

Impact Report 2023

MOBILISING CAPITAL FOR A BETTER TOMORROW



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ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Aboriginal and Torres Strait Islander peoples of this nation.
We acknowledge the Gadigal people of the Eora Nation and the Bundjalung people as the traditional custodians of the land we make our living on.
We acknowledge their connection to the land and waters.
We pay our respects to their culture.
We acknowledge their history.
We acknowledge their Elders, past and present.
Sovereignty was never ceded.
Always was, always will be Aboriginal land.

A Word from our Team

Impact Traction

Year-on-year, 'impact' is gaining prominence in the lexicon of finance. More and more investors aspire for their investment portfolios to extend beyond wealth creation to making a positive impact on people and the planet.

Our clients understand this dual purpose well, and presenting the aggregate impact of the investments our team have curated for clients is always a highlight of our year. Our clients' commitments to impact surpassed \$300 million over Financial Year 2023. Although the impact of our 69 approved private market investments is diverse, clients and fund managers alike are unified by the desire to solve the precariousness of the planet we call home and promote opportunities for all people to flourish.

Collaboration

While we celebrate the impact achieved, the enormity of the social and environmental challenges facing us means there is no time to stand still. Active collaboration and innovative partnerships between solution architects, investment managers, and investors is required to develop investment pathways to accelerate the mobilisation of capital with authentic impact at scale.

This year our clients' investments have exemplified pathways that acknowledge differing financial and impact objectives between investors. In the Transition Infrastructure Access Fund, clients invested alongside institutional investor, Clean Energy Finance Corporation, to support the build out of utility-scale battery energy storage systems while seeking risk-adjusted financial returns. In contrast, several clients adopted allocations to catalytic impact, pursuing opportunities that enable deep impact but deliver concessional financial returns.

Reaching Out

Whether you are a client, colleague or are new to impact, we hope you find this report insightful.

To our clients, we extend our deepest gratitude for placing your trust in us and hope you are excited by everything your capital is doing. We look forward to continuing to support you on your impact journey.

If you are reading this report to learn more about how you might integrate impact into your investment strategy, we hope that you are inspired, and encourage you to reach out to one of our team. Whether you are seeking guidance to begin your impact journey or are ready to start investing tomorrow, we are here to help.

KYLIE CHARLTON, MANAGING DIRECTOR

Impact is in our DNA_

Our Mission

We're on a mission to transform the paradigm for wealth creation and prove capital can be allocated to empower a better society and healthy planet.

Our Values

COMMUNITY

We collaborate with all wanting to mobilise capital for a better tomorrow and put beneficiaries at the centre of our decision-making.

EXCELLENCE

We strive to do our best in delivering services that contribute to the authenticity and development of impact investing.

HUMILITY

We seek, listen to, and learn from the diverse perspectives and insights of others.

COURAGE

We act on our conviction that impact investing is critical to addressing the social and environmental issues of our time.

A New Leaf



While our mission, values and commitment to impact, are resounding constants, we are excited this year to introduce a new logo, developed by the Aii team and our long-standing design partner, Fresco Creative. Our new 'leaf' icon is a visual metaphor. Horticulturists look closely at the underside of a leaf to investigate the plant's health. Our 'leaf' icon has two sides, symbolising the way we look below the surface of every investment on behalf of our clients. A digital fingerprint pattern is visible on the top of the leaf, reflecting how we use the technology and data at our fingertips to analyse investments. The leaf is elongated, forming a helix shape like a DNA strand, which represents the way impact is embedded in the collective DNA of Aii and our clients.



“Designing a logo is really the art of distilling a wide spectrum of ideas about a company into a very simple graphic. The aim was to evolve the landmark from the ‘tree’ graphic into a more modern, abstract and condensed logo for Aii. The focus was to depict balance – between risk/reward, analysis/strategy and investing/impact.” – Fresco Creative

Reflecting on 2023_

Financial Year (FY) 2023 was a challenging period for our social, political, and economic systems. Markets faced rising inflation, interest rates rose at unprecedented pace, war continued in Europe, and the effects of COVID-19 pandemic lingered. Planetary systems struggled with escalating repercussions of the climate crisis, while increasing doubt was cast on the shared promise of the 2030 Sustainable Development Goals to secure the rights and well-being of everyone on a healthy planet.

Subdued Private Market Activity

Over FY2023 our clients committed \$37.8 million to two new and several open-ended private market investments, taking total commitments since inception of Aii in August 2014 to \$313 million.

The commitments made over the year were less than a third of those we saw in FY2022, reflecting the slowdown in fundraising and investment activity witnessed throughout private markets.

Economic, social, and political challenges impacting the world all contributed to this decelerated activity.

For impact investors, we observed four key trends influencing decisions over the year and that we expect to continue through FY2024.

Climate Emergency

The climate crisis continued to take centre stage in 2023, after shocking, but not unexpected, extreme weather events across the world. Wildfires in Canada and South America, flooding in Africa, south and south-east Asia and severe heat across the northern hemisphere occupied our thoughts. Records were broken, and broken again, with June to August becoming the hottest three-month period on record.

The gravity of these weather events underscores the urgency of the problems we, our clients, fund managers and founders are working to address.

We have seen a notable shift towards environmental product in both our 'Approved' list and pipeline, as well as continuing growth in demand from clients to mobilise capital towards

Impact Highlights

\$313_M

Commitments to Impact

69

Private Market Investments Approved

200+

Clients (direct and wealth adviser)

800,000

People accessing life-enhancing programs or products

environmental solutions. This demand comes not only from those solely focused on climate and environment, but has expanded to include asset owners that have historically focused on social impact, demonstrating deepening understanding of the inextricable links between the health of people and planet.

