global Multi-Strategy Impact Analysis
28. Global Sustainable Real Assets Impact Analysis
34. UN Sustainable Development Goals and Sonen
39. Conclusion



## Sonen Capital seeks to provide its clients competitive financial returns with meaningful, positive social and environmental benefits.

**Will Morgan**  
Head of Impact

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

As in our past five annual reports, we illustrate the various social and environmental impacts of our investments by employing a number of impact evaluation methodologies. We believe using multiple methodologies – as opposed to a one-size-fits-all approach - allows for greater clarity on the underlying impact that is generated across different asset classes. These methodologies are employed as noted below:

1. For all asset classes, we first qualify underlying investments as Responsible (avoiding negative impact); Sustainable (actively integrating non-financial variables such as environmental, social and governance factors into security selection); or Thematic (goods and services that actively address specific social and environmental challenges). We provide qualitative examples of thematic investments so that we can draw a direct connection between a specific investment and the thematic goods or services that it delivers.
2. For public equity, we believe impact is best manifested

through relative performance on eight environmental, social and governance (ESG) key performance indicators. This year, for the first time since publishing our annual impact report in 2013, Sonen's global equity strategy outperformed the market benchmark on all eight performance indicators. We include qualitative examples of each indicator in order to help bring the quantitative data to life.

3. For fixed income investments, we can provide specific examples of impact because these instruments are directly related to projects that they underwrite. For example, we can demonstrate how a municipal or sovereign bond's proceeds help finance specific social or environmental activities. To provide greater clarity on how we generate impact in the fixed income space, we break-down these investments into sub-asset classes (e.g. sovereign bonds, corporate bonds, or municipal bonds) with corresponding qualitative examples that typify such investments.
4. Our Sustainable Real Assets strategy, comprised 100% of Thematic investments, allows us to collect defined, unambiguous and standardized impact data specific to each underlying impact theme in which we invest. All collected data are IRIS compliant.

5. Finally, we map our four impact investment strategies' specific contributions to the United Nations Sustainable Development Goals. This year, Sonen's four strategies make definitive contributions to eight SDGs.

Beyond our impact investing activity, Sonen continues to work alongside other like-minded investors to help influence corporate sustainability and transparency practices, through direct shareholder engagement, participation in policy campaigns and through publishing articles that describe our investment discipline and the intended impacts of our various strategies.

As always, our impact evaluation and reporting process continues to evolve in sophistication, largely as a result of the increasing availability of relevant data and the improved quality of reporting across underlying investments.

We are pleased to share with you the results of our work. We regularly publish the methods by which we pursue and evaluate positive impact on our website, [www.sonencapital.com](http://www.sonencapital.com). We trust you will find this material informative and instructive.

Thank you for your interest in Sonen Capital.

- Will Morgan,  
Head of Impact  
Sonen Capital

# Executive Summary



Sonen Capital seeks to provide its clients competitive financial returns with meaningful, positive social and environmental benefits.

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

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

Sonen's absolute return strategy provides investors with an intermediate liquidity profile with a focus on key impact themes including resource efficiency, financial services for small enterprises in emerging markets and financial services in the United States.

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

In all four strategies, we draw connections between the underlying holdings and eight of the **UN Sustainable Development Goals**. Doing so illustrates how our strategies provide critical alignment between investment capital and some of the world's most pressing needs.

In 2018, Sonen's public market strategies provided comparable, and in some cases better, financial returns (measured against traditional market benchmarks, as opposed to sustainability indices) with defined social and environmental impact value creation. In 2018, Sonen's private market strategy, designed to provide returns that are uncorrelated to traditional markets, provided positive returns during the period, compared to negative returns for traditional fixed income and public equity markets.

For the first time since first publishing its annual impact report in 2013, Sonen's global equity strategy demonstrated better sustainability performance, relative to traditional benchmarks, across all of the key performance indicators that we monitor. These indicators include:

- › **Environmental performance:** Lower total carbon emissions and carbon intensity, alongside significantly improved water use efficiency;
- › **Social performance:** Higher ratings for health and safety as well as labor management, and controversial sourcing (the first time Sonen's performance has exceeded that of our market benchmark on this indicator); and
- › **Governance:** Greater gender diversity, board-member independence and corporate ethics ratings among corporate boards.

Across global equity and global fixed income, prominent impact themes include:

- › Health (technologies, medicine and physical infrastructure);
- › Energy (renewable and alternative energy technologies, energy efficiency technologies, and related infrastructure);
- › Water (utilities, infrastructure and technologies for purification and re-use);
- › Community development (affordable housing, small business loans, transportation);

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

- › Continuing to encourage companies to improve ESG practices and related disclosures through active participation in multiple industry working groups, as well as two publications<sup>1</sup> that highlight how Sonen integrates impact elements into its investment decision-making process; and
- › Lead-filing three shareholder resolutions requesting greater corporate disclosure of political spending and related expenditures.

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

- › Financial services to help small- and medium-sized enterprises grow across various emerging markets, including Africa, Latin America and Eastern Europe;
- › Small and regional banking based in the U.S., providing critical financial services for small businesses, farms and real estate transactions; and
- › Natural resource optimization and clean energy.

As Sonen's multi-strategy continues to develop, we will expand its social and environmental impact reporting.

Lastly, Sonen's sustainable real assets strategy completed four additional investments during the year (one in sustainable timber, another in environmental infrastructure, and the last two in green real estate) bringing the strategy's total number of investments to twelve. Underlying investments in real assets currently include:

- › Two sustainable timber operations, including 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 assets strategy reports on specific impact indicators, which are aggregated and summarized in this report. Sonen intends to make an additional two or three investments to include sustainable agriculture, land and water resources, and environmental infrastructure across the globe.

# IMPACT Across Asset Classes



## PERFORMANCE SUMMARY

### SONEN GLOBAL FIXED INCOME STRATEGY

In 2018, Sonen's fixed income strategy returned -1.36% gross of fees and -1.85% net of fees vs. -1.20% for the Bloomberg Barclays Global Aggregate Index. Over the last three years the strategy returned an annualized 2.87% gross of fees and 2.32% net of fees vs. 2.70% for the index. Since inception the strategy has returned 0.47% gross of fees and -0.03% net of fees vs. 0.40% for the index.

### SONEN GLOBAL EQUITY STRATEGY

In 2018, Sonen's global equity strategy returned -5.14% gross of fees and -5.61% net of fees vs. -10.08% for the MSCI ACWI IMI Index. Over the last three years the strategy returned an annualized 10.80% gross of fees and 10.26% net of fees vs. 6.49% for the index. Since inception the strategy has returned 10.29% gross of fees and 9.74% net of fees vs. 7.18% for the index.

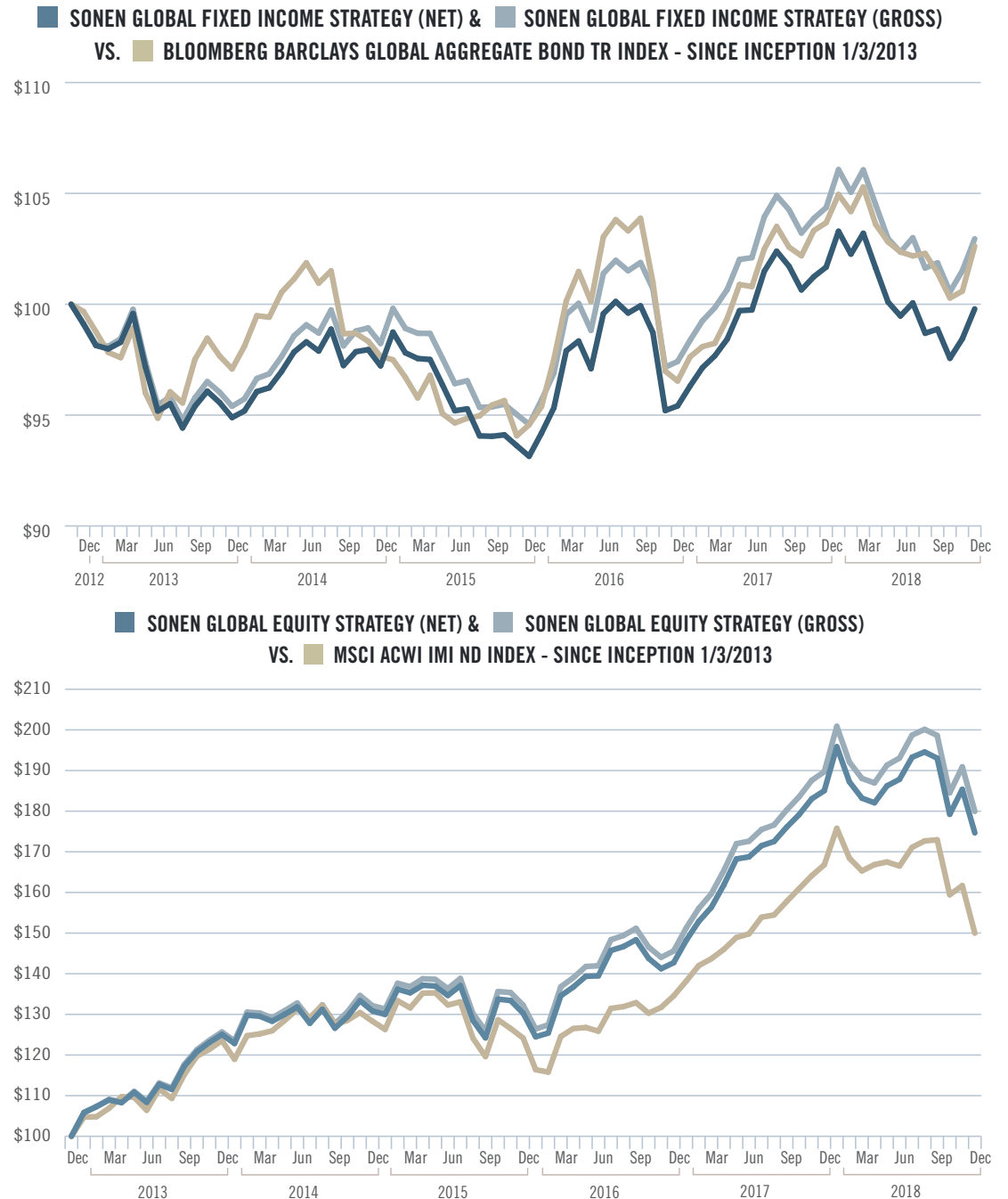
### SONEN GLOBAL MULTI-STRATEGY

In 2018, Sonen's multi-strategy's offshore fund returned 0.80% gross of fees and -0.20% net of fees. Since inception the strategy has returned 5.30% gross of fees and 4.26% net of fees. In 2018 the Sonen's multi-strategy's onshore fund returned 0.28% gross of fees and -0.72% net of fees. Since inception the strategy has returned 4.43% gross of fees and 3.58% net of fees.

### SONEN GLOBAL SUSTAINABLE REAL ASSETS

During 2018, Sonen's Global Sustainable Real Assets Funds completed three new investments, including a commitment to an environmental infrastructure fund, a co-investment in a sustainable timber opportunity and a co-investment in a portfolio of green real estate properties. As of December 31, 2018, with a mixture of greenfield and brownfield investments, the Fund is performing as expected.

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.



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 Evaluation & Methodology

Sonen's investment process includes a commitment to quantifying and qualifying the impact of each of its strategies. As detailed in our prior impact reports, Sonen employs a series of proprietary tools and definitions to explain, monitor and measure impact creation across asset classes and investment strategies. Please contact Sonen for more information on our process or refer to previous impact reports for more detail.

1. At the highest level, we classify our underlying investments as either Sustainable or Thematic.
  - › **Sustainable:** *how a company conducts its business*, measured and evaluated through Environmental, Social and Governance (ESG) data.
  - › **Thematic:** *what a company does*, or how goods and/or services relate to specific social or environmental themes such as climate change or meeting needs of disadvantaged communities.
2. Evaluation and reporting of Environmental, Social and Governance Data: measured through eight Key Performance Indicators and compared to conventional market benchmarks and accompanied by specific, qualitative examples.
3. The United Nations Sustainable Development Goals (SDGs): a granular examination of how business activities can contribute to specific SDGs, evaluated by the impact indicators that the UN identifies for each SDG.
4. Sonen's AIMS™ framework describes four key dimensions to impact creation across asset classes, including Additionality, Intentionality, Measurability and Scale.
5. Impact Reporting and Investment Standards (IRIS): Standardized, quantitative impact data that relays impact creation as it relates to Sonen's intended impact outcomes.

While not an explicit part of Sonen's Impact Evaluation Methodology, our series of "*Impact Frameworks*" identify specific social and environmental impacts that we target within specific impact themes. To date, Sonen has published impact frameworks covering the following impact themes:

- |                            |                                 |
|----------------------------|---------------------------------|
| 1) Energy                  | 5) Sustainable Infrastructure   |
| 2) Water                   | 6) Financial Services (Q2 2019) |
| 3) Sustainable Agriculture | 7) Health (Q3 2019)             |
| 4) Green Real Estate       | 8) Sustainable Mining (Q4 2019) |

For each of these impact themes, Sonen employs an outcomes-based approach to identify the desired impact creation from a particular investment. Specific impact investment strategies are identified across public and private markets, and we also articulate specific activities or outcomes that we wish to avoid for each theme. Our Impact Frameworks are available to the public in the *Thought Leadership* section of Sonen's website.

