



Australian
Impact Investments

Australian Impact Investments

Impact Report 2019



MOBILISING CAPITAL FOR A BETTER TOMORROW





Impact Report 2019

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FACTUAL INFORMATION ONLY

The material contained in this document is information only and does not set out any recommendations or give opinions. Accordingly, it is not financial product advice and should not be relied upon as such.

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Reflections

Five years ago, amidst growing interest in impact investing, we launched Australian Impact Investments with the goal of enabling investors to mobilise capital to effect positive environmental and social change. Change that would contribute to a better tomorrow for individuals, local and global communities, and our planet.

“At Wyatt we are keen to apply an impact lens to our investment decisions. Australian Impact Investments enables us to assess the impact potential of investments and consider the coherence between our granting and investing activities.”

Paul Madden,
Chief Executive,
The Wyatt Trust

A handful of clients, conscious that every investment and purchasing decision has an influence on the world around them, joined us at launch. Impact investing offered these clients, all advised by our parent company Ethinvest, the opportunity to go beyond active screening of their investments and begin to begin investing in solutions to environmental and social challenges.

Interest in impact investing has accelerated significantly since our launch. We are now privileged to be working with an expanded set of clients, all of whom are committed to allocating capital not according to a two-dimensional risk-return framework, but one which also includes the dimensions of ethical screening and impact, with consideration as to how each investment affects people and planet.

Over the last five years, we have worked to assist our clients to collectively invest in excess of \$60 million into 38 investments effecting positive social and environmental

impact. The impact of these investments is both exciting and diverse, ranging from reducing the carbon footprint of the built environment, increasing renewable energy generation, improving livelihoods of low-income populations, improving mental health and reducing homelessness. These investments touch on 10 of the 17 United Nations Sustainable Development Goals (UN SDGs). Consistent with the year-on-year growth of the global impact investing market, estimated by the Global Impact Investing Network to have reached USD 502 billion AUM by the end of 2018, our clients directed more to impact investment over this past year than any prior year. \$20 million committed by clients to six new investments and several open-ended funds within our curated impact pipeline. The new investments include a fund to support Australia’s transition to a clean energy future, international venture capital, social impact bonds to support programs to improve youth employment outcomes and resilience of young

“Ethical investment has come a long way since Ethinvest first started some 30 years ago, and one of the most significant developments has been the rise of impact investing. We created Australian Impact Investments because we believe that to invest in impact, you need great research. We are thrilled that the work of the team is enabling investors to allocate capital to impact investments and to see the good that their capital is doing.”

Ross Knowles, Director and Co-Founder, Ethinvest

people leaving out-of-home care and working capital for the asset manager of Australia’s first fossil fuel free superannuation fund.

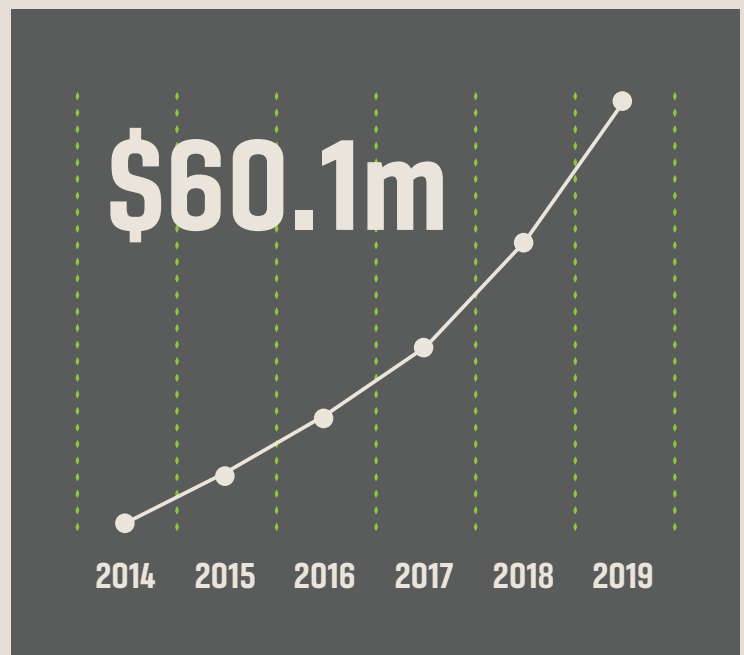
We gratefully acknowledge and commend the founders, fund managers and teams behind each and every investment, whether a for-purpose business, impact focused fund or social impact bond, who are working tirelessly to deliver on their impact goals.

As when we launched five years ago, we are excited about the future and remain committed to contributing to a paradigm shift that sees all investments made with full consideration of the impact they have on people and the planet. It is also our commitment to ensure that everything we do, with and for our clients, works to create a better tomorrow.

We trust that you enjoy reading more about the investments of our clients and warmly invite you to reach out to us with feedback or to learn more.

Five Year Highlights

INVESTED IN IMPACT



38

IMPACT INVESTMENTS

20

ENVIRONMENTAL FOCUS

18

SOCIAL FOCUS

Our Collective Impact

Over the year we have worked with our clients to direct \$20 million to investments seeking to effect positive environmental and social change. Six new investments were introduced to clients across a range of environmental and social areas, including youth homelessness, youth employment, improved livelihoods of low-income communities in Asia, renewable energy and climate change.