Shaken Institutions

Ukraine continued to push back against Russia's invasion, prolonging heightened energy prices that, together with the lingering effects of the COVID-19 pandemic, have contributed to pressure on the cost-of-living around the world. To drive down the resulting inflation, interest rates have risen at an unprecedented pace as central banks work to stabilise economies.

Amid these shifts, a palpable nervousness to committing capital is clear. Most obvious in the venture capital and private equity space, where market correction left investors scratching their heads; Silicon Valley Bank and Credit Suisse were arguably the first signs of crisis. Since then, many investors have retreated to the safety of cash and fixed income products.

Nowhere is the nervousness clearer than in our own private market pipeline. We reviewed 110 opportunities in FY2023, across infrastructure, real assets, property, private debt, private equity, and venture capital. While this number is consistent with prior years, only two opportunities aligned to the impact and financial priorities of our clients and met our risk, return and impact requirements for inclusion in our 'Approved' list.

Evolving Regulation

It is not just the impact investment market experiencing challenges – the broader responsible investment industry is facing a contentious, but necessary challenge: regulation.

The European Union's Sustainable Finance Disclosures Regulation (SFDR) is increasingly engrained in international markets, spurring calls for a framework domestically.

The Australian Securities and Investments Commission (ASIC) is earnestly pursuing action against fund managers and superannuation funds with misleading responsible investment claims.

As a result of these movements, asset owners are increasingly seeking standardisation of disclosure, classification and impact reporting. Indeed, the Australian Sustainable Finance Institute (ASFI) is dedicating significant time and resources to developing a sustainable finance taxonomy that supports Australia's climate, environmental and social objectives. As a joint industry-government initiative where perspectives on the pathway to achieving transition to a net zero economy do not always align, rigorous debate will be key to delivery of a credible taxonomy.

A degree of 'paranoia' of being exposed by regulators or others for 'greenwashing' has also crept into the market. This is a welcome development for the industry, and we believe it will instil much needed transparency and consistency across the sector. But we must also be wary of the

780

Affordable, social and SDA homes

29M

Livelihoods improved

1.6M_{MWh}

renewable energy generated

18M_{CO₂}

emissions abated

13_{GL}

of environmental watering



potential for asset owners to pull back, or ‘hush’ their green credentials for fear of retribution.

We very much welcome regulation and standards that will provide clear boundaries for acceptable responsible and impact investment practices.

Grassroots Energy

The Voice to Parliament Referendum dominated much media and political energy throughout 2023, as Indigenous leaders and the Albanese Government asked Australians to vote ‘Yes’ and change the Constitution to recognise our Aboriginal and Torres Strait Islander peoples.

While the grassroots energy mustered to support a ‘Yes’ vote was undeniable, October 14 was a sad and difficult day for many, with Constitutional recognition being overwhelmingly voted down.

Among impact asset owners, this has further fuelled a desire for investment product that authentically empowers Indigenous communities. Some examples of founders and fund managers operating in this space present in our ‘Approved’ list or pipeline include First Australians Capital, Conscious Investment Management and Ngutu College.

We also see this trend as part of a broader market shift towards ‘catalytic’ or ‘concessional’ capital allocations which we discuss later in this report.

Looking Forward

While we expect private markets to continue to be subdued in 2024, we see opportunity for heightened commitment to impact investments as asset owners increasingly seek to align financial and impact objectives.

With the collective and innovative effort to develop investment product that blends financial discipline with impact authenticity, impact investing will become a growing force in shaping a more sustainable and inclusive future for all. Together we can build a better tomorrow.

Navigating the Impact Journey_

A 'total impact portfolio' considers impact alongside risk and reward, across every asset in an investment portfolio. Creating a total impact portfolio that blends impact and financial objectives is a journey. The impact journey is rarely a sequential process, and each investor will set out on a unique path to achieve a total impact portfolio. After all, every asset owner has its own stakeholders, portfolio managers and investment requirements.

Our work with asset owners and wealth advisers over the past nine years has allowed us to build a deep understanding of the impact journey. We believe these four stages can guide investors to truly embedding impact within their portfolios:

1. Educate

First, asset owners may need to explore the key concepts, strategies and tools underpinning an impact portfolio and define their objectives and strategic priorities. Depending on the nature of the asset owner, this exploration might include family members, senior management, directors, investment committee, and other stakeholders.

"With our granting strategy set, aligning our investment portfolio with our mission to amplify our impact is a natural progression for the Foundation. Finding common understanding and language has provided us a solid foundation to navigate a path forward." – Michelle Gortan, CEO, Macdoch Foundation

2. Establish

The second step is to establish a baseline for a portfolio. This could involve sitting down with stakeholders to agree on values, impact goals and financial objectives or completing an impact analysis of an existing portfolio to understand where it might trigger values alignment concerns. Ultimately, these values, impact goals and financial objectives need to be embedded into investment policies and frameworks, guiding decisions makers to account for and balance each of these elements for each investment and the portfolio.

"Crafting a total impact portfolio from the inception of the Foundation was important to us to ensure every dollar invested works for a sustainable, equitable and compassionate future." – Charlotte Siddle, CEO, Siddle Family Foundation

3. Implement

Now comes the exciting part – deploying capital to investment opportunities that align with stated values, impact goals, and financial objectives. The process begins with thorough due diligence of potential investments, scrutinising their capacity to generate measurable and sustainable impact, while gaining comfort on the financial risk-return profile. With a universe of investments identified, portfolios are constructed from those that align with clients' financial objectives and impact goals.