# Global Fixed Income

The Sonen Fixed Income strategy seeks to produce competitive risk-adjusted returns while providing clear, meaningful and measurable social and environmental impact. 60% of the strategy includes broad based exposure to global bond issues from sovereign, corporate, supra-national and local governments that exhibit leadership through Environmental, Social and Governance (ESG) qualities, while 36% provides exposure to highly thematic specific impacts.

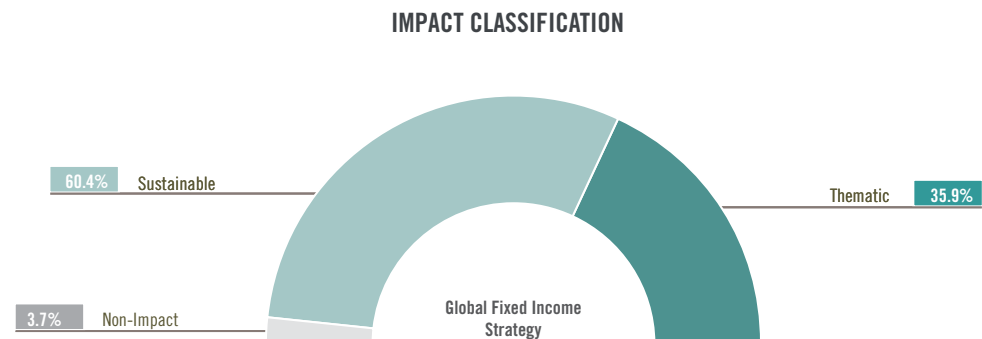
Sonen evaluates the social and environmental impacts within its fixed income investment strategy by assessing the strategy's holdings and the specific activities that they underwrite. This approach allows us to identify the specific social and environmental impact created, ensure consistency with our *impact frameworks* and map the contributions to the UN Sustainable Development Goals.

Sonen determines the impact results of the portfolio through the following processes:

- A. Classifying the underlying securities as either Responsible, Sustainable or Thematic;
- B. Identifying fixed income sub-asset classes (e.g. sovereign bonds versus municipal bonds) and the key activities the bond proceeds support;
- C. Detailing the key impact themes across the fixed income strategy and how those themes relate to globally important sustainability issues; and
- D. Evaluating key contributions to the United Nations Sustainable Development Goals (please see the SDG analysis on page 33).

## A. Sonen Global Fixed Income Impact Classification

The chart below illustrates the proportion of Responsible, Sustainable and Thematic holdings in Sonen's Global Fixed Income strategy.





## B. Fixed Income Sub-Asset Classes and Key Impact Themes

The five sub-asset classes in Sonen's fixed income strategy are sovereign bonds (issued by federal governments), development bank bonds (issued by multi- and bi-lateral banks), local government bonds (issued by municipalities), corporate bonds, and asset-backed bonds. Each sub-asset class is categorized as either sustainable or thematic, followed by a description of key impact activities.

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

The five sub-asset classes in Sonen's fixed income strategy are sovereign bonds (issued by federal governments), development bank bonds (issued by multi- and bi-lateral banks), local government bonds (issued by municipalities), corporate bonds, and asset-backed bonds. Each sub-asset class is categorized as either sustainable or thematic, followed by a description of key impact activities.

SUB-ASSET CLASS		SUSTAINABLE	THEMATIC
Sovereign Bonds	<i>Investment Approach</i>	<ul style="list-style-type: none"> <li>› Bonds issued by national governments, selected for social, environmental and economic sustainability attributes and evaluated through ESG performance.</li> </ul>	Thematic sovereign bonds finance investments in discrete impact themes, typically energy efficiency, transportation infrastructure, and technologies related to waste management, water treatment and pollution purification facilities.
	<i>Weight</i>	› <b>51.7%</b>	› <b>2.9%</b>
	<i>Example</i>	<p><b>POLAND GOVERNMENT BOND</b></p> <ul style="list-style-type: none"> <li>› Strong performance in providing for the basic needs of its population; increasing education rate and life expectancy; and improving health and education infrastructure.</li> <li>› Strong ratings on natural resource management, water resource management, and forest depletion.</li> <li>› Low gender inequality ratings; nearly 100% literacy rates; low economic inequality.</li> <li>› Low rates of public corruption, ranked 36/180 by Transparency International</li> </ul>	<p><b>NORDIC INVESTMENT BANK (NIB)</b></p> <ul style="list-style-type: none"> <li>› <i>Impact Theme:</i> Environmental Services; Multi-Sector</li> <li>› NIB finances projects that address climate change and resource use among Nordic and Baltic countries.</li> <li>› Projects financed include renewable energy, wastewater treatment, waste management, public transportation, green buildings and energy efficiency (NIB).</li> </ul>

SUB-ASSET CLASS		SUSTAINABLE	THEMATIC
Development Bank Bonds	<i>Investment Approach</i>	<ul style="list-style-type: none"> <li>› No Sustainable classifications among Development Bank Bonds</li> </ul>	Multi-lateral development banks (such as IADB or ADB) and national government-based institutions. Proceeds are used for various development projects in emerging economies, typically multi-sector covering multiple impact themes.
	<i>Weight</i>	› <b>0.0%</b>	› <b>12.8%</b>
	<i>Example</i>	› <b>N/A</b>	<p><b>NACIONAL FINANCIERA (NAFIN)</b></p> <ul style="list-style-type: none"> <li>› <i>Impact Theme:</i> Economic Development</li> <li>› NAFIN is a development bank owned by the Mexican government that provides financial and technical services for Mexican-based small and medium enterprises.</li> <li>› Since the early 1990s it has focused on providing financing to the country's business sector through wholesale lending, with a particular focus on those parts of the economy neglected by private sector banks.</li> </ul>

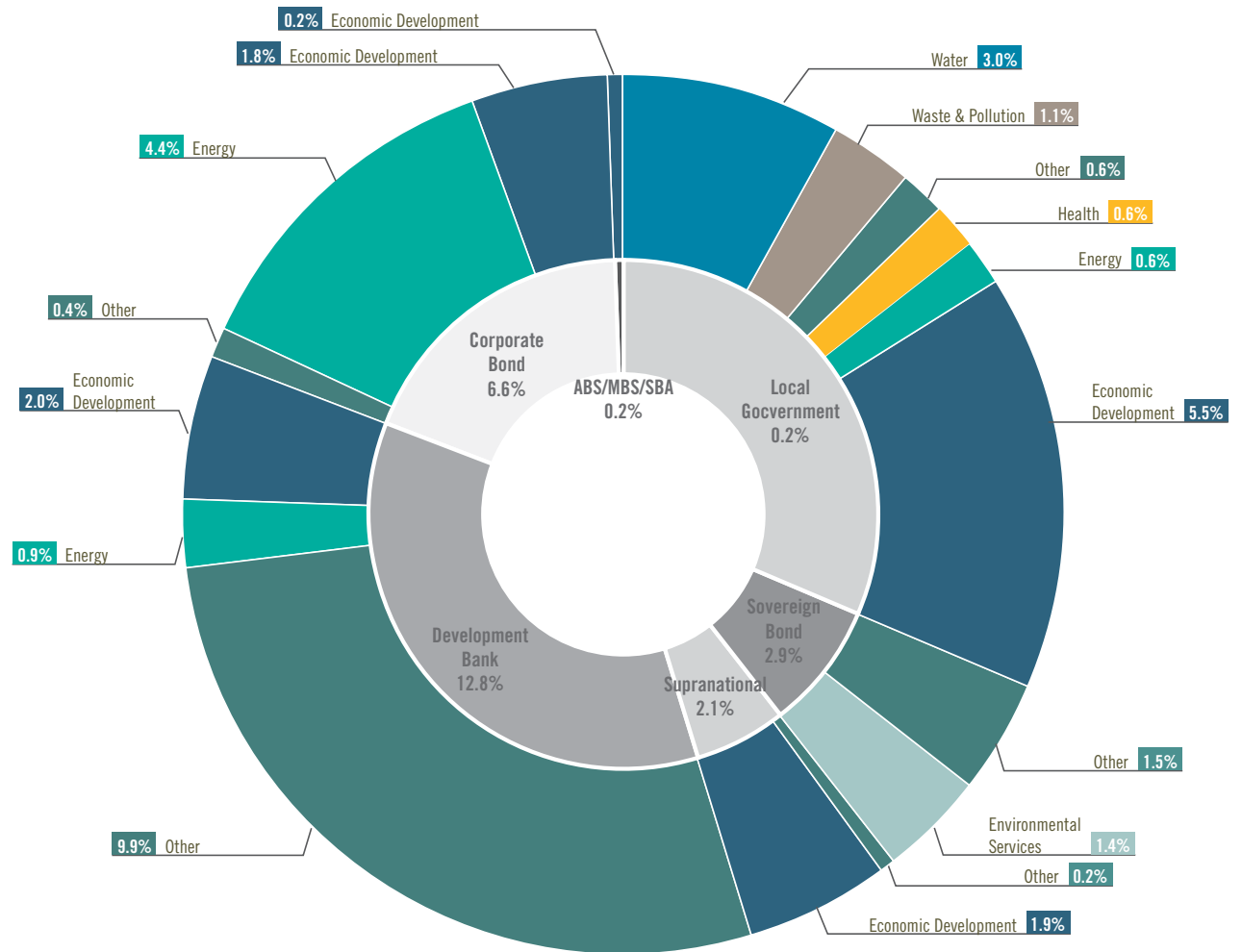
SUB-ASSET CLASS		SUSTAINABLE	THEMATIC
Local Government Bonds	<i>Investment Approach</i>	<ul style="list-style-type: none"> <li>Municipal bonds, or bonds issues by regional governments, selected for government ESG profile or general sustainability performance.</li> </ul>	Proceeds used to underwrite specific social or environmental projects, such as local transportation, water/sewerage infrastructure, schools or local economic development.
	<i>Weight</i>	<ul style="list-style-type: none"> <li>1.7%</li> </ul>	<ul style="list-style-type: none"> <li>11.3%</li> </ul>
	<i>Example</i>	<p><b>NEW SOUTH WALES (NSW) TREASURY CORPORATION</b></p> <ul style="list-style-type: none"> <li>The central borrowing authority for the NSW government and public sector. The corporation's Investment Stewardship Policy explicitly integrates sustainability issues throughout investment process.</li> <li>The government's Resource Efficiency Policy requires local government agencies to pursue greater resource efficiency, improve air quality and improve waste management</li> </ul>	<p><b>MAINE FINANCE AUTHORITY (MFA)</b></p> <ul style="list-style-type: none"> <li><i>Impact Theme:</i> Economic Development</li> <li>MFA was founded in 1983 to support the start-up, expansion and growth of Maine's business community by improving access to capital. MFA also administers the state's higher education finance programs.</li> <li>Lending data through 6/30/18 shows more than 3,400 jobs created, and more than 10,500 jobs retained through supported businesses.</li> </ul>
SUB-ASSET CLASS		SUSTAINABLE	THEMATIC
Corporate Bonds	<i>Investment Approach</i>	<ul style="list-style-type: none"> <li>Municipal bonds, or bonds issues by regional governments, selected for government ESG profile or general sustainability performance.</li> </ul>	Proceeds used to underwrite specific social or environmental projects, such as local transportation, water/sewerage infrastructure, schools or local economic development.
	<i>Weight</i>	<ul style="list-style-type: none"> <li>6.7%</li> </ul>	<ul style="list-style-type: none"> <li>6.6%</li> </ul>
	<i>Example</i>	<p><b>AMERICAN EXPRESS</b></p> <ul style="list-style-type: none"> <li>Carbon- and energy-intensive business lines are not a significant part of business.</li> <li>Recent improvements in financial product safety and expanded services for small businesses.</li> <li>Human resource policies improve employee retention and development relative to industry peers.</li> </ul>	<p><b>BANK OF AMERICA (GREEN BOND)</b></p> <ul style="list-style-type: none"> <li><i>Impact Theme:</i> Energy</li> <li>Green bond proceeds will finance renewable energy projects (solar, wind, geothermal)</li> <li>Energy efficiency projects reduce energy consumption per unit of output and include projects such as lighting retrofits, district heating, co-generation, and building insulation, in residential, commercial and public properties.</li> </ul>
SUB-ASSET CLASS		SUSTAINABLE	THEMATIC
ABS/MBS/SBA	<i>Investment Approach</i>	<ul style="list-style-type: none"> <li>No Sustainable classifications among ABS/MBS/SBA</li> </ul>	Supports affordable home ownership, low-income rentals and small business loans in low-income communities across the U.S.
	<i>Weight</i>	<ul style="list-style-type: none"> <li>0.0%</li> </ul>	<ul style="list-style-type: none"> <li>0.2%</li> </ul>
	<i>Example</i>	No Sustainable classifications among Agency or Mortgage Backed Securities.	<p><b>ABS/MBS/SBA FUND FOR COMMUNITY ECONOMIC DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li><i>Impact Theme:</i> Economic Development</li> <li>Supports affordable home ownership and rentals for low income communities in the U.S. Nearly 15,000 low-income home buyers and more than 55,000 affordable rental units since inception (1998).</li> <li>More than 500 small business loans across the U.S. for low-income business owners since inception.</li> </ul>
<b>TOTAL</b>		<b>SUSTAINABLE = 60.4%</b>	<b>THEMATIC = 35.9%</b>

### C. Sonen Global Fixed Income Thematic Investments

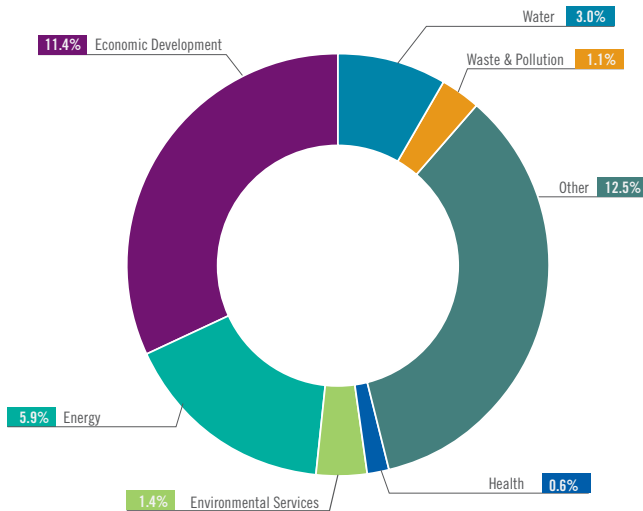
Issuers in fixed income are evaluated by what products and services they produce, or how underlying projects financed by investors contribute to specific social or environmental objectives. Thematic investing in fixed income provides one of the clearest, most tangible connections between an investor's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

The chart to the right illustrates five fixed income sub-asset classes in Sonen's fixed income strategy (inner circle) as well as the impact themes evident within each sub-asset class (outer circle).