“The Sticking Together Social Impact Bond, focused on improving employment outcomes for disadvantaged youth, is a wonderful example of a social impact investment aligned to our mission and core focus areas. And that alignment is what we strive for in our investment portfolio.”

Georgina Byron, CEO,
The Snow Foundation

COMPASS Social Impact Bond



Funding to support the COMPASS Program, delivering housing and case management support to care leavers in Victoria.

Primary SDG: Reduced Inequalities (SDG 10)

Impact Type: Contribute to Solutions

Future Renewables Fund



A managed fund supporting Australia's transition to a clean energy future through investment in renewable energy projects.

Primary SDG: Affordable & Clean Energy (SDG 7)

Impact Type: Benefit People and Planet

Patamar Fund II



A venture capital fund investing to improve the livelihoods of low-income populations across Asia.

Primary SDG: No Poverty (SDG 1)

Impact Type: Contribute to Solutions

Sticking Together Social Impact Bond



Funding to support the Sticking Together Project to provide employment support to young people in New South Wales.

Primary SDG: Decent Work & Economic Growth (SDG 8)

Impact Type: Contribute to Solutions

Future Super Note



Working capital for Future Super, the asset manager of the Future Super Fund (Australia's first fossil fuel free super fund).

Primary SDG: Affordable & Clean Energy (SDG 7)

Impact Type: Benefit People and Planet

SOSV International Fund IV



A venture capital fund investing in disruptive food, life sciences, technology and telecommunications.

Primary SDG: Industry, Innovation & Infrastructure (SDG 9)

Impact Type: Benefit People and Planet

Impact Spectrum

WE FOCUS ON TYPE 'B' AND 'C' IMPACT

The impact of these investments, together with those in which clients have invested in prior periods, is presented in the following pages. Each investment is aligned against the UN SDGs and categorised against our Impact Spectrum, as informed by the work of the Impact Management Project, as Benefit to People and Planet (B) or Contribute to Solutions (C).

Our approach is to present the impact of each investment in its entirety, noting that this impact has been enabled by the investment of our clients together with many other investors. Our clients' commitments represent approximately 11% of total investment capital committed to the 34 local investments in which they have participated.

In total we report on 30 of the 38 investments in which our clients have invested over the past five years, 22 categorised Contribute to Capital and eight classified Benefit to People and Planet. Of the eight investments not reported, six have had capital fully returned in prior periods and two are yet to commence reporting on impact. Also note that while we count IIG Giant Leap Fund as one investment, we report on its portfolio companies separately given their diversity of impact does not lend itself to a single impact metric.

C

CONTRIBUTE TO SOLUTIONS

The investment not only acts to avoid harm, but also intentionally generates positive, measurable outcomes for people or planet

B

BENEFIT PEOPLE AND PLANET

The investment not only acts to avoid harm, but is also directly involved in activities that benefit people or planet

A

AVOID HARM

The investment has no direct involvement in activities that harm or may harm people or planet

H

DOES (OR MAY) HARM

The investment is directly involved in activities that harm or may harm people or planet

Impact Highlights



\$60.1M

\$ INVESTED FOR IMPACT



128

INVESTORS INCORPORATING AN IMPACT INVESTMENT



60

NUMBER OF IMPACT BUSINESSES SUPPORTED



10

NUMBER OF SDGS TOUCHED BY INVESTMENTS





282,066

MWh RENEWABLE ENERGY GENERATED



301,716

CO₂ EMISSIONS ABATED



3,315

MEGALITRES ENVIRONMENTAL WATERING



218

TONNES OF WASTE DIVERTED FROM LANDFILL



2,242

PEOPLE ACCESSING LIFE ENHANCING PROGRAMS



34.7M

LIVELIHOODS IMPROVED IN LOW INCOME COMMUNITIES

“The Australian Impact Investments team have been valued and trusted advisors over the last few years as we’ve been embedding impact in our investment strategy and executing on our goal of investing to create a better, fairer and more sustainable tomorrow.”

Emily Albert, Alberts Impact Capital and Tony Foundation

Contribute to Solutions

Social Impact



Livelihood Impact Fund (FY15)*

A venture capital fund investing in early stage companies in South East Asia and India.

Target Impact: To improve the livelihoods of low-income populations through increased income, savings or access to life-enhancing products and services.

2018 Calendar Year: 2 million livelihoods improved.

Cumulative: 5 million livelihoods improved.

Triodos Microfinance Fund (FY16)

A fund investing in financial institutions empowering individuals and small businesses in emerging markets.

Target Impact: To increase access to financial services for low income populations and small businesses in emerging markets.

Cumulative: 10.9 million active savers and 18.8 million active borrowers (86% of which are female).



AbilityMade (FY18)

A for-purpose technology company developing products to promote mobility and accessibility for people of all abilities.

Target Impact: To make ankle-foot orthoses for children with disabilities accessible and affordable.

2019 Financial Year: 46 AFOs made.

Benevolent Society Social Benefit Bond (FY14)

Funding to support the Benevolent Society to deliver the Resilient Families Program.