"With a commitment to financial and impact due diligence, the investment pipeline presented by Aii provides the Foundation with confidence to pursue impact investments. In less than six months, we are excited to have committed to several opportunities that will see our capital contributing to social and disability housing, as well as an innovative social program." – Ross Barker, Foundation Trustee and Chair of Investment Committee, The William Buckland Foundation



4. Monitor

Adhering to the principle that ‘you can’t manage what you don’t measure’, financial and impact performance monitoring is integral to our investment approach. Regular assessments inform decisions, pinpoint areas for improvements, aid alignment with impact goals and financial objectives, and fortify risk management. Monitoring provides valuable insights into market trends, empowering asset owners to navigate evolving investment environments.

This report underscores our commitment to impact monitoring, while the next section provides insight on financial performance.

“Regular monitoring and comprehensive reporting of our impact investments are instrumental for us in maintaining oversight of our portfolio, which in turn helps our decision making as to where to invest next. This reporting has not only bolstered confidence among our team regarding our investment choices but has also been tremendously helpful during the recent evolution of our overall corpus investment strategy.” – Nicola Stokes, General Manager, AMP Foundation

Our Clients' Impact Journeys

1

Educate

Established in 2019, Macdoch Foundation initially focused on building a granting strategy that would drive significant shifts in landscape regeneration, climate change solutions and healthy communities. Just as it recognises the connection between a healthy planet and healthy communities, the Foundation appointed Aii in early 2023 to help align its investment portfolio with its purpose and use that portfolio to amplify its impact.

2

Establish

The Siddle Family Foundation is one of an increasing number of charitable trusts and foundations seamlessly integrating responsible and impact investment into its DNA from day one. Appointed as adviser in 2022, Aii supported the Foundation to develop an inaugural investment policy statement that aligns impact goals with financial objectives, ensuring that every investment decision serves a dual purpose – preserving and growing the corpus and generating positive impact. Recognising the corpus as the cornerstone of its capacity, the Foundation's financial objectives underscore its vital role in funding and supporting its mission to create safe homes that enable families to thrive.

3

Implement

For close to sixty years, The William Buckland Foundation has been providing philanthropic funding to Victorian charitable organisations. In 2015, recognising the opportunity to further its impact through investing, the Foundation set a goal to allocate a proportion of its portfolio to impact investments. Sourcing investment opportunities that met its impact goals and financial objectives was challenging, so in 2023 the Foundation appointed Aii to support its impact allocation.

4

Monitor

AMP Foundation has worked with Aii since 2019 and has a 10% allocation to impact investments in its corpus. Regular monitoring and reporting on its impact allocation has been an important element of the relationship since day one.



| "In everything we do, we give consideration to impact alongside risk and reward." – Kylie Charlton, Managing Director, Aii

Evidencing Risk-Adjusted Returns

One of the most common questions we are asked when talking about the integration of impact investments into an investment strategy is whether it is possible to achieve risk-adjusted returns.

A valid question, though difficult to comprehensively tackle due to the limited empirical data available on impact investments. This challenge is compounded by the fact that the term 'impact investing' was coined just sixteen years ago. Furthermore, the dominance of private market alternatives with long-date investment profiles adds complexity, as measuring performance before the completion of the investment term might only reveal part of the overall picture.

Analysing Returns

Until recently, our own data set has been challenged by these same factors. However, with the passage of time, fourteen of the sixty-nine private market investments Aii has recommended have completed their investment terms. Additionally, two other investments, although still active, have return data over time horizons matching that of their targeted return. These sixteen investments are spread across social impact bonds, private debt and real assets, and cover environmental and social impact themes.

We compared three data sets for the sixteen investments: actual, target and comparative benchmark returns. The analysis indicates that nine investments have either met or surpassed their target returns. Further, ten investments have outperformed comparative benchmark returns.

Bringing it Together

While our data set is small, twelve investments or 75%, have delivered returns outperforming target or comparative benchmark returns.

Capital loss has been experienced by two, with losses attributed to a social impact bond terminated early due to the 2019/2020 bushfires and pandemic, and an agricultural real asset that suffered from a challenging organic produce market.

We are hopeful that by releasing this data, we can build evidence and confidence that risk-adjusted impact returns are achievable.

12

deals with returns either meeting or surpassing target or benchmark returns

3

social impact bonds

6

private debt deals

3

real asset deals

Figure 1_ Investment Returns

With risk-adjusted returns, impact investments represent a valuable addition to any investment portfolio for achieving financial objectives and diversification benefits typical of alternative assets, all while delivering positive outcomes for people and planet.



Finding Authenticity in Public Markets

As the responsible investment industry grows from strength to strength, so too does the need to find products and fund managers that are genuinely committed to managing investments that align with investor values.

The Green... wash... hush... rush

It is not uncommon to see 'ESG', 'ethical', 'socially responsible', 'sustainable', or 'impact' in fund names, descriptions, and promotional material. However, the rapid growth of responsible investing alongside varied definitions, standards, and regulations, has left the responsible investment industry rife with inconsistencies from product to product, manager to manager and investor to investor.

Our experience is that these inconsistencies can result in a misalignment between investor expectations and fund manager actions.