THEMATIC SECTORS AND SUB-SECTORS IN SONEN'S GLOBAL FIXED INCOME STRATEGY



**KEY IMPACT THEMES AND INVESTMENT EXAMPLES IN SONEN'S GLOBAL FIXED INCOME STRATEGY**  
**Thematic Total: 35.9%**



The table below provides typical qualitative examples of each impact theme with Sonen's Fixed Income Strategy.

IMPACT THEME	SAMPLE IMPACT FROM 2018: GLOBAL FIXED INCOME STRATEGY
<b>Economic Development</b>	<ul style="list-style-type: none"> <li>› Mortgage backed securities that support affordable home ownership and rentals for low income communities in the U.S.</li> <li>› SBA loans that finance small business growth and development in the U.S. and globally</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>› Corporate bonds that finance renewable energy projects and related technologies</li> <li>› Corporate bonds for renewable energy infrastructure, e.g. electric vehicle charging infrastructure</li> </ul>
<b>Environmental Services</b>	<ul style="list-style-type: none"> <li>› Sovereign bonds that invest in energy, transportation infrastructure, pollution treatment</li> <li>› Local government bonds that finance regional transportation infrastructure, particularly railways</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>› Bond financing three inpatient medical campuses with over 1,500 beds</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>› Multilateral development banks' green bonds financing projects to adapt to and mitigate the effects of climate change globally</li> <li>› Sectors include clean power generation, energy efficiency retrofits, technical support for agriculture producers</li> </ul>
<b>Waste and Pollution</b>	<ul style="list-style-type: none"> <li>› Municipal bond financing the acquisition and upgrading of community-level recycling and waste management facilities</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>› Local government bonds that upgrade sewer and wastewater infrastructure in the U.S.</li> </ul>

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

Sonen's Global Fixed Income strategy contributes to the following United Nations Sustainable Development Goals:

- › SDG 6 – Clean Water
- › SDG 7 – Clean Energy
- › SDG 9 – Industry and Infrastructure
- › SDG 11 – Sustainable Cities and Communities
- › SDG 12 – Responsible Consumption and Production
- › SDG 15 – Life on Land

A more thorough analysis can be found in the SDG analysis on page 33.



# Global Equity

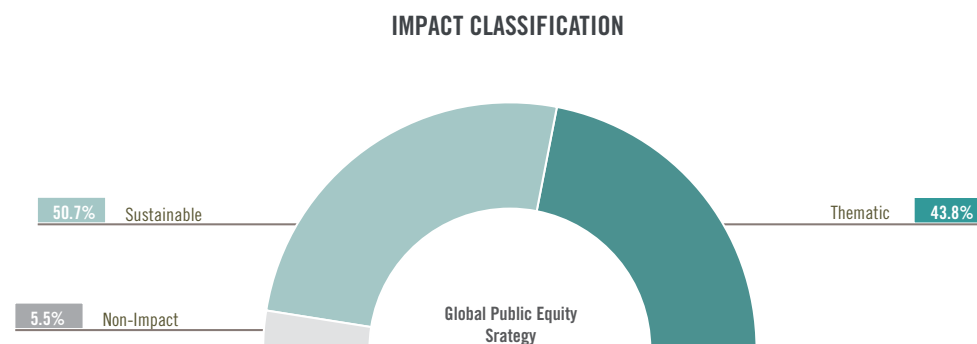
The Sonen Global Equity strategy seeks to produce competitive risk-adjusted returns while providing clear, meaningful and measurable social and environmental impact. 50% of the strategy pursues investments with broad based exposure to global equity securities with Environmental, Social and Governance (ESG) leadership qualities (i.e. sustainable investments) and 44% of the strategy provides highly thematic exposures with specific impacts along social and environmental dimensions. The balance, 5.5%, is held in cash or highly liquid positions.

Sonen's approach to evaluating the social and environmental impacts within its global equity strategy is similar to our fixed income approach. Specifically, our impact evaluation process includes:

- A. Classifying underlying securities as either Responsible, Sustainable or Thematic;
- B. Comparing the strategy's relative performance with its market benchmark (the MSCI ACWI) on specific Environmental, Social and Governance (ESG) key performance indicators;
- C. Detailing the key impact themes across the strategy and how those themes relate to sustainability issues of global importance; and
- D. Evaluating key contributions to the United Nations Sustainable Development Goals

## A. Sonen Global Equity Impact Classification

The chart below illustrates the proportion of Responsible, Sustainable and Thematic holdings in Sonen's Global Equity strategy.



## B. Sonen Global Equity Sustainable Investment Analysis

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

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

- › 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;
- › As a tool to reduce and ultimately eliminate exposure to poor ESG performers, such as labor rights violations, disproportionate carbon emissions or ethical scandals at the board level;
- › To compare sustainability performance between industries and sectors over time, using data sets that can reveal related trends regarding how well a company or portfolio may be improving such performance; and
- › To evaluate securities' (at individual or portfolio level) respective contribution to the United Nations Sustainable Development Goals. In some cases, proposed impact indicators for the SDGs map well to various ESG data, and, where possible, allow investors to evaluate portfolio contributions to the SDGs.

We believe that companies that exhibit higher performance on various ESG dimensions are simply better investments, reflect-

ing strong management quality and proactive business practices that enhance business sustainability.

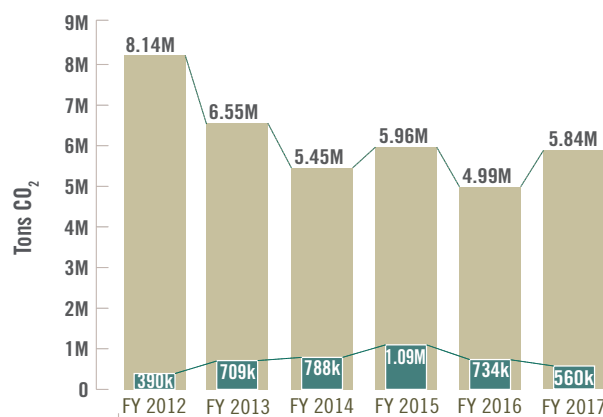
The following ESG analysis compares the sustainability performance of Sonen's global equity strategy to that of the MSCI ACWI benchmark along eight separate ESG indicators. Where possible, Sonen includes previous years' performance analysis in order to illustrate longitudinal sustainability performance.

### Environment: Highlights on ESG Performance

Sonen evaluates the climate performance of its global equity strategy using two key performance indicators relating to carbon emissions: Total Weighted Carbon Emissions and Average Carbon Intensity. The chart below illustrates both indicators' performance for Sonen's global equity strategy and the MSCI ACWI.

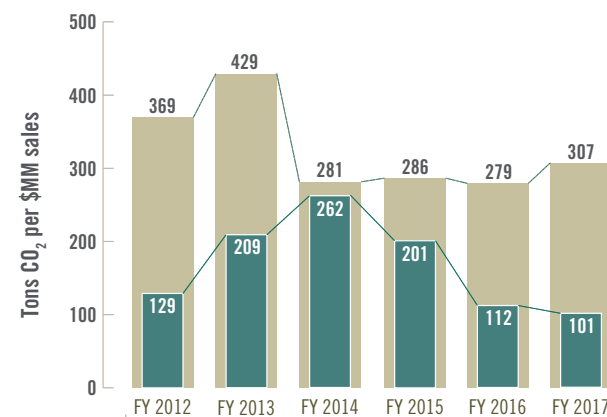
■ SONEN GLOBAL EQUITY STRATEGY  
■ MSCI ACWI IMI INDEX

#### TOTAL WEIGHTED CARBON EMISSIONS FY2012 - FY2017



**Total Weighted Carbon Emissions:** In FY2017, Sonen's strategy released only 9.5% of total carbon emissions, on a weighted basis, emitted by the companies in the MSCI ACWI (559,880 tons vs 5,838,721 tons).

#### AVERAGE CARBON INTENSITY FY2012 - FY2017



**Average Carbon Intensity:** The amount of carbon released per unit of sales, a metric used to help compare companies with significantly different scales of operation.

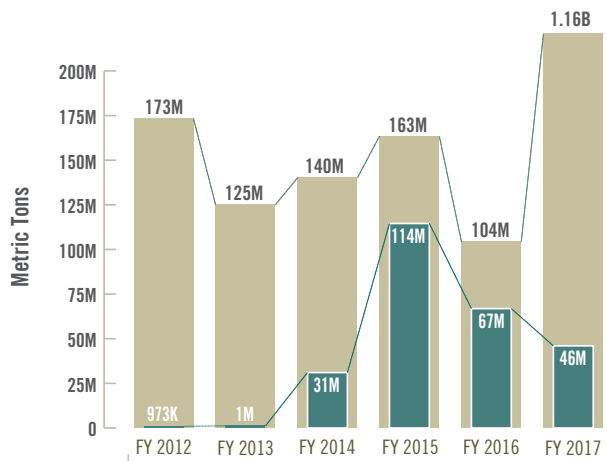
In FY2017, the average carbon intensity was approximately 33% less than its benchmark for every dollar of sales (101 tons versus 307 tons). Stated another way, Sonen's portfolio generates 101 tons of carbon emissions per unit of sales, vs. 307 tons of carbon per unit of sales for the MSCI ACWI Index.

Sonen's global equity strategy continues to outperform the market benchmark on both measures, and has done so since we began tracking these measurements in our 2013 Annual Impact Report.

In addition to measuring carbon emissions, Sonen also evaluates corporate use of water resources. Sonen evaluates water sustainability across its global equity strategy through Total Weighted Water Withdrawals and Average Water Withdrawal Intensity relative to the market benchmark. The charts on the next page compare relative performance for both indicators between Sonen's global equity strategy and the MSCI ACWI Index.

■ SONEN GLOBAL EQUITY STRATEGY  
 ■ MSCI ACWI IMI ND INDEX

### TOTAL WEIGHTED WATER WITHDRAWAL FY2012 - FY2017

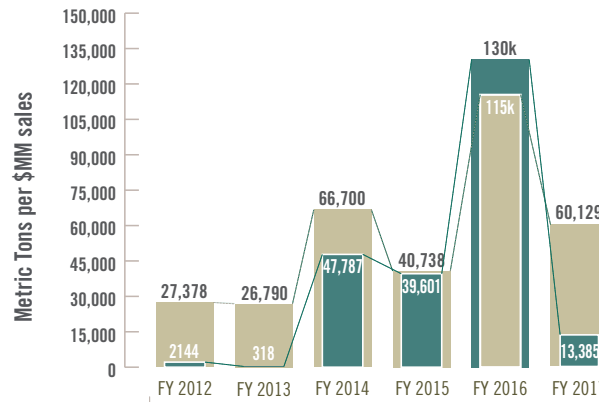


Total weighted water withdrawals illustrate the total amount of annual water consumption by companies on a weighted basis.

Average water withdrawal intensity illustrates water withdrawals relative to total sales, providing a comparison across companies of disparate sizes and scales of operation.

In both cases, Sonen's strategy reflects lower total water use and lower rates of water use intensity every year since 2012 (with the exception of water withdrawal intensity for FY2016).

### AVERAGE WATER WITHDRAWAL INTENSITY FY2012 - FY2017



### Social: Highlights on ESG Performance

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

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

The following charts illustrate the percentage of companies in the global equity strategy that earn higher ratings than the average benchmark score for 2018 (as well as previous years' scores from earlier impact reports). For 2018, a larger proportion of securities in Sonen's Global Equity strategy earn scores that exceed the average benchmark score for each social key performance indicator. In previous years, Sonen slightly under-

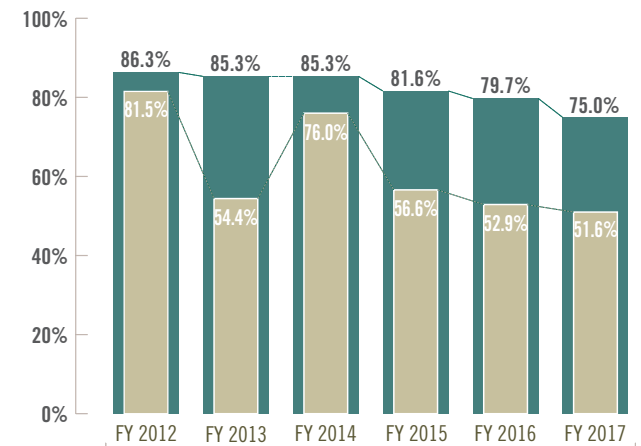
performed in Labor Management and Controversial Sourcing. As in past years' reports, the reporting interval for Controversial Sourcing is still very low. This is a result of the affected industries' inability to fully report on the extent of its exposure to conflict minerals because of complex international supply chains, or possibly not wanting to collect and report on their practices for this important performance indicator.