Target Impact: To provide intensive family support services to up to 400 families over four years to reduce child protection notices, child safety investigations and the number of children entering out-of-home care.

Cumulative: 32% fewer children entering out-of-home care.

Perx Health (IIG Giant Leap Fund) (FY18)

A platform helping people to manage chronic disease.

Target Impact: To improve medication adherence, thereby improving health outcomes for patients and avoiding hospitalisations.

2019 Financial Year: \$1 million estimated healthcare savings.

Newpin Social Benefit Bond (FY13)

Funding for UnitingCare New South Wales to deliver the Newpin Program, an intensive therapeutic program for families with children aged less than five years who are either in out-of-home care or are at risk of harm.

Target Impact: To safely restore to the care of their families or prevent from entering out-of-home care at least 400 children over a seven year period.

2019 Financial Year: 58 children restored to their families.

Cumulative: 328 net restorations.

Resolve Social Benefit Bond (FY17)

Funding to support Flourish Australia to deliver the Resolve Program, an intensive mental health program.

Target Impact: To improve the health and wellbeing of 523 participants over an eight year period, by targeting a reduction in the consumption of hospital and hospital-related services^.

2019 Financial Year: 93 people enrolled.

Cumulative: 251 people enrolled.

4 QUALITY EDUCATION



Academy Xi (IIG Giant Leap Fund) (FY19)

A company delivering practical, skill-specific courses in human-centred design, emerging technology and more.

Target Impact: To create employment pathways for graduates, some of whom are disadvantaged.

2019 Financial Year: 639 education program graduates.

8 DECENT WORK AND ECONOMIC GROWTH



Sticking Together Social Impact Bond (FY19)

Funding to support SYC Ltd to deliver the Sticking Together Project, an intensive case management and support program to increase youth employment.

Target Impact: To increase the number of hours in productive work for 870 young people aged 18-24 experiencing long-term unemployment over a five year period*.

2019 Financial Year: 195 young people enrolled.

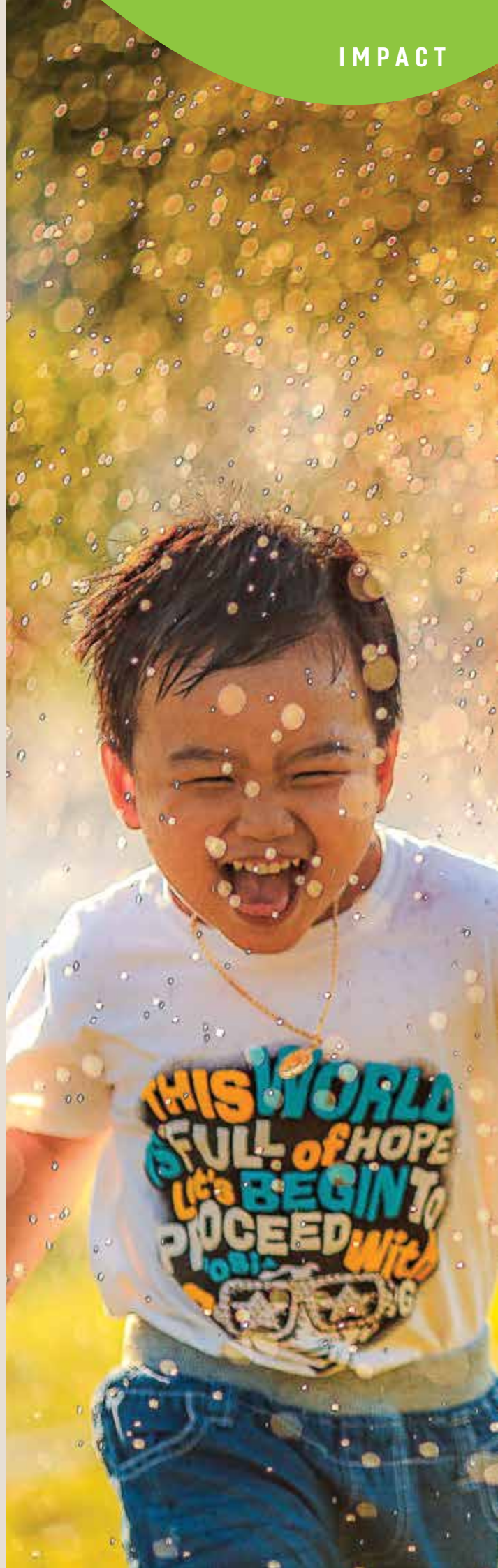
YourGrocer (IIG Giant Leap Fund) (FY17)

An online grocery delivery platform supporting independent, local businesses and their communities.

Target Impact: To economically empower and improve the resilience of local communities by encouraging the use of local, independent businesses.

2019 Financial Year: \$7 million in sales for independent retailers.

Cumulative: \$17 million in sales for independent retailers.



Contribute to Solutions

Social Impact



Applied (IIG Giant Leap Fund) (FY19)

A recruitment platform using behavioural science to remove unconscious bias and improve hiring decisions.

Target Impact: To improve equality, diversity and well-being in the workplace.