Regulatory bodies have increased their scrutiny on the market, and there is still an active push towards global alignment of taxonomy and disclosures, although there is a long way to go. By June 2023, the Australian Securities and Investments Commission (ASIC) had issued two superannuation funds and one investment manager with civil penalty proceedings for alleged 'greenwashing', and 34 less severe interventions, including infringement notices and corrective disclosure actions.

In response to increased scrutiny and enforcement of greenwashing, many asset

managers are rushing to walk back past claims, an act known as 'green hushing'.

Greenwashing and greenhushing pose a threat to legitimate responsible investment growth.

Even as industry and regulatory bodies align globally on taxonomy and standards, greenwashing enforcement actions remain an act of compliance, with companies only penalised for not fulfilling the claims they make, leading to fund managers making less public claims. There remains no verification for investors on whether a fund strategy actually benefits people and planet, and restricted ability for investors wanting to assess whether a fund aligns with their responsible investment goals.

Finding True-to-Label Product

Our work in public markets, that typically constitute a large proportion of any investment portfolio, helps investors identify funds implementing responsible investment strategies that align with their values alongside financial return.

Our belief is that best-practice public market funds exhibit four key elements:

- » Strong fund manager **intentionality**
- » Robust responsible investment **strategies**
- » **Portfolio** holdings beneficial to people & planet

Clear efforts towards **additionality**, such as advocacy, reporting, and primary capital To assist investors in navigating public market funds, and on the back of decades of experience with values-aligned investing, in 2021 we developed our Responsible Investment Matrix (RIM), which incorporates these four key elements into an assessment framework to determine a Manager Impact Classification and Portfolio Impact Classification for funds.

It was encouraging to see earlier this year that as the sector develops, industry bodies like the Global Impact Investing Network (GIIN) and United Nations Principles for Responsible Investment (UNPRI) are converging with our approach that is investor-led and values-aligned (Figure 2, on the following page).

Figure 2_ Comparing our RIM

We are beginning to see alignment of best practice across the industry, including from the Global Impact Investing Network and UN Principles for Responsible Investment.

Australian Impact Investments (2021) 'Responsible Investment Matrix'	GIIN (2023) 'Guidance for Pursuing Impact in Listed Equities'	UNPRI (2023) 'ESG Integration in Listed Equity: A Technical Guide'
Intentionality	CONCEPT #1 Setting Fund or Portfolio Strategy	MODULE I Policy & MODULE II Governance
Strategy	CONCEPT #2 Portfolio Design and Selection	MODULE III Investment Process
Portfolio	CONCEPT #3 Engagement	MODULE IV Stewardship
Additionality	CONCEPT #4 Use of Performance Data	MODULE V Monitoring and Reporting



Public Market Reviews

Our annual Listed Equity and Fixed Income Reviews utilise our RIM to identify a Shortlist of funds we consider represent best practice responsible investment strategies, and a Watchlist of funds that don't quite meet the threshold for Shortlist inclusion but have potential.

In 2023, we identified a Shortlist of seventeen listed equity and seven fixed income funds. In completing these Reviews, we classified over 9,000 company holdings across 114 listed equity funds, and over 4,000 bond holdings across 36 fixed income funds. We monitor the portfolios of our Shortlist and Watchlist listed equity funds quarterly to assess ongoing commitment to positively benefiting people and planet.

Where is the Impact?

Three fixed income funds this year received portfolio classifications of Contribute to Solutions. As well as scoring well through our RIM, these funds provide most of their capital to finance new projects and initiatives, thus meeting our threshold requirements on additionality.

For listed equities, where investments are made via secondary markets, there is no additive finance as the money used to buy shares goes to the seller, not to the company. Listed equity funds can, however, achieve the positive classification of 'Benefit People & Planet' when the operations of the underlying companies are creating positive social or environmental outcomes. A level of additionality can be demonstrated via advocacy, reporting, and participation in primary capital.

Deepening Impact with Catalytic Capital

A notable trend we observed through the year was a growing interest in catalytic capital investments. Long term clients, already with established impact portfolios, adapted investment strategies making allocations to catalytic capital to deepen their impact. New clients incorporated catalytic capital into their investment strategies and asset allocations from inception.

What?

Catalytic capital refers to investments that are intentionally deployed to drive deeper impact: facilitating greater access to capital, reaching new sectors or geographies, and/or mobilising additional capital.

The core characteristics of an impact investment remain important. The impact of the organisation or fund is intentional and measurable, with there being an expectation of a financial return.

Where catalytic capital differs is its emphasis on a higher degree of additionality. Investors employing this model are dedicated to producing a positive social or environmental outcome that closely aligns with their mission or values, which would not have materialised 'but for' their active participation, even among impact investors. Catalytic capital embraces risk that other funding sources may be unwilling or

unable to take, and it does so without necessarily seeking returns commensurate with the level of risk involved.

Why?

A clear problem emerged for our clients and other like-minded investors: how do they invest in the enterprises or initiatives that they would traditionally provide grants, but that could not provide risk-adjusted returns?

The gap between philanthropy and impact investing was something that needed addressing. Catalytic capital emerged as an opportunity to provide much needed capital to for purpose organisations directly or through managed funds that went beyond philanthropy.

Such is the importance of catalytic capital that we have added a new rating to our Impact Spectrum: **Catalyse & Contribute**.



The Impact Spectrum



May Harm People & Planet

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



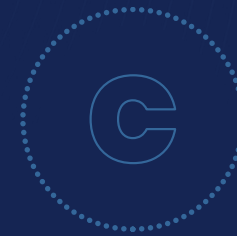
Avoid Harm

The investee has no direct involvement in activities that harm people or planet.