**A. Health and Safety:** Higher rankings are attributable to comprehensive policies to mitigate safety risks, training, operational audits, and improvement targets.

### Example – Assa Abloy

- › In 2017, the latest year for which data is available, a company-wide Health and Safety Management System provided uniform metrics and tools to improve overall safety performance across more than 47,000 employees.
- › 39% reduction in injury rates between 2015-2017, with a target of reducing injuries by 55% by 2020.
- › Safety protocols and standards extend to supplier relationships. (Assa Abloy)

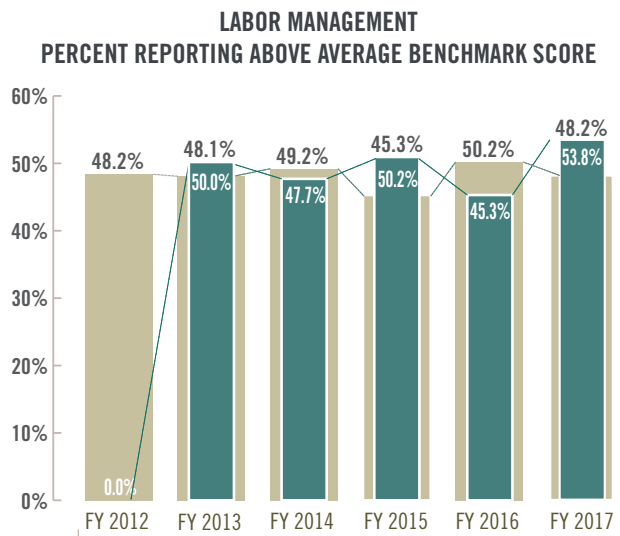
### HEALTH & SAFETY PERCENT REPORTING ABOVE AVERAGE BENCHMARK SCORE



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

**Example – Agilent Corporation**

- › A top performer relative to industry peers in monitoring employee satisfaction and talent development programs. (MSCI)
- › Featured in Forbes Global 2000 Best Employers List for 2018 and ranked as one of the best employers for diversity in 2019, reflecting the gender split of the company's management team and board, and proactive communication about diversity. (*Forbes*)

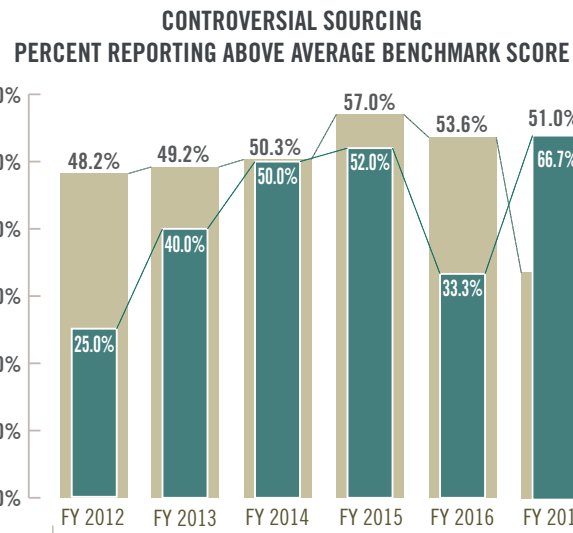


*Footnote on Labor Management: Data on Labor Management for FY2012 is unavailable*

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

**Example: NVIDIA Corporation**

- › NVIDIA is a member of the Conflict Free Sourcing Initiatives (CFSI) and announced its plans to be 100% conflict-free in 2012. (NVIDIA)
- › In 2016, all of the company's 254 mineral processing facilities were under audit by the Conflict Free Smelter Program, with 85% validated of these facilities certified as conflict-free. (MSCI)
- › NVIDIA requires that all suppliers confirm the origin of any minerals to ensure they are not from conflict regions. (*NVIDIA*)



**Governance: Highlights on ESG Performance**

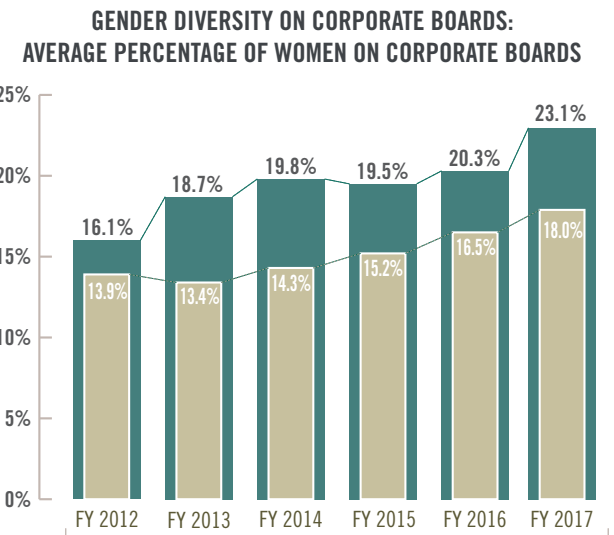
Sonen evaluates three indicators on corporate-level governance that we believe reflect best practices. These indicators include:

1. Gender diversity on corporate boards: apart from the principle of corporate boards that should better reflect the population at large, Sonen takes note that corporations with more gender diverse boards tend to exhibit improved financial performance (as measured by Return on Equity and higher Earnings per Share (see [this link](#) for 2016 research).

2. Board ethics and fraud rankings, reflecting a company's exposure to insider trading or ongoing litigation that may reflect poor judgement and corporate leadership; and
3. Board Independence, which evaluates the proportion of board members that are independent of corporate management, and thus better able to protect shareholders' interests.

**A. Gender Diversity on Corporate Boards**

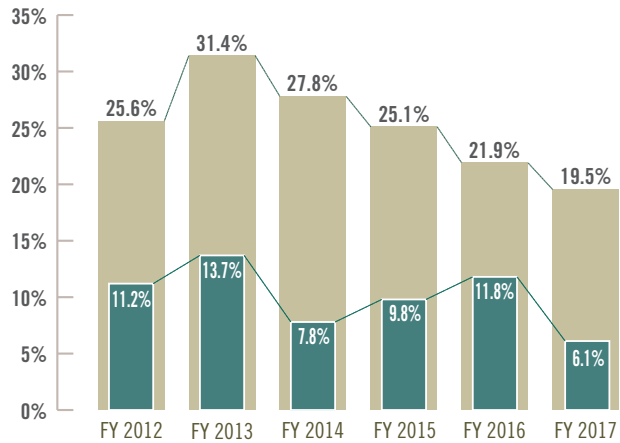
- › The chart below illustrates the average percentage of women on corporate boards. For the last four years, Sonen's global equity strategy has maintained a higher average representation of women on corporate boards as compared to its benchmark.





The chart below illustrates the percentage of companies reporting zero women on the board. Sonen's global equity strategy consistently reports significantly fewer companies that exhibit no board-level gender diversity compared to the benchmark.

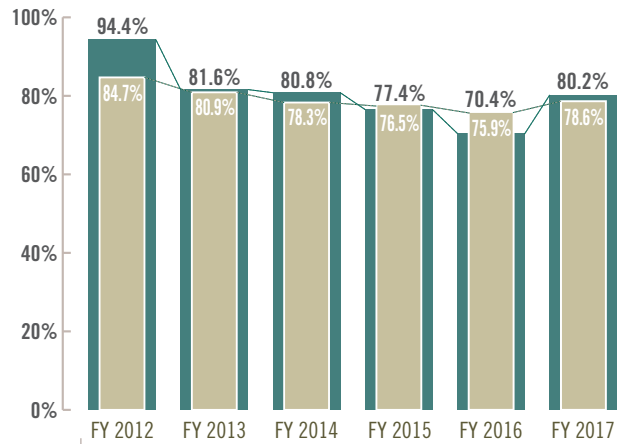
**COMPANIES REPORTING ZERO WOMEN ON CORPORATE BOARDS**



**B. Business Ethics and Fraud Rankings**

With the exception of 2016 and 2017, Sonen's global equity strategy maintained a higher proportion of companies with better ratings for managing business ethics and fraud.

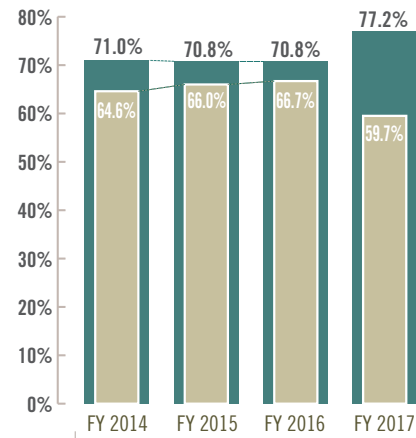
**BUSINESS ETHICS AND FRAUD RANKINGS:  
PERCENT REPORTING ABOVE AVERAGE BENCHMARK SCORE**



**C. Percent of Independent Corporate Board Members**

The chart above illustrates the percentage of independent board members (i.e. those members that are not part of the company's management) among Sonen's global equity holdings compared to the MSCI ACWI. For this indicator, Sonen reflects a consistently higher percentage of independent board members for the period (2013 and 2014 data is not available) which we believe exhibits corporate governance best practices.

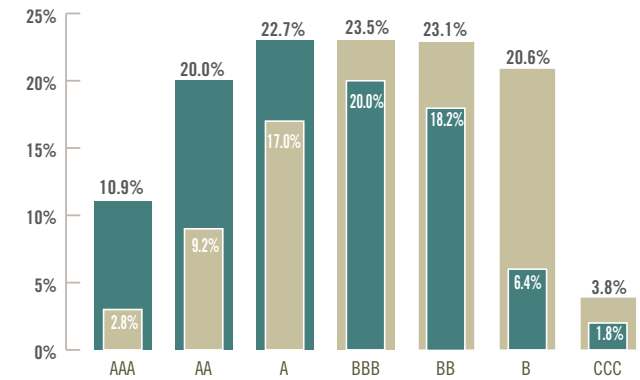
**INDEPENDENT CORPORATE BOARD MEMBERS  
PERCENT REPORTING ABOVE AVERAGE BENCHMARK SCORE**



**Overall ESG Profile of Sonen's Global Equity Strategy**

The chart below illustrates the distribution of overall ESG rankings for Sonen's global equity strategy compared to the ACWI benchmark. Such rankings are a composite score reflecting various ESG dimensions. The data demonstrates a greater proportion of higher-rated companies as compared to the benchmark, which is consistent with our focus and process to hold what we believe are the best-in-class ESG performers among global equities.