2019 Financial Year: 446 candidates hired.

Aspire Social Impact Bond (FY17)

Funding for Hutt St Centre to deliver the Aspire Program, a 'housing first' intensive case management program for homeless people in South Australia.

Target Impact: To improve the wellbeing of 600 homeless people over an eight year period, by targeting a reduction in the use of short term emergency accommodation services, inpatient bed days and convictions[^].

2019 Financial Year: 194 people enrolled.

Cumulative: 298 people enrolled.

COMPASS Social Impact Bond (FY19)

Funding for Anglicare Victoria and Vincent Care Victoria to deliver the COMPASS Program, a 'housing first' intensive case management program for young people leaving out-of-home care.

Target Impact: To improve the wellbeing of 202 young people leaving out-of-home care over a seven year period, by targeting a reduction in incidences of homelessness, emergency department presentations and convictions[^].

2019 Financial Year: 14 young people enrolled.

SEFA Loan Fund (FY14)

A social lender supporting mission-led organisations.

Target Impact: To provide debt to mission-led organisations delivering a diverse range of social and environmental impacts.

2019 Financial Year: \$6.2 million invested in mission-led organisations.

Cumulative: \$30.7 million invested in mission-led organisations.

SVA Diversified Impact Fund (FY18)

Fund providing finance to organisations that make a meaningful social impact on the lives of people in Australia.

Target Impact: To provide capital to a diverse range of impact organisations and housing projects.

2019 Financial Year: \$1.5 million invested in impact organisations.

Cumulative: \$3.25 million invested in impact organisations.

Youth Connect Social Benefit Bond (FY18)

Funding for the Churches of Christ in Queensland to deliver the Youth Connect Program, a 'housing first' intensive case management program for young people leaving out-of-home care.

Target Impact: To improve the wellbeing of 300 young people leaving out-of-home care over a seven year period by achieving housing stability together with engagement in education, employment and personal development[^].

2019 Financial Year: 71 engaged in the Program.

[^] Measurement of target outcomes has not begun, currently reporting on enrolments only.

* Inception date.



love who
you are

Contribute to Solutions

Environmental Impact

7 AFFORDABLE AND CLEAN ENERGY



Hepburn Community Wind Park Co-Operative (FY08)

4.1 MW/kW community-owned windfarm located at Leonards Hill, Victoria.

Target Impact: To generate, on average, 12,000 MWh renewable energy annually.

2019 Financial Year: 11,000 MWh generated, 11,300 tonnes CO₂ abated.

Cumulative: 80,800 MWh generated, 87,300 tonnes CO₂ abated.

IIG Chepstowe Wind Trust (FY14)

6.15MW wind farm located approximately 30km west of Ballarat, Victoria.

Target Impact: To generate, on average, 21,000 MWh renewable electricity annually.

2019 Financial Year: 20,200 MWh generated, 22,500 tonnes CO₂ abated.

Cumulative: 79,800 MWh generated, 91,600 tonnes CO₂ abated.

IIG Solar Asset Fund (FY18)

A portfolio of solar farms in Queensland/Victoria, currently with combined capacity of 73.8MW.

Target Impact: To generate, on average, 140,000 MWh renewable energy annually.

2019 Financial Year: 52,660 MWh generated, 57,300 tonnes CO₂ abated.

IIG Solar Income Fund (FY17)

A portfolio of solar farms in Western Australia, the Australian Capital Territory and Northern Territory, with combined capacity of 21.2MW.

Target Impact: To generate, on average, 52,000 MWh renewable energy annually.

2019 Financial Year: 26,700 MWh generated, 24,200 tonnes CO₂ abated.

Cumulative: 66,900 MWh generated, 60,600 tonnes CO₂ abated.

Kurrawang Community Solar Project (FY16)

36kW solar PV array for a remote indigenous community in Western Australia.

Target Impact: To generate, on average, 50 MWh renewable electricity annually.

2019 Financial Year: 55 MWh generated, 55 tonnes CO₂ abated.

Cumulative: 110 MWh generated, 110 tonnes CO₂ abated.

Lismore Community Solar Project (FY16)

99kW community-funded solar PV array to power the East Lismore Sewage Treatment Plant in Lismore, New South Wales.

Target Impact: To generate, on average, 166 MWh renewable electricity annually.

2019 Calendar Year: 62 MWh generated, 58 tonnes CO₂ abated.

Repower Shoalhaven – 7 (FY18)

120kW solar PV array to power the Shoalhaven Heads Bowling and Recreation Centre in New South Wales.

Target Impact: To generate, on average, 170.2 MWh renewable energy annually.

2019 Financial Year: 160 MWh generated, 160 tonnes CO₂ abated.

Sydney Renewable Power Company (FY17)

520kW community-owned solar PV array at the International Convention Centre (ICC) in Sydney, New South Wales.

Target Impact: To generate, on average, 498 MWh renewable energy annually.

2019 Financial Year: 527 MWh generated, 554 tonnes CO₂ abated.

Cumulative: 1,534 MWh generated, 1,514 tonnes CO₂ abated.