Benefit People & Planet

The investee is directly involved in activities that benefit people and planet and acts to avoid harm.



Contribute to Solutions

The investee intentionally seeks to generate positive, measurable outcomes for people and planet and acts to avoid harm.



Catalyse & Contribute

The investee intentionally seeks positive, measurable outcomes for people impact that would otherwise not be possible but for acceptance of disproportionate risk and/or concessional financial returns.



“We began our journey with catalytic capital investments in 2018 and since then, with the assistance of Aii, the Snow Foundation has committed over \$3 million to eleven early-stage purpose driven companies.” – Georgina Byron, Director and Chief Executive Officer of the Snow Foundation

Ngutu College

Ngutu College (pronounced 'nooh-du') was established in 2021 as an independent not-for-profit school in Adelaide. It aims to bridge the educational gap for Aboriginal and Torres Strait Islander students by providing quality learning opportunities to children of all backgrounds and fostering reconciliation.

Ngutu builds on the deep experience of its Principal, Kamilaroi man Andrew Plastow, to provide an educational model driven by a vision of equitable, culturally informed, and child-centred education. The school integrates Aboriginal knowledge and the Arts into a curriculum that complies with Australian schooling requirements and is accessible to students from disadvantaged backgrounds.

Innovative and Catalysing

In 2021, Aii brought together a syndicate of impact investors to provide a \$1.3 million loan to fund Ngutu's initial opening. In 2023, we arranged a new \$4.8 million loan to fund additional facilities that will allow Ngutu to provide a full K-to-12 education to its students.

We consider this private debt financing to be catalytic, as it provides new capital to an organisation that did not have access to mainstream financing, and interest rates are

outcomes-linked, meaning the more Aboriginal and Torres Strait Islander students achieving educational outcomes, the lower Ngutu's interest rate.

The lending syndicate has been an important component in helping Ngutu grow its facilities and achieve its vision of providing a full K-to-12 culturally informed education for South Australian children.

We are delighted to have brought clients and others together to support the school's expansion and look forward to celebrating its continuing growth.

Impact Performance

Ngutu aims to provide education to 350 students by 2026, 50% of whom will be Aboriginal or Torres Strait Islander. In 2023, 42% of Ngutu's 242 students identify as Aboriginal or Torres Strait Islander.

Financial Performance

Since the inception of the loan in 2021, Ngutu has made interest repayments on time and in full, providing a 1-year and since inception return of 10.4% each.

As a family, we have recently embraced catalytic capital investments to further extend the impact of the portfolio of The Tony Foundation and provide capital to organisations that couldn't access traditional finance." – Ingrid Albert, Executive Director, Tony Foundation

The Impact of our Approved Investments

It is an honour to work alongside clients committed to mobilising capital for a better tomorrow and supporting founders and fund managers driving that change.

About FY23

The \$37.4 million committed by our clients over FY23 was lower than previous years but represented a strong commitment to impact even during times of market turbulence.

We approved and had clients commit to two new private market investments over the year, contributing to energy efficiency and storage and reconciliation-focused education.

Measuring & Reporting Impact

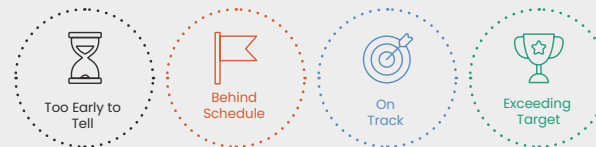
The impact of the private market investments our clients have invested in are presented through the following pages. In total, we report on forty of the sixty-nine investments in which our clients have participated, nineteen having already had capital fully returned or that we are no longer actively managing.

Our approach, as always, is to present the impact of each investment in its entirety, acknowledging this impact is enabled by our clients alongside many other investors.

This year, we present impact metrics for those investments classified as 'Contribute to Solutions' or 'Catalyse & Contribute'.

Investments so classified intentionally generate a measurable and materially positive effect on a specified social or environmental challenge. They also explicitly set target impact outcomes and measure performance against these outcomes, evidencing strong impact measurement and management processes.

We assess the cumulative performance and progress of each 'Contribute to Solutions' or 'Catalyse & Contribute' investment against its targeted impact outcome, and highlight its performance against targets using these icons:



Investments classified 'Benefit People & Planet' are monitored for their ongoing effect on people and planet, but do not have specific impact metrics assigned.

Ngutu College 2

Asset Class: Private Debt

Impact Type: Catalyse & Contribute

Impact Theme: Education

Funding for a school that seeks to integrate Indigenous knowledge and the Arts into a formal curriculum.

Transition Infrastructure Access Fund








Asset Class: Private Debt

Impact Type: Benefit People & Planet

Impact Theme: Energy Efficiency

A fund investing in utility-scale battery energy storage assets.