**SONEN GLOBAL PUBLIC EQUITY  
ESG PROFILE**

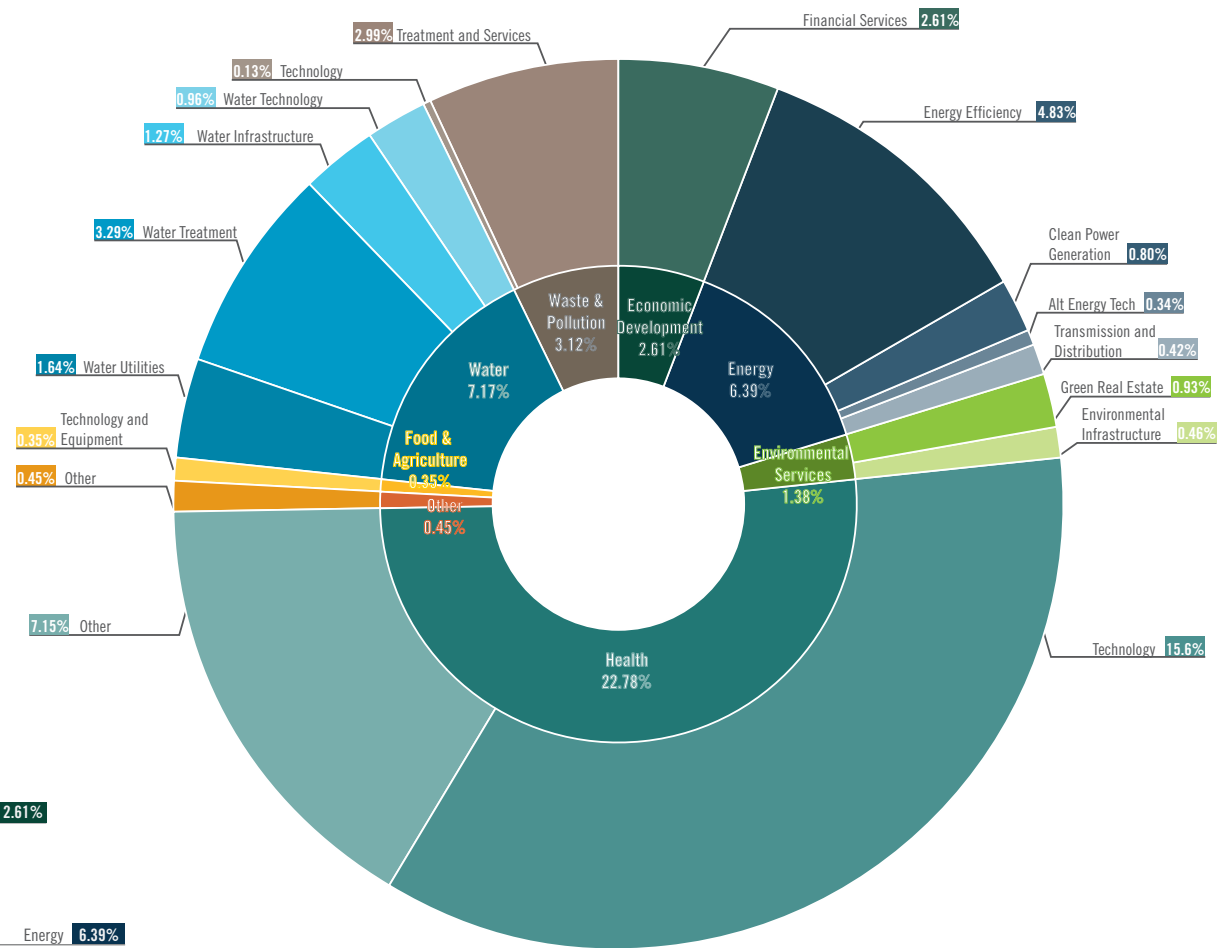


### D. Sonen Global Equity Thematic Investments

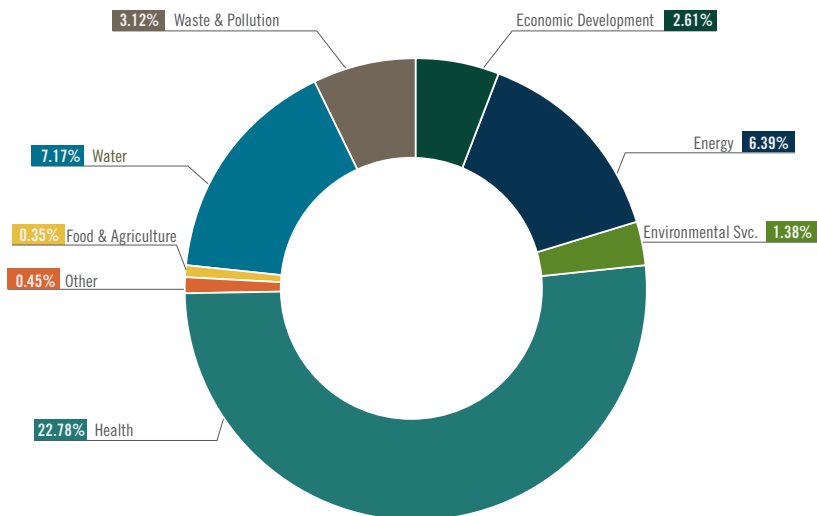
Similar to our process in fixed income, Thematic equity securities are evaluated by the extent to which business activities align with specific social or environmental objectives. Sonen's Thematic global equity investments are intended to provide diverse, complementary and highly targeted impact exposures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

At the end of 2018, Sonen's global equity investment strategy maintained thematic exposures in six key areas: Health, Energy, Water, Economic Development, Waste and Pollution and Environmental Services. Examples of specific underlying holdings for each theme are provided in table on the next page.

### THEMATIC SECTORS AND SUBSECTORS IN SONEN'S PUBLIC EQUITY STRATEGY



### IMPACT THEMES EVIDENT IN SONEN GLOBAL EQUITY



IMPACT THEME	GLOBAL EQUITY THEMATIC EXAMPLE	KEY IMPACT ACTIVITIES OF SONEN'S GLOBAL EQUITY STRATEGY
HEALTH	ESSILOR INTERNATIONAL	› Essilor manufactures and distributes an array of vision-care products. The company's mission includes specific targets to provide eye-care to the more than 2.5 billion people underserved by modern eye-care services. Essilor provided more than 10 million free eye screenings for children in 2016. (Essilor)
FOOD AND AGRICULTURE	VALMONT INDUSTRIES	› Irrigation products and technologies, including water management with a leading position in precision irrigation. Products include center pivot, linear and corner equipment that help conserve water and meet the world's growing demand for food.
ENVIRONMENTAL SERVICES	STANTEC INTERNATIONAL	› Environmental remediation for contamination or spills, including soil and groundwater cleanup.
ENERGY	ENERGIEDIENST	› Energiedienst is a clean energy producer based in Switzerland, providing over 270,000 households with hydropower-based electricity in Germany and Switzerland.
ECONOMIC DEVELOPMENT	BANK RAKYAT	› Largest cooperative Islamic bank in Malaysia with one million customers using consumer banking, commercial financing, savings and investments.
WASTE AND POLLUTION	CALGON CARBON	› Leading provider of ultraviolet light disinfection technologies, used in drinking water, wastewater, odor control, pollution abatement, and a variety of industrial and commercial manufacturing processes. (Calgon)
WATER	GRANITE CONSTRUCTION	› Trenchless pipe rehabilitation that renews urban infrastructure. Construction of municipal water and wastewater distribution systems, including water mains, pipelines, sewer and storage reservoirs.

## E. Sonen Global Equity Sustainable Development Goals

### Analysis

Sonen's global equity strategy contributes to the following United Nations Sustainable Development Goals:

- › SDG 3 – Health
- › SDG 6 – Clean Water
- › SDG 7 – Clean Energy
- › SDG 9 – Industry and Infrastructure
- › SDG 11 – Sustainable Cities and Communities
- › SDG 12 – Responsible Consumption and Production

Further detail on the Sonen Global Equity strategy's contribution to the SDGs can be found in the SDG analysis on page 33.





# Shareholder Advocacy & Industry Engagement

As we have noted in previous reports, Sonen believes that it is important to send a critical message to the corporate world: Issues of sustainability are increasingly important to shareholders and are becoming more material to the broader investment community. Sonen's work on behalf of shareholders aims to advance best practices and related disclosures across corporate environmental, social and governance activities.

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

We consider shareholder advocacy a critical lever by which to express investor **Intentionality** and **Additionality** in public markets (see Sonen's AIMS™ framework<sup>2</sup> for reference). Our efforts generally focus on improving corporate sustainability policy given our belief in the importance of ESG performance through three areas of activity:

- A. *Lead-filing or co-filing shareholder resolutions*** in order to engage other shareholders or to elicit a response from corporate management. In 2018, Sonen lead-filed three shareholder resolutions encouraging greater transparency on corporate political spending. Often, filing such resolutions leads to direct dialogue with corporations and can lead to a mutually agreeable solution. In 2018, Sonen maintained active dialogue with three companies on issues ranging from sustainability reporting to political spending disclosures.
- B. *Public advocacy and Industry Affiliations:*** Sonen regularly lends our voice and combines our AUM with a global group of like-minded investors and nongovernment organizations to support key topics across E, S and G issue areas. Affiliations range broadly from animal welfare to chemical safety in products to gender diversity within corporate leadership.
- C. *Proxy voting*** through direct ownership of corporate stock.

## **A. Lead-Filing or Co-Filing Shareholder Resolutions**

In addition to our general advocacy efforts, direct shareholder engagement is part of Sonen's active management process. In instances where we identify gaps within ESG leadership in our portfolios, our first attempts at engagement are made through direct corporate dialogue, resorting to filing shareholder resolutions with a company if efforts to come to a mutual agreement are unsuccessful.

In 2018, Sonen lead filed three shareholder resolutions and continued dialogue from previous resolutions with two separate corporations. Highlights of each can be found in the table on the next page.

## 2018 SONEN SHAREHOLDER RESOLUTIONS

COMPANY	NATURE OF ENGAGEMENT	PROPOSAL	STATUS / OUTCOME
HD Supply	<b>Co-Filed Resolution (2017)</b>	Proposal requesting that Danaher adopt time-bound, quantitative and science-based goals for reducing GHG emissions, aligned with Paris Climate Agreement.	Finalizing reporting requirements.
Danaher	<b>Co-Filed Resolution (2017)</b>	Proposal requesting that the company begin issuing annual sustainability reports.	Resolution withdrawn after engagement with company and general agreement on participation in ESG process. Sonen and co-filers remain in contact with corporate management on a bi-annual basis to assure continued progress. While actual reporting has been delayed due to a corporate transition, the company has dedicated an internal staff person to lead the effort.
Fortune Brands	<b>Lead-Filed Resolution</b>	Proposal requesting disclosures on political spending and lobbying expenses.	Resolution withdrawn after dialogue with the company revealed little or no related expenditures, and an agreement to make this policy explicit in the company's first annual ESG report (published December 2018).
Roper Technologies	<b>Lead-Filed Resolution</b>	Proposal requesting disclosures on political spending and lobbying expenses.	Ongoing.
Ingersoll Rand	<b>Lead-Filed Resolution</b>	Proposal requesting disclosures on political spending and lobbying expenses.	Ongoing.
Henry Schein	<b>Lead-Filed Resolution</b>	Proposal requesting disclosures on political spending and lobbying expenses.	Ongoing.

### B. Public Advocacy and Industry Affiliations

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

#### Sonen Industry Affiliations



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



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



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



**Chemical Footprint Project:** Represents \$2.8 trillion in CFP Signatories assets (investors, retailers, large-scale purchasers, and NGOs) that encourage manufacturers and brands to participate by revealing chemicals of concern that exist within supply chains or products.



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



**Business Benchmark on Farm Animal Welfare: *The Business Benchmark*** is the first global measure of company performance on animal welfare and, since its inception in 2012, has established itself as a catalyst for influencing change in corporate practices on animal welfare management and reporting. BBFAW invites signatories to sign letters to consumer brands and lend voice and AUM from an investor in support of best practices. As a result of such benchmarking, the number of companies with published animal welfare policies has increased from 46% in 2012 to 75% in 2016.



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



**Sustainable Stock Exchanges Initiative:** The Sustainable Stock Exchanges (SSE) Initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG issues

and encourage sustainable investment. The *SSE is organized* by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). (More info [here](#))

Signatory of:



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



**B-Corps (2016 Best of the World recognition):** B-Corps is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk. B-Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. See Sonen's score [here](#).

**GIIRS Platinum Ratings:** (Now B Analytics) GIIRS Ratings are the emerging standard for impact measurement in impact investing. They are rigorous, comprehensive, and provide comparable ratings of a company or a fund's social and environmental impact. The GIIRS Rating measures the overall impact of a business on all of its stakeholders. Sonen received the highest possible GIIRS Rating in its last assessment. See this [Link to Sonen GIIRS rating](#) for more details and to access the actual ratings report.

### Sonen's Public Participation in Sustainability Issues

Over 2018, Sonen lent its voice in multiple different letter writing campaigns alongside other institutional investors, nongovernment organizations and private sector companies expressing support for a wide range of sustainability issues including climate change, worker safety and animal welfare.

Key issues and initiatives include the following:

1. **Bangladesh Investor Initiative Statement** pressures brands and retailers sourcing in Bangladesh to join an Accord to remediate human rights risks in supply chains. The statement was endorsed by 153 investors representing \$2.8 trillion and appeals to global brands to recommit to a three-year extension to fulfill a corporate mandate to remediate fire and safety violations in apparel sector. The statement will accompany letters being sent to the 160 companies that have not yet become signatories to the three-year extension of the Accord, urging them to participate. Sonen does not currently have any direct exposure to these production facilities.
2. **Investor Environmental Health Network's Chemical Footprint Project:**

A. **Letter to the Sustainability Accounting Standards Board** suggesting that sustainability reporting requirements include specific indicators that reveal the presence of toxic chemicals of concern in any products.

B. **Letter stating opposition to the Accurate Labels Act**, which overturns requirements to label and disclose toxic chemicals in products and warn about their risks. Sent alongside the American Sustainable Business Council.

C. **Letter to WalMart** supporting its commitment to ban paint strippers with specific carcinogenic compounds.

### 3. **Farm Animal Investment Risk and Return (FAIRR):**

A. Engagement letters proposing greater disclosure on corporate efforts to promote greater sustainability in protein production, as well as proposing reduced use of antibiotics among livestock operations. This coalition of institutional investors represents combined assets of \$5 trillion for each initiative.

4. **Business Benchmark for Farm Animal Welfare:** The Business Benchmark measures company performance on animal welfare. Sonen participated in writing to the 110 companies in the Benchmark to commend leading and improving companies, and to encourage poorer performers to improve. The Benchmark has greatly increased rates of participation of companies with explicit animal welfare policies since its inception in 2012.

5. **Comment letter to Trump Administration opposing a proposed rule that would weaken CAFE (Corporate Average Fuel Economy) Standards and GHG emissions standards**, one of the most significant climate policies achieved under the previous administration.

6. **Letter to governors in nine Northeastern states** articulating the need for additional investment in critical

low-carbon transportation infrastructure that can modernize the transportation sector while reducing climate emissions. Highly consistent with Sonen's Impact Framework on Sustainable Infrastructure. Sponsored by CERES.

7. **Banking on a Low Carbon Future** suggesting that banks adopt a policy on climate risk defining how they are aligning their policies and lending to a low carbon future in accordance with the goals of the Paris Accord (sponsored by Boston Common and ICCR).

8. **Letter encouraging corporate UNPRI signatories** to reduce plastic pollution in supply chains.

### Publications

Sonen Capital was featured in a series of case studies written by the Farm Animal Investment Risk and Return Initiative (FAIRR). "[FAIRR In Action: How Leading Global Investors are Factoring Intensive Farming Issues into their Investment Processes](#)" includes a summary of Sonen's approach to evaluating potential investments in the agriculture sector, based largely on [Sonen's Impact Framework for Sustainable Agriculture](#).