Switch Automation (IIG Giant Leap Fund) (FY18)

A smart building platform improving building efficiency and delivering exceptional occupant experiences.

Target Impact: To reduce the greenhouse gas emissions and water usage associated with buildings.

2019 Financial Year: 3,034 tonnes CO₂ emissions abated.



Sendle (IIG Giant Leap Fund) (FY17)

A carbon-neutral, low-cost, door-to-door parcel delivery platform.

Target Impact: To reduce greenhouse gas emissions, demonstrate carbon-neutral transport models and economically empower small businesses via affordable delivery.

Cumulative: 6 billion kilometres of carbon neutral delivery service.

GlamCorner (IIG Giant Leap Fund) (FY18)

An online platform for designer clothing hire.

Target Impact: To reduce tonnes of clothing waste in landfill.

2019 Financial Year: 116 tonnes of clothing diverted from landfill.

Cumulative: 196 tonnes clothing diverted from landfill.



Goterra (IIG Giant Leap Fund) (FY18)

An organic waste management solution that uses insects to turn food waste into livestock feed and soil conditioner.

Target Impact: To reduce organic waste sent to landfill and contribute to a reduction of greenhouse gas emissions.

2019 Financial Year: 21.6 tonnes waste diverted from landfill, 40.3 tonnes CO₂ emissions abated.

Murray Darling Basin Balanced Water Fund (FY16)

Investment in water rights in the southern Murray Darling Basin, balancing farming and environmental needs.

Target Impact: To restore threatened wetlands and support freshwater species across the southern Murray Darling Basin and conduct environmental watering in wetlands of spiritual and cultural significance to First Nations people.

2019 Financial Year: 717 ML water donated or facilitated for environmental watering events.

Cumulative: 3,315 ML water donated or facilitated for environmental watering events.

“The Nature Conservancy cornerstone investment in the MDBBWF was made on the deep belief that financial, environmental, agricultural and social objectives are not mutually exclusive, and can be jointly achieved in a robust, well-regulated water market.”

Rich Gilmore, The Nature Conservancy



Benefit People and Planet



7 AFFORDABLE AND CLEAN ENERGY

Future Super Note (FY19)

Working capital for Future Super, Australia's first fossil fuel free super fund.

Future Renewables Fund (FY19)

Retail fund investing in renewable energy projects.

Infradebt Ethical Investment Fund 1 (FY18)

Fund investing in a mix of environmentally and socially positive infrastructure.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SOSV International Fund IV (FY19)

Venture capital fund investing in start-ups in the areas of disruptive food, life sciences, technology and telecommunications. SOSV runs multiple world-class accelerator programs with hands-on engineers, designers, accountants and scientists to support founders' growth financially and intellectually.



11 SUSTAINABLE CITIES AND COMMUNITIES

IIG 401 Collins Street Trust

A special purpose property investment trust that owns 401 Collins Street Melbourne, a 1937 commercial building with heritage listed façade, with the purpose of refurbishing the building to improve environmental efficiency.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

BT Alleasing Environmental Portfolio Series 1 & 2

Two funds investing to improve sustainability of the environment across waste management, recycled material, water treatment and clean energy by leasing the ORCA organic waste digester to businesses, thereby reducing CO₂ and methane emissions and decomposing organic waste.



15 LIFE ON LAND

Blue Sky Agricultural Fund III (FY16)

Integrated supply chain agricultural production, processing and marketing within the organic grain industry, to support sustainable farming practices.

"Future Super, working alongside Australian Impact Investments, is thrilled to have welcomed aligned investors to participate in our vision to build a fossil fuel free and clean energy future for Australia."

Simon Sheikh, CEO, Future Super.

Community Impact Foundation

The Community Impact Foundation (CIF) is the first public ancillary fund in Australia with an investment strategy explicitly designed to optimise the impact of philanthropic capital.

"The impact investment strategy of the Community Impact Foundation enables us to maximise the impact of our philanthropic capital!"

Debbie and Eytan Lenko

The CIF provides individuals and families with a communal structure to adopt a planned, tax-effective approach to their philanthropy through the establishment of a sub-fund to which capital is contributed as a tax-deductible donation. The administration, investment management and governance activities of the CIF are all overseen by Australian Impact Investments as trustee, allowing sub-fund holders to focus on the organisations and causes they want to support. To date, CIF sub-fund holders have donated more than \$1.6million to approximately 90 charities, ranging from global charities addressing international development to small indigenous organisations undertaking grassroots community initiatives.

The investment strategy of the CIF provides for the application of a series of negative and positive investment screens, participation in shareholder advocacy, and active pursuit of impact investments. The negative screens ensure the investments of the CIF do no harm by excluding any exposure to alcohol, animal testing, armaments, child labour, fossil fuels, gambling, nuclear, old-growth logging and tobacco. The positive screens drive the investments of the CIF to activities such as renewable energy, healthcare, recycling, and social infrastructure that, together with

the pursuit of impact investments, provide assurance that the portfolio is actively pursuing investments that effect positive environmental or social impact. This investment strategy provides comfort to sub-fund holders that their contributed capital will be invested consistently with their values.