Diversified Alternatives

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 International Development	Triodos Microfinance Fund (FY16) A fund investing in finance institutions predominantly focused on microfinance around the world.	Increase access to financial services for low-income populations and small businesses in emerging markets.	22.1 million active borrowers, 78% of which are women	
 Climate Action	Brookfield Global Transition Fund (FY22) A global fund investing in carbon intensive companies and projects to reduce greenhouse gas emissions.	Transformation of carbon-intensive businesses to lower carbon intensity, clean energy, sustainable solutions for communities and the circular economy. Individual impact targets are set for each underlying investment.	354 MW clean energy capacity added 34,984 tonnes PA of carbon captured 476,422 MWh clean energy produced 356,466 tonnes CO ₂ abated	
 Diverse	CIM Impact Fund (FY21) A fund currently invested in opportunities that can improve lives or the environment using asset-backed debt or other instruments.	Invest in initiatives that improve livelihoods and reduce greenhouse gas emissions.	13,484 (7,066) MWh of renewable energy generated 10,824 (5,599) tonnes CO ₂ abated 1 carbon farming project financed 336 (4) social, affordable or disability properties financed	
	For Purpose Impact Fund I (FY22) A fund investing in various social infrastructure, such as specialist disability accommodation, affordable housing, mental health, skills education, and training.	Drive incremental change for people using or engaging with social infrastructure.	1,645 learners graduating 15,603 texture modified meals served to customers with disabilities 11 NDIS participants living in accommodation that fits their needs	

Infrastructure

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Environmental Diverse	Palisade Impact Fund (FY22) A fund investing in infrastructure opportunities that promote energy transition, resource efficiency and digital inclusion.	Contribute: Reduce greenhouse gas emissions, increase access to smart, green, and connected infrastructure and reduce waste and wastewater.	Too early to report impact	

Private Debt

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Education	Catalyst Education (FY21) Funding for a company providing quality vocational training in early childhood education, aged care, disability and more.	Catalyse: Increase the amount of quality vocational training in its target sector, particularly those with a history of underfunded education such as aged care and disability.	5,396 (1,654) students graduating with additional skills	
	Ngutu College (FY21 & FY23) Funding for a school that seeks to integrate Indigenous knowledge and the Arts into a formal curriculum.	Catalyse: Improve education and cultural outcomes for up to 350 students by 2025.	242 (78) children receiving culturally informed education, 42% of which are Indigenous	
 Employment	Xceptional (FY20) A for-purpose company improving employment opportunities for people with autism spectrum disorder (ASD) and promoting neurodiversity at work.	Catalyse: Improve employment opportunities to 1,092 people with ASD over 11 years to 2030.	40 (0) candidates with ASD hired (FY23 impact not disclosed)	

Specialist Disability Accommodation

Access to safe and affordable housing is a long-standing concern for people living with disabilities. Our clients are invested in several funds attempting to address this challenge.

The Problem

Despite the best-efforts of state-governments and not-for-profit organisations, Australia's disability housing system is undersupplied, disorganised, and uses out-dated care models. As a result, people with disabilities have faced long waiting lists and extended periods in aged care or inadequate, inaccessible housing.

The Solution

A well-designed and well-located home can enable independent living and increase community participation and social connection for people living with disability. In many cases, these arrangements can also reduce government costs to support people living with disability.

Research conducted by Summer Foundation and La Trobe University found that when people with disabilities move into their own apartments, they experience improved health, wellbeing, and community integration within six to twenty-four months post-move.

Expanding the stock of housing that accommodates the physical needs of people with disabilities helps to address the challenges and inadequacies of existing housing options, improving their sense of agency.

Specialist Disability Accommodation (SDA) refers to a type of housing specially designed or modified to support the needs of people with disabilities under the National Disability Insurance Scheme (NDIS). The SDA components of the NDIS are intended, in part, to support private sector investment into the development of residential choices for eligible people living with disability. NDIS-accredited SDA is a relatively new, yet rapidly expanding industry for NDIS participants approved to receive SDA funding and their families.

Investor Contribution

Over the last three years, clients of Aii have committed more than \$80 million to three funds investing in SDA, either as a standalone strategy or in combination with other impact strategies.

These funds are the Australian Unity SDA Fund, Synergis Fund, and Conscious Investment Management Impact Fund.

Impact Performance

As of 30 June 2023, the three funds have developed homes that accommodate the needs of 237 people with disabilities that have access to NDIS SDA payments.

These homes include apartments, villas and group homes and are situated across Queensland, New South Wales, the Australian Capital Territory and Victoria.





Financial Performance

While in various stages of executing their investment strategies, all three funds are progressing in line with target financial performance as of 30 June 2023.






“It is possible to build an investment portfolio that meets your financial objectives and reflects your values with investment product sourced from Australia” – Neeraj Aggarwal, Associate Director, Aii









Property

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Housing	Australian Unity SDA Fund (FY20) A fund investing in Specialist Disability Accommodation (SDA) in Australia.	Contribute: Provide 170 SDA properties to support people with disabilities.	83 (36) people living in homes that accommodate their needs	
	Synergis Fund (FY20) A fund investing in Specialist Disability Accommodation (SDA) in Australia.	Contribute: Provide people living with disabilities with accommodation that suits their needs.	103 (62) people living in homes that accommodate their needs	
	CIM Social Housing Fund I (FY22) A fund investing in social housing assets in Victoria.	Contribute: Provide 307 affordable, safe and appropriate homes for people with low incomes.	260 (68) new homes occupied by people with low incomes in Victoria	

Real Assets









Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Renewable Energy	IIG Chepstowe Wind Trust (FY14) 6.15MW wind farm located approximately 30km west of Ballarat, Victoria.	Generate 21,000 MWh renewable energy annually.	154,621 (16,621) MWh renewable energy generated 165,444 (17,784) tonnes CO ₂ emissions abated	
	Repower Shoalhaven 7 (FY18) 120kW solar PV array to power the Shoalhaven Heads Bowling and Recreation Centre in NSW.	Generate 170 MWh renewable energy annually.	716 (124) MWh renewable energy generated 260 (103) tonnes CO ₂ emissions abated	