Sonen's investment approach was also featured in the [Navigating Impact](#) series from the Global Impact Investing Network (GIIN). In this case study, Sonen's investment approach, in particular the integration of impact intentions and impact data into the investment decision-making process, is highlighted.

### C. Proxy Voting

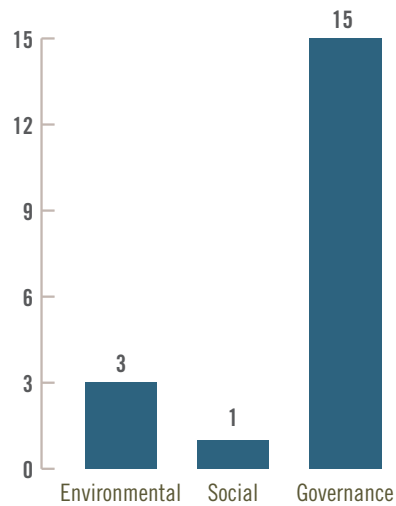
As part of our ongoing portfolio monitoring, and in collaboration with our strategy's sub-advisors, Sonen tracks all proxy voting activity. During 2018, companies in Sonen's strategies were subject to 19 shareholder proposals, split across various environmental, social and governance topics (depicted on the next page).

Issues relating to governance practices were most common amongst shareholder proposals, and largely focused on enhancing shareholder rights (such as reducing the threshold for shareholders to call a special meeting) and increasing transparency on political spending. Over 2018, Sonen's voting record supported 68% of shareholder proposals, generally supporting votes that we believe are in the best long-term interests of the company, shareholder value and sustainability performance. Our voting record is available to our clients by request.

**SAMPLE E, S AND G ISSUE AREAS AMONG 2018'S SHAREHOLDER PROPOSALS.**

ENVIRONMENT	SOCIAL	GOVERNANCE
Report on sustainability	Prepare employee diversity report	Reduce ownership threshold to call a shareholders' special meeting
Report feasibility of achieving net zero GHG emissions		Provide report on political expenditures

**2017 SHAREHOLDER PROPOSALS BY TYPE**



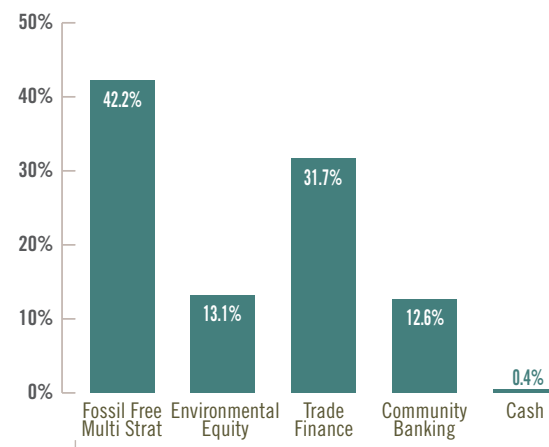


# Global Multi-Strategy

Sonen launched Global Multi-Strategy (“GMS”) in March of 2016. It seeks to invest in assets that have a low correlation to the global equity and fixed income markets, while at the same time achieving unique and direct social and environmental impact.

The Strategy’s focus on highly thematic impact exposures provides a complement to our equity and fixed income strategies because of its intermediate liquidity profile and typically low correlation to traditional assets. The impact focus helps drive global sustainability through two key themes: resource efficiency and financial services.

**IMPACT THEMES WITHIN SONEN GLOBAL MULTI-STRATEGY**  
as of 12/31/18



## IMPACT SUMMARY FOR SONEN GLOBAL MULTI-STRATEGY

EXPOSURE	DESCRIPTION	KEY SOCIAL AND ENVIRONMENTAL IMPACTS
<b>Trade Finance / Small and Medium Enterprise Growth</b>	Provides capital to local financial institutions in emerging and underserved markets to stimulate economic growth by supporting SMEs.	<ul style="list-style-type: none"> <li>› Increased access to financial services for small-scale enterprises in developing countries.</li> <li>› Enterprise and employment growth.</li> <li>› Focus on women-led businesses.</li> </ul>
<b>Community Banking</b>	Invests in small and regional banks in the U.S. that provide critical financial services to small businesses and households.	Small and regional banks are the primary lenders to U.S. small businesses, farms and rural real estate transactions.

**CONTINUED: IMPACT SUMMARY FOR SONEN GLOBAL MULTI-STRATEGY**

EXPOSURE	DESCRIPTION	KEY SOCIAL AND ENVIRONMENTAL IMPACTS
<b>Environmental Equity</b>	Invests in solutions to global sustainability issues, through technologies that offer alternatives to, or make more efficient use of, natural resources, particularly clean energy.	<ul style="list-style-type: none"> <li>› Optimizing the use of natural resources</li> <li>› Expanding alternatives to conventional energy production.</li> </ul>
<b>Fossil Free Multi-Strategy</b>	Provides diversification and the potential for attractive risk-adjusted returns due to exposure to a variety of specialized investment strategies.	<ul style="list-style-type: none"> <li>› Exposure to multiple asset classes with no direct exposure to fossil fuels or the fossil fuel industry.</li> </ul>

**A. Trade Finance / Small and Medium Enterprise Growth**

According to the IFC, jobs and employment are the principal way out of poverty. Asian and African economies must create 200 million jobs by 2020 just to keep up with population growth (IFC). Small and Medium Enterprises (SMEs) account for 90% of all businesses globally, yet total unmet credit demand for SMEs is estimated to total \$3.5 trillion.

Sonen’s multi-strategy includes three separate investments that expand access to finance, facilitate job growth and provide local economic stimulus. Two of the underlying investments focus on SME growth in emerging economies (Africa, Latin America and Eastern Europe) where the need for this kind of financing is most acute. The third related strategy focuses on small and regional banks based in the U.S., which are the primary lenders to small businesses, farms and real estate transactions. More than 30 million small businesses in the U.S. create nearly half of all employment across the country, fueling economic growth for millions of Americans (*U.S. Small Business Administration*)<sup>3</sup>. Key impacts across all three financial services-related investments are (i) increased access to financial services, (ii) enterprise and employment growth, especially for women-led businesses, and (iii) wage growth and increased disposable income.

**Sample Investment: Trade Finance / Small- and Medium-Sized Enterprise**

CZ Electronics, formed in 2002, manufactures a wide array of electronic products in Boksburg, South Africa. After securing a sizeable government contract to produce television components, the company was unable to find sufficient financing to purchase the components necessary to fulfill the contract. Ultimately, CZ Electronics secured financing from the GMS manager who specializes in extending low-cost financing to rapidly growing enterprises in Sub-Saharan Africa. CZ Electronics completed the government contract and received additional funding to deliver more than 2.4 million low-cost mobile devices to South Africa’s largest telecom provider. Critical financing enabled CZ Electronics to double its workforce to nearly 400 people and add new equipment at the company’s industrial plant outside Johannesburg.

Most notably, CZ Electronics employs disadvantaged women (more than half of the company’s workforce in 2018) who receive job skills training and a steady source of income. Related impact data for CZ Electronics is in the table on the right. (Source: Manager)

**CZ ELECTRONICS IMPACT DATA**

IMPACT INDICATOR	2015	2016	2017	2018
Number of Employees	200	325	330	360
Percent of Women Employees	N/A	38%	41%	56%
Total Wages Paid (\$US)	1.9M	3.0M	3.3M	3.5M
Number of Employees Receiving Training	N/A	125	135	200

As mentioned previously, GMS includes two investment strategies focusing on extending financial services to SMEs in the developing markets. Together during 2018 these two strategies generated the impact results illustrated in the table below:

#### AGGREGATE IMPACT RESULTS FOR TRADE FINANCE IN GMS

IMPACT INDICATOR: TRADE FINANCE*	SUB-ADVISOR 1	SUB-ADVISOR 2
Total Number of SMEs Supported	6,267	15
Average Financial Support	\$4641	\$1.3M
Percent Women-Owned SMEs	~50%	67%
Jobs Maintained at Financed Enterprises	N/A**	1,000

\* All figures are cumulative since fund inception  
Impact Data for this indicator will be reported in June 2019, it is not available at the time of this writing.

#### B. Community Banking

GMS has an investment that provides exposure to small and regional banks across the U.S. Sonen's impact thesis for this investment is that community banks provide critical banking services to local households, as well as personalized and non-standardized lending. Perhaps most importantly, however, is the role that such banks play for small businesses across the United States – small banks devote the greatest share of their assets to small business loans.<sup>4</sup> Small banks are the primary lenders to small businesses, farms and real estate transactions that create jobs and fuel economic growth for millions of Americans.<sup>5</sup> Such institutions provide the low-cost banking, community support and financial education that larger institutions do not. In rural communities in the U.S., community banks account for 58 percent of all banking offices and 49% of all

deposits.<sup>6</sup> As this exposure was added towards the end of 2018, data for enterprise and employment creation by such banks was not available at the time of the publication of this Report. We anticipate reporting on this data in next year's Report.

#### C. Environmental Equity

GMS has exposure to two environmental-oriented themes: optimizing the use of natural resources and expanding alternatives to conventional, carbon-intensive, energy production. The strategy invests in small- and mid-cap global equities. Drivers of impact returns during 2018 included greater consumer demand for distributed power generation (such as rooftop solar), decreased costs for solar electricity (for power generation and for the costs of solar panels), increased demand for battery storage and smart grid technology, and greater consumer demand for green building and energy efficiency.

The largest positions in the Strategy at the end of 2018 included railroad and natural gas infrastructure; a producer of natural, organic pesticides made from plant extracts; one of the largest residential solar installers in the U.S.; an international producer of renewable energy; a producer and purveyor of organic foods; and a leading global firm in water filtration and purification technologies.

#### D. Fossil Fuel Free Multi-Strategy

GMS includes an investment in a fossil-free multi-strategy portfolio that we regard as impact neutral. This specialized strategy invests across multiple asset classes in order to generate non-correlated investment returns, but avoids investment in any business or industry related to fossil fuels, including the extraction, production, transmission or distribution of carbon-related energy.

#### E. Sonen Global Equity Sustainable Development Goals Analysis

Sonen's global GMS strategy contributes to the following United Nations Sustainable Development Goals:

- > SDG 7 – Clean Energy
- > SDG 8 – Decent Work and Economic Growth
- > SDG 9 – Industry and Infrastructure
- > SDG 12 – Responsible Consumption and Production

Further detail on the Sonen Global Equity strategy's contribution to the SDGs can be found in the SDG analysis on page 33.



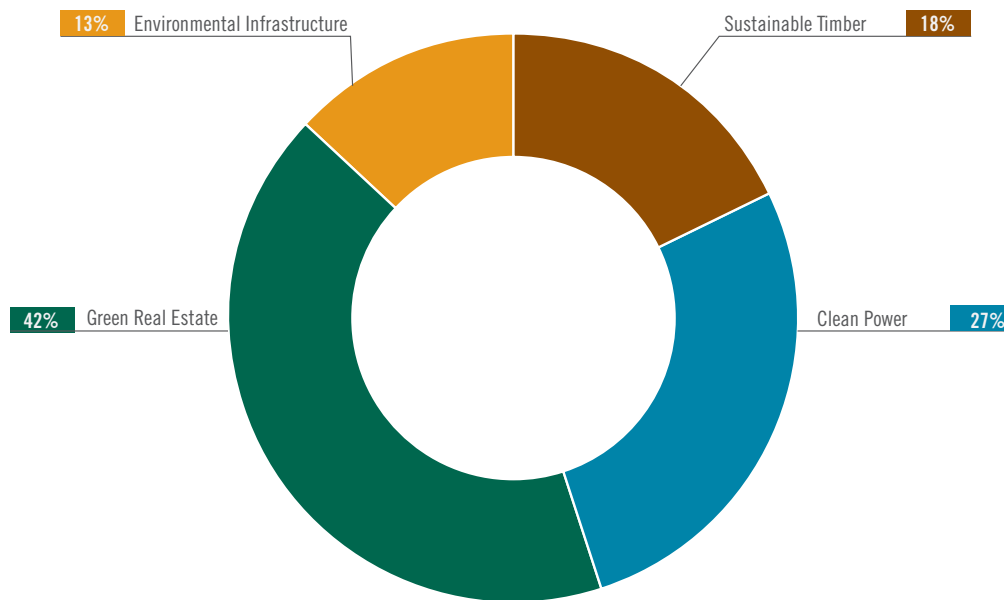
# Global Sustainable Real Assets

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

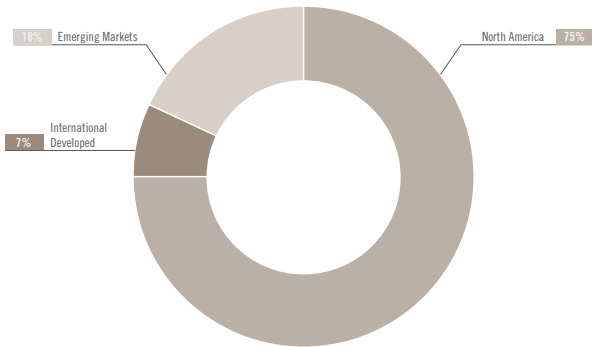
Once fully committed, GSRA will be invested in a global portfolio of approximately 15 real asset exposures, diversified across sectors, strategies, investment stages and geographies. These investments are aimed at optimizing financial returns as well as providing clear, measurable impact that relate to the Strategy's intended impact outcomes. Our progress in achieving these outcomes is monitored and reported using a set of 19 specific impact indicators, described in detail on page 30 of this Report. Quantitative data for all available indicators is collected and aggregated annually and is also highlighted on page 31 of this Report.