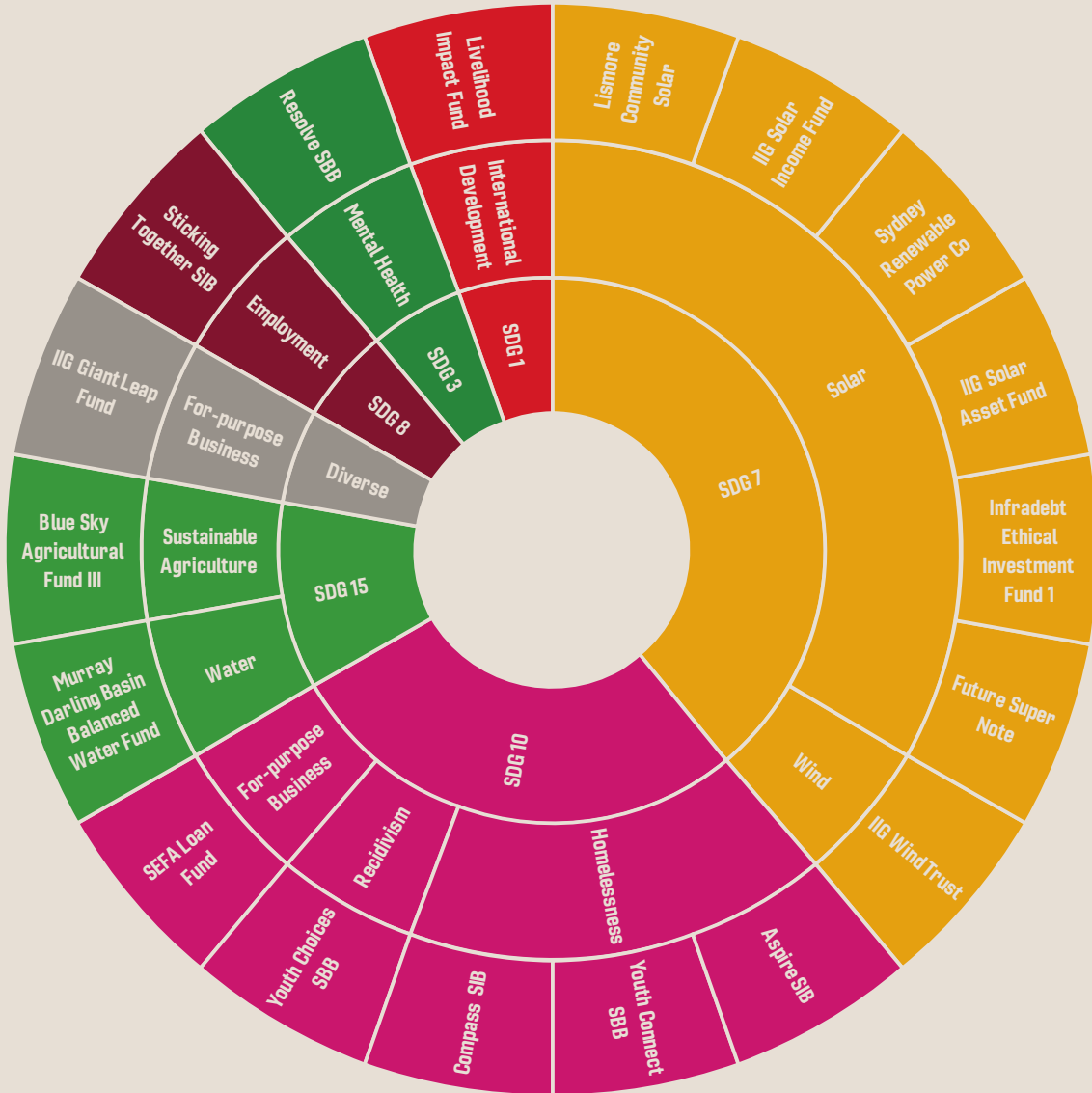
To date, the CIF has participated in 18 investments that 'Contribute to Solutions'. These investments, highlighted in the graph over page and discussed in detail in the preceding pages, touch on six UN SDGs and cover an array of environmental and social impact themes, ranging from renewable energy and sustainable agriculture, international development and homelessness, through to mental health and youth unemployment. Investments in the CIF portfolio (excluding cash) sit along our impact spectrum from Avoid Harm (8%), Benefit People and Planet (24%) and Contribute to Solutions (20%).

For the 12 months and three years to 30 June 2019 the return after fees for the CIF were 7.7% and 6.5% per annum respectively*.

The financial returns of the CIF are, however, only part of the picture for sub-fund holders who also achieve positive environmental and social impact returns through the blended philanthropic and investment strategies of the CIF.

* Past financial performance is not an indication of future financial performance.