Real Assets continued

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 <p>Renewable Energy</p>	Sentient Solar Asset Fund (FY18) A portfolio of solar farms in Queensland/ Victoria, currently with combined capacity of 73.8MW.	Generate 140,000 MWh renewable energy annually.	610,000 (124,000) MWh renewable energy generated 881,827 (110,684) tonnes CO ₂ emissions abated	
	Sentient Solar Income Fund (FY17) A portfolio of solar farms in Western Australia, the ACT and Northern Territory, with combined capacity of 21.2MW.	Generate 27,000 MWh renewable electricity annually.	163,000 (22,100) MWh renewable energy generated 140,767 (17,080) tonnes CO ₂ emissions abated	
	Hepburn Community Wind Park (FY08)* 4.1MW community-owned windfarm located in Leonards Hill, Victoria.	Generate 11,000 MWh renewable electricity annually.	118,709 (9,071) MWh renewable energy generated 123,926 (14,288) tonnes CO ₂ emissions abated	
 <p>Sustainable agriculture</p>	Australian Farmland Funds (FY20) A fund investing in land-based agricultural assets with the aim of improving soil health, enhancing ecosystems and using scarce resources more efficiently.	Allocate up to 30% of farmland under management to ecosystem protection, including strategic re-vegetation, to deliver critical carbon sequestration and biodiversity benefits.	19% Farmland allocated for protection	
 <p>Environmental Watering</p>	Murray Darling Basin Balanced Water Fund (FY16) A fund investing in water rights in the southern Murray Darling Basin (sMDB) to balance farming and environmental needs.	Restore threatened wetlands, support freshwater species, and conduct environmental watering in wetlands of spiritual and cultural significance to First Nations people across the sMDB.	13,350 ML water delivered for environmental watering events	

*Invested prior to formation of Australian Impact Investments but monitoring for clients.

Social Impact Bonds⁺









Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Mental Health	Resolve Social Benefit Bond (FY17) Funding to support Flourish Australia to deliver an intensive mental health program.	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.	68% reduction in hospital bed days 54% reduction in hospital admissions 20% reduction in length of stays 40% reduction in emergency department visits	
 Homelessness	Aspire Social Impact Bond (FY17) Funding for Hutt St Centre to deliver a 'housing first' program for homeless people in South Australia.	Improve the wellbeing of 600 participants by reducing the use of short-term emergency accommodation services, inpatient bed days and convictions.	32% reduction in hospital bed days 28% reduction in convictions 68% reduction in short-term accommodation periods	
	Compass Social Impact Bond (FY19) Funding for Anglicare Victoria and Vincent Care Victoria to deliver a 'housing first' program for young people leaving out-of-home care.	Improve the wellbeing of 202 young people leaving out-of-home care by reducing incidences of homelessness, emergency department presentations and convictions.	55% employed during their participation 79% had a positive relationship with family 77% completed study and/or training	
	Youth Connect Social Benefit Bond (FY18) Funding for Churches of Christ in Queensland to deliver a 'housing first' program for young people leaving out-of-home care.	Improve the wellbeing of 300 young people leaving out-of-home care by achieving housing stability together with engagement in education, employment and personal development.	52% of participants successfully demonstrating improved resilience against homelessness	
 Family reunification	Newpin SA Social Impact Bond (FY22) Funding for Uniting Communities to deliver, an intensive therapeutic program for families with children who are either in out-of-home care or at risk of harm.	Strengthen family engagement and reunification of at least 78 children currently in out-of-home care.	16 children from 12 reunified with their families (31% of the intervention group)	

⁺ Reporting periods for social impact bonds are not typically structured according to financial years. For consistency and presentation of audited numbers, we report on cumulative numbers presented in the most recent public reporting of each product.








“We cover all asset classes... from senior secured infrastructure debt all the way through to venture capital, and everything in between.” – Phil Webb, Investment Director, Aii

Venture Capital & Private Equity

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 International Development	Livelihood Impact Fund (FY15) A fund investing in early-stage companies in South-east Asia and India.	Improve the livelihoods of low-income populations through increased income, savings or access to life-enhancing products and services.	2.3 million livelihoods improved*	
	Patamar Fund II (FY21) A fund investing in early-stage companies in South-east Asia and India.	Improve the livelihoods of low-income populations through increased income, savings or access to life-enhancing products and services.	4.5 million livelihoods improved*	
 Disability	AbilityMade (FY18 & FY19) A for-purpose technology company developing products to promote mobility and accessibility.	Increase accessibility to ankle-foot orthoses (AFOs) for children with disabilities.	1,007 (596)* AFOs delivered to children with disabilities	
 Agriculture or Food	Cibus Fund II (FY22) A fund investing in sustainable food production, processing and distribution companies.	Reduce greenhouse gas emissions and increase resource efficiency within and around the food production chain.	Too early to report impact	
	Tenacious Ventures Fund I (FY21) A fund investing in companies contributing to a sustainable, profitable and adaptable food and agriculture system.	Facilitate the shift towards a carbon-neutral and climate change-resilient food and agricultural system.	130,673 tonnes CO ₂ emissions abated 3,410 tonnes of waste diverted from landfill 3,213 tonnes of pesticides eliminated	