Investments are focused on six sectors: Green Real Estate, Clean Power, Sustainable Timber, Environmental Infrastructure, Sustainable Agriculture and Land/Water Resources.

**CURRENT GSRA IMPACT EXPOSURE**



**CURRENT GSRA GEOGRAPHIC EXPOSURE**



During 2018, Sonen added four new investments to the strategy: two in green real estate (one in the U.S. and another in the U.K.), one in East Texas sustainable timber and one in environmental (water) infrastructure in the arid southwest of the U.S. This brings a total of twelve investments as of year-end 2018. All investments are summarized in the Table on the right, listed in the order in which they were made.

IMPACT SECTOR	GEOGRAPHY	SONEN SUSTAINABLE REAL ASSETS INVESTMENT STRATEGY 12/31/18
Sustainable Timber	United States	› Large working landscapes and mitigation banks with high conservation value in the U.S. and Canada. Permanent land protection through sale of working forest conservation easements.
Green Real Estate	Africa	› Acquisition and development of green residential and supporting commercial real estate for middle-income households.
Green Real Estate	United States	› Transitioning of well-located properties suffering from poor management or under-capitalization to value growth and income generating properties through capital improvements focused largely on sustainability features and tenant amenities.
Clean Power	Africa	› Development and construction of renewable energy generation assets across Sub-Saharan Africa, including small hydro, wind, geothermal and solar production.
Clean Power	United States	› Development, acquisition or financing of utility-scale solar energy projects operating under long-term power purchase agreements.
Clean Power	United States	› Commercial solar opportunities in the U.S., including rural and economically underserved geographies.
Green Real Estate	United States	› Acquisition and refurbishment of distressed residential properties in New York City with consideration for efficient energy and water use, as well as safety and upkeep in continued operations.
Clean Power	Asia	› Renewable energy projects in South and Southeast Asia including small hydro, wind, geothermal and solar.
Green Real Estate	United States	› Development and maintenance of affordable green housing for low-income populations and senior citizens, as well as improving properties from both environmental and social perspectives.
Green Real Estate	Europe	› Real estate investments focused in Europe, incorporating energy, water and waste strategies but also an explicit focus on the health well-being of residents.
Sustainable Timber	United States	› 1.1 million acres of high quality, sustainably managed native pine timberlands in East Texas with protections in place for various sensitive species and permanently conserved land.
Environmental Infrastructure	United States	› U.S.-based water infrastructure focused on water transport, treatment and utilities. Impact focus on expanding service, improving efficiency and relieving pressure on burdened water resources.

A. Impact Analysis – Private Markets

**The Impact We Seek in Sustainable Real Assets Investing**

Sonen has identified four long-term environmental outcomes that are intended to result from the underlying investment activities of **GSRA: Sustainability, Efficiency, Renewability and Restoration**. These four outcomes form the foundation from which underlying investments are considered and evaluated for impact performance. The table on the right provides a definition of each impact outcome. Ongoing impact measurement captures GSRA's progress toward achieving these outcomes.

Sonen also employs its own internal 'Impact Frameworks' that identify desired specific social or environmental outcomes in explicit, discrete impact themes. To date, Sonen has published impact frameworks covering the following impact themes:

1. Energy
2. Water
3. Sustainable Agriculture
4. Green Real Estate
5. Sustainable Infrastructure
6. Financial Services (Q3 2019)
7. Health (Q4 2019)

**IMPACT MEASUREMENT: IRIS INDICATORS**

For each of the six investment sectors, Sonen collects quantitative and qualitative impact data at regular intervals. Quantitative data is comprised of core impact indicators and supplemental indicators (all IRIS-compliant - see previous impact reports for more detail on IRIS or visit [iris.thegiin.org](http://iris.thegiin.org)) that relate directly to the

**LONG-TERM TARGET IMPACT OUTCOMES FOR SONEN'S REAL ASSET STRATEGY**

IMPACT OUTCOME	DEFINITION
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>› Investing in environmental infrastructure and natural assets that promote resource optimization and the conservation of limited natural resources that can be managed by local communities</li> <li>› Satisfying essential human and ecological needs amidst growing demand for natural resources, food, energy and urbanization alongside an ever-increasing global population</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>› Investing in the infrastructure, technologies and services that optimize the use of limited natural resources and that are created, owned and managed at the community level</li> <li>› Meeting the growing demand for energy and natural resources while continually decreasing the impact and footprint of the use of these resources</li> </ul>
<b>Renewability</b>	<ul style="list-style-type: none"> <li>› Expanding availability of locally-managed, distributed renewable energy sources as part of the growing global demand for electricity and related infrastructure, particularly in emerging market economies, where demand will be greatest</li> <li>› Increasing the use of recycled and repurposed materials and resources to reduce waste and require fewer raw materials for production</li> </ul>
<b>Restoration</b>	<ul style="list-style-type: none"> <li>› Protecting land and water resources from the pressures of population growth and urbanization, and retaining sustainable land use practices for local communities</li> <li>› Increasing the global stock of natural ecosystems that provide vital ecosystem services for the climate and for current and future generations</li> </ul>

strategy's four intended impact outcomes previously described. As some of the investments in this strategy are long-term in nature, and because some underlying projects are under development or construction, impact data is not always available. All impact indicators for each impact sector are listed in the following table.



## CORE AND SUPPLEMENTAL IRIS IMPACT INDICATORS FOR SUSTAINABLE REAL ASSETS

INVESTMENT SECTOR	CORE IMPACT INDICATORS	SUPPLEMENTAL IMPACT INDICATORS
<b>Clean Power</b>	<ul style="list-style-type: none"> <li>› MWh generated through renewable sources</li> <li>› GHG offsets through renewable production (tons)</li> <li>› Geographic location and type of renewable energy source</li> </ul>	<ul style="list-style-type: none"> <li>› Number of people with access to clean power</li> <li>› Clean power beneficiaries, by income strata or geographic region</li> </ul>
<b>Sustainable Timberland</b>	<ul style="list-style-type: none"> <li>› Total land area under sustainable management</li> <li>› Trees planted (native species)</li> <li>› Units/Volume of sustainable timber sold</li> </ul>	<ul style="list-style-type: none"> <li>› Ecological Restoration Management Area (acres)</li> <li>› Operational certifications</li> <li>› Land permanently conserved</li> <li>› Jobs maintained at supported enterprises</li> </ul>
<b>Sustainable Agriculture</b>	<ul style="list-style-type: none"> <li>› Total sustainable cultivated area</li> <li>› Units/Volume of sustainable agricultural products sold</li> <li>› Total payments made to smallholder suppliers</li> </ul>	<ul style="list-style-type: none"> <li>› Number of communities served</li> <li>› Number of permanent employees</li> <li>› Revenue generated at supported enterprises</li> </ul>
<b>Green Real Estate</b>	<ul style="list-style-type: none"> <li>› Energy saved/conserved (KWh) via property improvements</li> <li>› Total area with energy efficiency improvements (m2)</li> <li>› % of property with sustainable certification</li> </ul>	<ul style="list-style-type: none"> <li>› Percent of properties located in low-income geographies/census tracts, or providing services to disadvantaged populations (e.g. elderly, low-income)</li> </ul>
<b>Land and Water Resources</b>	<ul style="list-style-type: none"> <li>› Total protected land area with High Conservation Value or water bodies</li> <li>› Ecosystem services (CO2 sequestration, habitat and watershed protection)</li> <li>› Ecological restoration management area</li> </ul>	<ul style="list-style-type: none"> <li>› Water bodies present</li> <li>› Land area under sustainable management with ecological restoration management</li> <li>› Protected land areas adjacency</li> <li>› Certification</li> </ul>
<b>Environmental Infrastructure</b>	<ul style="list-style-type: none"> <li>› Volume of clean water provided through upgraded water infrastructure (gallons)</li> <li>› Percent of water provided that would otherwise come from depleted resources</li> <li>› Water saved due to reductions in water losses (gallons)</li> <li>› Clean power generated (MWh)</li> <li>› Total reduction in GHG emissions (CO2e)</li> <li>› Amount of waste diverted from landfill</li> </ul>	<ul style="list-style-type: none"> <li>› Jobs created by supported enterprises</li> <li>› Toxic emissions reduction</li> <li>› Number of clients served</li> </ul>

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

Sector	Core Impact Indicators	2015 DATA	2016 DATA	2017 DATA	2018 DATA	
<b>Clean Power</b>	1. MWh generated through renewable sources	1. 819,700	1. 1,571,692	1. 1,498,592	1. 345,262	
	2. GHGs offset through renewable production (tons)	2. 350,407	2. 1,076,649	2. 1,038,403	2. 232,649	
	3. Number of people with access to clean power	3. 537,629	3. 739,574	3. 728,680	3. 422,879	
<b>Green Real Estate</b>	1. Energy saved/conserved (KWh) via improvements	1. 0	1. 0	1. 4,247,765	1. 9,504,241	
	2. Total area with energy efficiency improvements (m <sup>2</sup> )	2. 131,171	2. 217,616	2. 540,229	2. 689,738	
	3. Percent of property with sustainable certifications	3. 71%	3. 72%	3. 62%	3. 32%	
	<b>Supplemental Data</b>					
	4. Total Number of Units	4. 1,642	4. 4,372	4. 13,150	4. 17,458	
5. Percent serving low-income population	5. 8%	5. 10%	5. 24%	5. 26%		
<b>Sustainable Timberland</b>	1. Total land area under sustainable management (acres)	1. 136,695	1. 171,551	1. 389,926	1. 1,147,318	
	2. Native tree species planted (acres)	2. 0	2. 588	2. 851	2. 24,271	
	3. Units/Volume of sustainable timber sold (tons)	3. 0	3. 164,421	3. 178,553	3. 3,391,781	
	<b>Supplemental Data</b>					
	4. Ecological restoration (acres)	4. 20	4. 63	4. 117	4. 152	
	5. Land permanently conserved (acres)	5. 314	5. 7,090	5. 0	5. 36,073	
	6. Operational sustainability certifications (acres)	6. 22,779	6. 57,587	6. 320,369	6. 1,420,369	
7. Jobs maintained at supported enterprises	7. 15	7. 39	7. 43	7. 186		
<b>Environmental Infrastructure</b>	1. Volume of clean water provided through upgraded water infrastructure (gallons)				5. 86,000,000	
	2. Percent of water provided that would otherwise come from depleted resources				6. *	
	3. Water saved due to water loss reductions (gallons)	No Environmental Infrastructure investments were made in 2015, 2016 or 2017				7. *
	<b>Supplemental Data</b>					
4. Total number of clients served					8. 7,000	

**Notes on Impact Data**

\* These indicators will be reported in subsequent years. As investments in this sector are made, we will provide the relevant impact indicators and data.



### C. Impact Measurement: Sustainable Development Goals

GSRA provides investors with an excellent opportunity to align resources with the *UN Sustainable Development Agenda*. The Strategy has explicit and definitive contributions to five SDGs, most notably through its investments in environmentally friendly infrastructure, green real estate and land conservation and restoration. Impact is delivered primarily to the following SDGs:

- › SDG 6: Clean Water and Sanitation
- › SDG 7: Clean Energy
- › SDG 9: Industry and Infrastructure
- › SDG 11: Sustainable Cities and Communities
- › SDG 15: Life on Land

Sonen measures alignment with the SDGs not by their broad goals, but by how well we can report on specific impact indicators that are suggested by the UN.<sup>7</sup> We believe this approach provides a more authentic and accurate test of an investment's contribution to respective SDGs. Our SDG analysis can be found in the following section of this Report.

### D. 2019 GSRA Pipeline

By the end of its investment period, GSRA anticipates completing approximately 15 investments across the six key impact sectors listed previously. Our investment pipeline includes sectors not yet held by the strategy, including Sustainable Agriculture. These opportunities include:

1. Clean Power (Europe): A diversified portfolio of onshore wind farms, biomass power stations, solar photovoltaic and small-scale hydro power plants across continental Europe.
2. Sustainable Timber (Asia): Sustainable forestry management across the Asia-Pacific region, focusing on productive use and long-term stewardship of forests, rural land, and conservation investments.
3. Clean Power (Europe): Renewable power generation (solar, wind and hydropower), as well as energy transmission, storage and distribution whose core assets or activities are related to the renewable power sector. Target geography is the European Union, in particular France, Germany, Ireland, Finland and the UK.



# UN Sustainable Development Goal Analysis

Sonen was among the first investment firms to track the contribution of its investments to the Sustainable Development Goals (SDGs) in its *2015 Annual Impact Report*. Sonen continues to deepen its SDG analysis to better understand the contribution our investments make to the SDGs. We examine specific impact indicators suggested by the UN and perform a granular examination of how investments across asset classes make definitive contributions to specific SDGs.

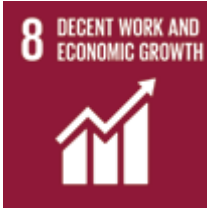
The table below illustrates eight SDGs where Sonen's strategies make contributions to each goals' respective impact targets. Where these contributions are evident, we provide a short profile of typical, actual investments in each strategy that will help achieve the SDGs.