CIF Investments Contributing to Solutions



PORTFOLIO BREAKDOWN (Excluding cash)

20%
CONTRIBUTE TO SOLUTIONS

24%
BENEFIT PEOPLE AND PLANET

8%
AVOID HARM



Patamar Capital

Improving livelihoods in South/South-East Asia



Opportunity

South and South-East Asia have some of the fastest growing economies in the world and while livelihoods have been improving in the region overall, high levels of disparity and inequality remain. The proportion of people living under the 'moderate' poverty line of USD 5.50 per day ranges from 8% of the population in Thailand to over 84% in Bangladesh (World Bank, 2019). Both South and South-East Asia struggle with standard of living problems contributing to poverty and perpetuating inequality, in such things as food security, health, economic stability and gender. Indeed, the level of gender inequality means that this data does not adequately reflect the experiences of women, who are impacted by limited employment opportunities, a gendered wage gap, less access to education and a lack of empowerment that leads to vulnerability and violence.

A growing impact investing market has appeared in response to these problems, as private investors and development finance institutions deploy capital into areas such as energy, microfinance and agriculture. The Global Impact Investing Network Annual Investor Survey 2019 highlights that in 2018, approximately 47% of the USD 239 billion in managed impact assets was invested in emerging market countries.

Patamar Capital is an investment manager operating in South and South-East Asia with a dual mission of improving the livelihoods of low-income communities and providing strong financial returns.

Livelihood Impact Fund

Patamar Capital opened the Livelihood Impact Fund to investors in 2015 and has deployed capital to a portfolio of 14 companies across 6 countries. These companies are building distribution platforms, developing-life enhancing products and services and reconfiguring supply

Image courtesy of Patamar Capital.



chains to better serve low-income communities. Some of its portfolio companies include:

Jana Care

Jana Care is an Indian medical device company building mobile diagnostics and behaviour change programs for chronic diseases like diabetes.

Big Tree Farms

Big Tree Farms is an Indonesian company producing coconut and cocoa products sourced ethically from farmers paid above market price.

Kalibr

Kalibr is a Filipino and Indonesian software company providing job matching services for employers and jobseekers in emerging market countries.

The portfolio companies of the Livelihood Impact Fund have improved the lives of nearly 5 million people to date.

Patamar Fund II

In 2019 Patamar Capital launched Patamar Fund II to invest in companies serving the “mass market” in South and Southeast Asia. Like the Livelihood Impact Fund, Patamar Fund II will invest in companies linking underserved populations to formal markets or providing the mass market with life-improving products and services. Patamar Fund II is a continuation of the firm’s investment activity in the region for 15+ years and will have a strong focus on companies operating in the financial services, healthcare, education, and logistics. Patamar Capital will apply a ‘gender lens’ to its investment activity, which involves examining how potential portfolio companies empower women towards an increasingly significant role in Asian economies. Patamar also aims to provide support to female entrepreneurs, who currently receive a disproportionately small amount of investment capital.

“We believe by actively including a gender analysis in our investment selection process we can identify undervalued opportunities as well as traditionally overlooked risks, leading to better investment decisions and improved returns for investors.”

**Shuyin Tang, Partner,
Patamar Capital**

By channelling impact capital to energetic entrepreneurs tackling significant social problems, Patamar is unlocking opportunities for the mass market and, by extension, generating intentional, measurable impact alongside financial returns for its investors.



Sticking Together

Improving employment outcomes for disadvantaged youth



Opportunity

Working is a necessity for most people in modern society as a means to generate income for essential resources, social activities and more. When safe and adequately paid, work can be meaningful and worthwhile: an encouraging work environment can improve health and wellbeing and build confidence, as well as being financially rewarding. Involuntary unemployment, in contrast, can lead to disadvantage for individuals, such as a lower standard of living, more insecurity, vulnerability and stress. Unemployment in Australia is a persistent problem, with the national unemployment currently at 5.2% (ABS, June

2019). For some sections of society, such as young people and people with disabilities, unemployment has a disproportionate impact. Young people aged 15 to 24 experience unemployment rates twice as high as the national average at 12% (ABS, 2019).

Increasingly, a lack of entry-level job opportunities, the casualisation of the workforce and an aging population are making it easier for young people to experience prolonged periods of job seeking. A young person disengaged from employment is also more likely to interact with the health, justice, housing and social services systems, resulting in poor outcomes for the individual and further costs to communities and

Image courtesy of Social Ventures Australia and SYC Ltd.



government. Impact investing is contributing to solutions for unemployment, by funding programs and companies focused on providing support to unemployed people.

Sticking Together Social Impact Bond

Social Ventures Australia (SVA) launched the Sticking Together Social Impact Bond (Sticking Together SIB) in late 2018 to increase youth employment. The Sticking Together SIB is a \$5 million social impact bond funding the Sticking Together Project (Project) in three areas of New South Wales. The Project is delivered by SYC Ltd, who will work with approximately 870 young people, offering a 60-week intensive coaching and support program that will equip

participants with skills for work readiness, job seeking and handling life and work challenges. The coaching service is designed to assist young people in finding and maintaining employment. Coaches adopt a 'whole life focus' and are equipped to deal with mental health and other personal concerns that can influence a young person's ability to work. By improving a young person's skill set and ability to achieve sustained employment, the Project aims to improve financial security and wellbeing and foster a sense of independence and social inclusion among participants.

* Target return is not a forecast or guarantee of financial performance.

"Social impact bonds, such as the Sticking Together SIB, offer investors the opportunity to earn a competitive, risk-adjusted financial return while supporting new and innovative ways to deliver services to individuals and communities."