Venture Capital & Private Equity Continued

Impact Theme	Investment	Target Impact	Cumulative (FY2023)	Progress
 Environmental Diverse	Kilara Growth Fund (FY21) A fund investing in companies that are facilitating the transition to a low carbon economy.	Invest in companies that mitigate greenhouse gas emissions, reduce natural resource intensity and enable climate-smart choices for businesses and consumers.	8 million tonnes CO ₂ emissions abated 51,000 MWh energy use avoided 28 million single-use plastic items avoided 140 tonnes plastic removed from the ocean	
 Social & Environmental Diverse	Giant Leap Fund I (FY16) A fund investing in impact driven businesses focused on empowerment, sustainability and health and wellbeing.	Increase investment in businesses that deliver positive change across three impact areas: empowering people, sustainable living and health and wellbeing.	37,550 (10,370) tonnes CO ₂ emissions abated (268,119 with inclusion of one since exited position) 3,977 (1,802) tonnes waste diverted from landfill 783,999 (276,035) people supported in work or health \$163m (\$54m) healthcare savings	
	Giant Leap Fund II (FY22) A fund investing in impact driven businesses focused on empowerment, sustainability and health and wellbeing.	Increase investment in businesses that deliver positive change across three impact areas: empowering people, sustainable living and health and wellbeing.	84,919 tonnes CO ₂ emissions abated 9,073 tonnes waste diverted from landfill \$641,200 healthcare savings 10,444 people supported in health or work	

+ Calendar year, based on active investments only

^ Includes 188 AFOs made in FY2022 but not accounted for in last year's reported figures, due to timing.

The Transition Infrastructure Access Fund

“We chose to invest in the Transition Infrastructure Access Fund due to our recognition of the interconnectedness between climate change and social equality. By ensuring a stable and secure energy grid, we aim to drive positive outcomes for the people and communities we support.” – Gavin Reid, Investment Specialist for Wyatt Trust

Problem

Australia’s energy system is undergoing a transition from predominantly coal and gas, which are inherently stable supply sources, to intermittent renewable energy, namely wind and solar which are expected to make up over eighty percent of our electricity generation by 2030.

Intermittency is a challenge in the transition to renewables, caused by two factors. Firstly, there is a mismatch between peak renewable generation (which generally occurs in the day when solar is operating), and peak demand (which often occurs once solar generation drops off, from 5pm to 9pm). Secondly, variations in weather conditions, such as high or low winds for wind farms, and cloud cover for solar farms cause interruptions or changes in supply.

This means grid scale energy storage solutions are needed to allow the grid to handle the mismatch between generation and demand.

Batteries allow the grid to provide access to electricity at times of peak demand, even if these periods don’t correspond to the times when solar or wind are generating electricity.

The Fund

The Transition Infrastructure Access Fund (TIAF) is a unit trust investing in Infradebt’s Energy Transition Fund (ETF) which finances utility-scale battery energy storage system (BESS) projects in Australia’s National Electricity Market (NEM). There currently isn’t a well-established private sector project finance debt market for utility scale batteries in Australia as there is for wind and solar projects, so ETF meets a strong need.

Benefiting Planet







By providing critical funding to utility scale battery energy storage system projects, ETF

facilitates the deployment of more renewable capacity into the NEM, supporting the continuing retirement of high emission generators like coal-fired power plants. Its two seed assets are a 200MWh battery to be built in the Australian Capital Territory by Neon, a French renewable energy operator, and a 100MWh standalone BESS in Rockhampton developed by Genex Power Limited, an ASX listed company.

Targeted Financial Returns

TIAF aims to achieve investment returns of 6 – 8% (after Fund fees and expenses) over ETF’s term of 12 – 17 years. However if the ETF is successful in achieving a liquidity event prior to the loans reaching their maturity then the high front-end cash flows (upfront fees and line fees) and re-rating of the ETF’s portfolio at a liquidity event could deliver higher returns for early investors in ETF, including the TIAF.

Benefit People & Planet/Shareholder Engagement Strategy

Asset Class	Impact Theme	Investment
Fixed Income	 Renewable Energy	Infradebt Ethical Investment Fund II (FY20) A Fund investing in a mix of environmentally and socially positive infrastructure.
		Infradebt Ethical Investment Fund III (FY22) A Fund investing in a mix of environmentally and socially positive infrastructure.
Private Debt	 Climate Action	Future Super Note Series (varied) A multi-series loan to Future Super, Australia's first fossil fuel-free superannuation provider.
	 Energy Storage	Transition Infrastructure Access Fund (FY23) A fund investing in utility-scale battery energy storage systems.
Real Assets	 Sustainable Aquaculture	Longreach Maris Sustainable Seafood Fund (FY22) A fund investing in Individual Transferable Quotas covering wild catch fisheries around Australia.
Venture Capital & Private Equity	 Social & Environmental Diverse	SOSV IV International Fund (FY19) A venture capital fund investing in disruptive food, life sciences, technology and telecom start-ups.
		SOSV Select Fund (FY21) A fund investing in follow-on rounds for companies in SOSV III and IV International Funds.
Infrastructure (Shareholder Engagement Strategy)	 Climate Action	Infrastructure Access Fund (FY20) A fund employing a shareholder activism strategy to reduce the carbon footprint and improve sustainability of major Australian infrastructure assets.

We want to hear from you_



About Us

Aii was formed in 2014 with the seed of an idea planted by our founding shareholder, Ethinvest. Out of that seed and with a wealth of expertise to inform them, our team has built a market leading asset consultant dedicated to impact.

Impact is all we do and all we have ever done. Your impact is your choice, and we'd love to connect with you.

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