SONEN STRATEGY	GOAL 3: GOOD HEALTH AND WELL-BEING
<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› End AIDS, tuberculosis, malaria and other communicable diseases</li> <li>› Provide universal health coverage</li> <li>› Reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</li> </ul>
<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Limited exposure to SDG 3 through municipal bonds that finance healthcare systems in Bronx, NY providing services to more than 1,500 patients</li> </ul>
<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Investments in pharmaceutical companies leading the industry in providing access to critical medicine in poor regions</li> <li>› Holdings include top performers in the Access to Medicines Index, including GlaxoSmithKline (#1), Merck KGaA (#4) and NovoNordisk (#6)</li> <li>› Multiple holdings in environmental remediation, pollution abatement and pollution mitigation technologies</li> </ul>
<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› No exposure to SDG 3</li> </ul>
<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› No exposure to SDG 3</li> </ul>



SONEN STRATEGY	GOAL 6: CLEAN WATER AND SANITATION	SONEN STRATEGY	GOAL 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL
<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› Provide universal access to water, sanitation and hygiene</li> <li>› Improve water quality</li> <li>› Increase water-use efficiency</li> <li>› Protect and restore water-related ecosystems</li> </ul>	<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› Universal access to affordable, reliable and modern energy services</li> <li>› Increase the share of renewable energy in global energy mix</li> <li>› Double the rate of global energy efficiency</li> <li>› Expand renewable energy infrastructure in developing economies</li> </ul>
<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Municipal bonds in the U.S. focusing on water infrastructure, efficiency and water savings</li> <li>› Development bank bonds that finance climate change and adaptation, focusing on water management, water quality and ecosystem restoration</li> </ul>	<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Bonds that finance commercial, industrial and utility-scale renewable power production across the US and Europe</li> </ul>
<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Technology that increases water efficiency for residential, commercial and industrial uses; sanitization and purification technologies</li> <li>› Water infrastructure, including storm water, sewage treatment globally</li> <li>› Utilities that provide access to water and sanitation, particularly in some emerging economies such as Brazil</li> <li>› Lower water intensity and consumption relative to market benchmark (see page 15 for data on water consumption)</li> </ul>	<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Clean power generation infrastructure and distribution</li> <li>› Energy efficiency technologies across commercial, industrial and residential applications</li> <li>› Lower energy intensity and total carbon emissions relative to benchmark (see page 14 for carbon emissions data)</li> </ul>
<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› No exposure to SDG 6</li> </ul>	<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› Strategy focused on renewable energy producers, related technologies and industry players</li> </ul>
<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› IFC EDGE-certified green building standards reduce water use by a minimum 20%/year. During 2018, these buildings saved an estimated 9.5 million gallons of water</li> <li>› Watershed restoration and mitigation banking within continental U.S. on 152 acres during 2017</li> </ul>	<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› Utility scale clean power generation in the U.S., Africa and SE Asia</li> <li>› Commercial and industrial rooftop solar in the U.S. and Europe</li> </ul>



<b>SONEN STRATEGY</b>	<b>GOAL 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL EMPLOYMENT AND DECENT WORK FOR ALL</b>	<b>SONEN STRATEGY</b>	<b>GOAL 9: BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION</b>
-----------------------	--	-----------------------	--

- |                           |  |                           |   |
|---------------------------|--|---------------------------|---|
| <b>SDG Impact Targets</b> | <ul style="list-style-type: none"> <li>› Promote job creation and growth of small and medium sized enterprises, including through access to financial services</li> <li>› Improve global resource efficiency in consumption and production</li> <li>› Achieve full employment and decent work for women and men</li> </ul> | <b>SDG Impact Targets</b> | <ul style="list-style-type: none"> <li>› Facilitate sustainable and resilient infrastructure that facilitates affordable and equitable access, particularly in Africa</li> <li>› Increase access to financial services for SMEs in developing countries</li> <li>› Enhanced resource-use efficiency and adoption of environmentally sound technologies and industrial processes.</li> </ul> |
|---------------------------|--|---------------------------|---|

- |                                    |   |                                    |  |
|------------------------------------|---|------------------------------------|--|
| <b>Sonen Fixed Income Strategy</b> | <ul style="list-style-type: none"> <li>› Limited exposure in financial services companies providing finance for local SMEs</li> </ul> | <b>Sonen Fixed Income Strategy</b> | <ul style="list-style-type: none"> <li>› Development bank bonds finance large-scale infrastructure projects that adapt to and mitigate the effects of climate change in emerging markets</li> <li>› Limited exposure in financial services companies that provide finance for local SMEs.</li> </ul> |
|------------------------------------|---|------------------------------------|--|

- |                                     |  |                                     |   |
|-------------------------------------|--|-------------------------------------|---|
| <b>Sonen Global Equity Strategy</b> | <ul style="list-style-type: none"> <li>› Limited exposure in financial services companies providing software, finance and business software for SMEs and retail customers</li> </ul> | <b>Sonen Global Equity Strategy</b> | <ul style="list-style-type: none"> <li>› Environmental planning for large-scale urban areas; water infrastructure in emerging economies</li> <li>› Limited exposure in financial services companies providing software, finance and business software for SMEs</li> <li>› Technologies to enhance resource efficiency and re-use</li> </ul> |
|-------------------------------------|--|-------------------------------------|---|

- |                             |  |                             |   |
|-----------------------------|--|-----------------------------|---|
| <b>Sonen Multi-Strategy</b> | <ul style="list-style-type: none"> <li>› Financial services to small and medium sized enterprises in Africa, Latin America, Eastern/Western Europe. Services to nearly 6,300 SMEs in 2018</li> <li>› Focus on women-led enterprises and employers</li> <li>› Recent investment in community and regional banks in the U.S. will support small business growth and job creation.</li> </ul> | <b>Sonen Multi-Strategy</b> | <ul style="list-style-type: none"> <li>› Financial services to small and medium sized enterprises in Africa, Latin America, Eastern/Western Europe. Nearly 6,300 SMEs received financial services in 2017.</li> </ul> |
|-----------------------------|--|-----------------------------|---|

- |   |  |   |  |
|---|--|---|--|
| <b>Sonen Global Sustainable Real Assets</b> | <ul style="list-style-type: none"> <li>› Limited exposure to SDG 8. Sonen's real asset strategy reports job creation numbers within timber operations in the U.S., and large-scale infrastructure projects in emerging economies provide employment opportunities, although that data is not reported by Sonen specifically</li> </ul> | <b>Sonen Global Sustainable Real Assets</b> | <ul style="list-style-type: none"> <li>› Utility scale clean power generation and distribution in the U.S., Africa and SE Asia</li> <li>› Commercial and industrial rooftop solar in the U.S. and Europe</li> <li>› Affordable, sustainable housing construction in South Africa emphasizing energy savings, water savings and reduced materials use.</li> </ul> |
|---|--|---|--|



SONEN STRATEGY		SONEN STRATEGY	
GOAL 11: MAKE CITIES AND HUMAN SETTLEMENTS MORE INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE		GOAL 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS	
<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› Increase access to safe and affordable housing; focus on sustainable buildings and local materials</li> <li>› Access to safe, affordable and accessible sustainable public transport systems</li> <li>› Reduce environmental impact of cities, namely air quality and waste management</li> </ul>	<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› Sustainable management and efficient use of natural resources</li> <li>› Reduce waste generation through prevention, reduction, recycling and reuse</li> <li>› Reduce chemical and toxic wastes emissions and human exposure</li> <li>› Encourage companies to adopt sustainable practices</li> </ul>
<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Affordable housing, small business loans in low-income communities in the U.S.</li> <li>› Sovereign, municipal and development bank bonds that finance local transportation, including roadways and railways</li> <li>› Development bank bonds that finance public transportation in Europe and various emerging economies</li> </ul>	<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Government bonds finance improved waste management practices and facilities, including waste-to-energy technology</li> </ul>
<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Environmental planning for large-scale urban areas; water infrastructure in emerging economies</li> <li>› Energy efficient public transportation and railway infrastructure</li> <li>› Environmental remediation technologies for industrial emissions, water treatment and waste sorting/treatment/recycling</li> </ul>	<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Technologies that enhance resource efficiency and re-use</li> <li>› Environmental remediation technologies for industrial emissions, water treatment and waste sorting/treatment/recycling</li> <li>› Companies within the strategy exhibit superior sustainability profiles, relative to benchmark, as measured through carbon emissions and water use.</li> </ul>
<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› Limited exposure to SDG 11.</li> </ul>	<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› Various investments focus on more sustainable consumption through resource efficiency, organic food production, and compostable products.</li> </ul>
<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› Utility scale clean power generation and distribution in the U.S., Africa and SE Asia</li> <li>› Affordable, sustainable housing construction in South Africa emphasizing energy savings, water savings and reduced materials use.</li> </ul>	<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› Limited exposure through sustainable timber, land conservation and mitigation banking in the U.S.</li> </ul>



**SONEN STRATEGY**    **GOAL 15: LIFE ON LAND: PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS**

<b>SDG Impact Targets</b>	<ul style="list-style-type: none"> <li>› Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems, in particular forests, wetlands, mountains and drylands</li> <li>› Restore degraded land and soil</li> <li>› Reduce the degradation of natural habitats, the loss of biodiversity and extinction of threatened species</li> <li>› Mobilize resources to conserve and sustainably use biodiversity and ecosystems</li> </ul>
<b>Sonen Fixed Income Strategy</b>	<ul style="list-style-type: none"> <li>› Green bonds issues by development banks and supranationals (such as World Bank and IFC) emphasize ecological restoration and conservation within climate change mitigation projects</li> </ul>
<b>Sonen Global Equity Strategy</b>	<ul style="list-style-type: none"> <li>› Limited Exposure to SDG 15</li> <li>› One underlying investment provides environmental consulting including rare species identification and management, ecosystem mapping, impact and damage assessments, and restoration solutions including river bank stabilization and in-stream and terrestrial habitat reconstruction</li> </ul>
<b>Sonen Multi-Strategy</b>	<ul style="list-style-type: none"> <li>› No exposure to SDG 15.</li> </ul>
<b>Sonen Global Sustainable Real Assets</b>	<ul style="list-style-type: none"> <li>› Restoration of 152 acres of wetlands and riparian areas in the U.S.</li> <li>› More than 36,000 acres of land permanently conserved</li> <li>› Habitat protection for threatened species in the U.S.</li> <li>› Combining private and public finance for long-term and permanent landscape conservation</li> </ul>



# In Summary

Sonen Capital believes that investment capital can help meet large-scale global challenges. This belief is in our DNA and is behind every investment decision we make. In this Report - Sonen's sixth annual version - we continue to validate how our investment process can achieve the financial and impact results expected by our clients. We begin by describing how Sonen defines sustainability and impact, then examine our investments using this framework, and then report on the impact creation of our investment decisions. We also continue to deepen our analysis and alignment with the UN Sustainable Development Goals, to specifically illustrate where we are providing measurable and meaningful contributions to the SDG's underlying targets. The results of our work demonstrate that the ESG characteristics and impact creation of our investment decisions, whether it be in decreased carbon emissions, improved health and safety standards, more efficient use of natural resources or greater financial inclusion, to name a few, are indeed helping investment capital meet large-scale global challenges.

Going forward, we will continue to refine and evolve our impact evaluation methodology and reporting. Specific areas of focus will be more detailed reporting in fixed income, particularly for government and corporate green bonds and expand our ability to identify how business activities can contribute to the SDGs in indirect but important ways. Sonen will also continue to publish impact frameworks, which identify specific social and environmental impacts that we target within specific impact themes. In 2019 we will issue new frameworks in financial services and healthcare.

We are proud of our heritage and the results we have achieved over the years as demonstrated in this Report. We believe that what makes us one of the premier impact managers is our ability to define, measure and articulate the impact created by our investment decisions. We also believe that evolving how we do this is necessary to continue our leadership role in the field. We appreciate the time you have taken to read this Report and, as always, deeply value the relationships we have developed with our clients.

## **Learn More about Sonen Capital**

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

## SOURCES

1. Farm Animal Risk and Return: How Leading Investors are Factoring Intensive Farming into their Investment Practices; September 2018; and Engaging with Evidence in Impact Measurement; Kellogg Foundation, Rockefeller Foundation and Global Impact Investing Network; December 2018
2. See Sonen's 2014 Annual Impact Report, page 12, for an introduction to the AIMS framework.
3. <https://www.sba.gov/advocacy/small-businesses-drive-job-growth-us>
4. LaVecchia, Olivia. 2015. "Small Business Loans as a Share of Assets, 2014," Institute for Local Self-Reliance, <https://ilsr.org/small-business-loans-as-share-of-assets-2014/>
5. <https://www.fdic.gov/bank/analytical/qbp/2016jun/qbp.pdf>
6. <https://www.kansascityfed.org/publicat/econrev/Pdf/2q03hoen.pdf>
7. The United Nations Inter-Agency and Expert Group on Sustainable Development Goal Indicators proposed nearly 169 impact indicators in 2016 that are to be measured to assess our collective progress on achieving each SDG.

## APPENDICES

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

**MSCI ACWI** - The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to mea-

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

## DISCLOSURES

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

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

**Third-Party Sources:** Sonen Capital has obtained certain information in this report from third-party sources that it believes

to be reliable, but such information has not been independently verified and no representation as to its accuracy or completeness is made. Except as otherwise indicated, the information provided herein is based on matters as they exist as of fiscal year 2016 and not as of any future date. This presentation will not be updated or otherwise revised to reflect information that may become available, or based upon any change in circumstance occurring after the date that appears on the cover of this presentation.

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

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

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



# sonen CAPITAL

---

Social & Environmental impact investment management