**Elyse Sainty, Director,
Impact Investing, Social
Ventures Australia**

If the Sticking Together Project successfully achieves its target outcomes, as measured by the increase in the number of hours in productive work of youth engaged in the program, overall investor returns are expected to be approximately 7% per annum.*



Kilter Rural

Improving the sustainability of agricultural practices in Australia



Opportunity

Agriculture is one of the world's largest industries, reported by the World Bank as accounting for one-third of global gross domestic product (GDP) in 2014 and supporting the livelihoods of 2 billion people today. In Australia, the industry is estimated to reach AUD 59 billion in 2020. The environmental challenges associated with the agricultural industry are, however, immense. Many agricultural practices generate unsustainable levels of pollution, waste, deforestation, soil degradation and loss of biodiversity. In most regions of the world, agriculture accounts for 70% of freshwater usage, and in Australia, the figure is 60% (2015). The combination of environmentally unsustainable farming practices and drought have contributed to the degradation of land, unsustainable water use and loss of biodiversity. Kilter Rural, an

Australian agricultural-focused fund manager, works to address unsustainable farming and water usage in the southern Murray Darling Basin (Basin).

Murray Darling Basin Balanced Water Fund

Kilter Rural opened the Murray Darling Basin Balanced Water Fund (MDBBWF) to investors in 2015, in partnership with The Nature Conservancy Australia. It invests in Basin Water Entitlements and uses the Water Allocations of these Entitlements to improve irrigation enterprises and the health of the river and wetland systems. MDBBWF donates a percentage of Water Allocations to the Environmental Water Trust annually to be used for environmental flows. These watering events are designed to restore the ecological health of the Basin by improving the connectivity of water systems,

Image courtesy of Will Salter/Kilter Rural.

restoring habitats and ecological diversity, supporting native wildlife, maintaining and protecting areas of cultural significance to First Nations Australians and supporting local communities. Since inception, watering events have occurred across 232 hectares of wetlands and floodplains, using 764ML of water donated from the MDBBWF together with 2,633 ML of water on behalf of the Commonwealth. The watering events have produced benefits extending far beyond the area of inundated wetland through improved condition of terrestrial vegetation, provision of habitat corridors for mobile species such as migratory waterbirds and improved biodiversity across the broader landscape. As of 30 June 2019, the MDBBWF has an annualised net return of 17.2% since inception and a rolling twelve month return of 39.1%, which compares favourably to the target returns of 7-9%*.

Australian Farmland Funds

In 2019, Kilter Rural launched the Australian Farmland Funds (AFF), which invests in land-based agricultural assets. AFF has a long-term aim of generating positive impact through activities designed to improve soil health, enhance ecosystems and make more efficient use of scarce resources like water. Kilter Rural will invest in a portfolio of irrigated farmland, Water Entitlements and environmental assets to regenerate parts of the Basin's natural biodiversity, including restoring farmland to native vegetation.

The AFF has a target IRR (net of management fees and before tax) of 10-12%*.

Kilter Rural is working to reduce the damaging effects of unsustainable farming and promote the use of water for environmental and social impact.

* Past financial performance is not an indication of future financial performance, nor is target return a forecast or guarantee of financial performance.

“Improving the sustainability of agricultural practices and the natural biodiversity of agricultural land and supporting waterways is essential to ensuring the long-term productivity of farmlands and delivering strong investment returns from agricultural investments.”

Euan Friday, Kilter Rural

With capital from impact investors, including our clients, Kilter Rural is contributing to ecological improvements that benefit local indigenous and non-indigenous communities, native wildlife and vegetation, and promoting sustainable agricultural practices.

About Us

Australian Impact Investments is a specialist asset consulting firm that provides advice to clients seeking to mobilise capital to create positive environmental and social impact alongside financial value.

We have assisted

100+
INVESTORS

to contribute their capital to achieve environmental and social impact.



We serve a range of clients including asset owners and their investment advisers, family offices, charitable trusts and foundations, wealth management firms and government. We are a fully owned subsidiary of Ethinvest, Australia's oldest ethical investment advisory firm, and a proud B-Corporation. We contribute actively to the development of the impact investment sector through participation in advisory groups and committees, RIAA's Impact Investment Forum, Impact Investment Summit Asia-Pacific and Australian Sustainable Finance Initiative.

Our services

- Development of bespoke impact strategies;
- Rigorous, independent sourcing and analysis of impact investments informing a proprietary pipeline of investment opportunities that deliver financial return and meaningful impact;
- In-depth ethical research, ratings and analysis, including coverage of

environmental, social and governance (ESG) related practices;

- Comprehensive investment management of impact-aligned portfolios from construction through to implementation, monitoring and reporting; and
- Customised research, advisory and investment origination and structuring to achieve defined impact and financial objectives.

Our Team *(pictured, L-R)*

- Caitlin James: Analyst
- Trevor Thomas: Managing Director (Ethinvest) & Investment Committee Member
- Kylie Charlton: Chief Investment Officer & Investment Committee Member
- Ross Knowles: Chair (Ethinvest) & Investment Committee Member
- Phil Webb: Director & Investment Committee Member





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