Investment Policy Statement

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I. Purpose and Scope

ImpactAssets ("IA") is a 501(c)(3) public charity as described in the Internal Revenue Code. IA seeks to catalyze the impact investing ecosystem by providing products and thought leadership that enable philanthropists, other asset owners and their wealth advisors to make investments with positive social, environmental and financial returns.

Our role and objective is to increase the investment of capital generally in line with our mission to enable effective philanthropy and to help our clients achieve their philanthropic goals. The purpose of this Investment Policy Statement ("IPS") is to establish investment policies and guidelines for the selection, management and oversight of ImpactAssets' investments. The investment policies and guidelines contained herein apply towards investment activity undertaken by IA, or any third party that IA may contract with to provide discretionary investment management services. This Investment Policy Statement includes description of the best practices to which IA generally aspires, the implementation of which may be considered operating guidelines rather than exact rules.

IA's charter encourages the investment of charitable assets in and grant-making to projects and enterprises that positively impact society. Therefore, these investment policies are designed for investment in companies and other enterprises that generally aim to solve social and/or environmental challenges while generating financial return.

1.1. Products and Other Assets

IA invests across a spectrum of products and other assets:

- **Donor advised fund (DAF):**
    - **Impact Portfolios**: Public and private debt and equity asset allocations that incorporate direct social and environmental impact through underlying offerings.
        - **Private Allocations**: Private debt and private equity funds aggregated together that clients can access through the Impact Portfolios, pursuing a multi-fund managed strategy, to achieve a blended rate of returns.
    - **Investment Strategies**: Private debt and private equity funds aggregated together that clients can access through the Impact Portfolios, pursuing a multi-fund managed strategy, to achieve a blended rate of returns.
    - **Individual Funds**: A la carte funds that range from mutual funds to private debt and equity funds that seek to generate significant social and environmental impact.
    - **Custom Investments**: Direct private investments recommended by clients and reviewed by staff to generally generate financial return and significant social and/or environmental impact.
    - **Professionally Managed Accounts**: Assets managed through an independent primary financial advisor.
    - **White Label Products**: Customized program with an independent registered investment advisor (RIA) or enterprise platform that may include any combination of the above products and assets.

- **Non donor advised fund:**
    - **Impact Notes**: Private debt securities offered outside the DAF.
    - **Other assets**: Assets that are either undesignated or are held as part of IA's endowment.

1.2. Ineligible Transactions

ImpactAssets designates the following are ineligible for transaction:

- Any transactions on margin transacted directly by or on behalf of IA;
- Investments in Hedge Funds that engage in leveraged investing which generates Unrelated Business Taxable Income;
- Investments in companies for purpose of exercising control of management;
- Options, futures, warrants or other leveraged investment strategies that employ derivatives, synthetics or forward contracts;
- Oil, gas or other mineral exploration or development programs or mineral leases;
- Real Estate, or a REIT or similar type Real estate investments that engage in leveraged investing which generates Unrelated Business Taxable Income;
- Investments that charge a fee upon redemption (i.e. "back-end load" or "deferred sales charge");
- Loans to a donor, advisor or related party.

II. Governance

IA's Board of Directors maintains fiduciary responsibility over IA as an organization. The Board delegates oversight of all investments to IA's Investment Committee ("IC").

2.1. Role of the Investment Committee

The IC reviews the performance of funds and firms IA invests in through IA's DAF, directly through its impact investing Notes and non-designated assets. In executing on its responsibility to provide oversight of assets of IA, the IC shall generally:

- Review, approve and monitor IA's investment policy statement, investments, procedures and products; and
- Assure that investment management procedures are executed to appropriate professional financial and impact standards.

2.2. Standard of Oversight

The IC exercises appropriate care in overseeing the investments while also mindful of donor input and the practices outlined in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). ImpactAssets operates under the understanding that program-related investments into companies that generate social and environmental returns may fall outside the scope of UPMIFA. IA notes however that the Internal Revenue Services agency stipulates that investments made through private foundations through program-related investments constitute mission-aligned investments within the scope of philanthropic giving. IA looks to this federal standard as best practice for allowing direct investments so long as these investments are mission-aligned.

2.3. Role of the Donor

Each IA DAF account is composed of contributions made by individual donors. Once the donor makes a contribution, IA has legal control over contributed assets. However, the donor or donor's representative retains advisory privileges with respect to the distribution of the funds and the investment of assets within his/her account. While the IC generally exercises control over IA's investments, the donor's advice is a key consideration for each client account's investment allocation.

III. Investment Guidelines by Product

The investment objective of IA is to generate positive social and/or environmental impact alongside financial returns. The general investment framework IA applies assesses the impact risk, impact return, financial risk and financial return of an investment, using a combination of targeted returns, benchmarks and historical performance.

3.1. Impact Portfolios

IA offers "Impact Portfolios" designed to generally address social and environmental issues across asset classes. Each portfolio is constructed for clients who would prefer to implement a diversified investment strategy with one investment choice, with consideration for investment and grant-making horizons, risk appetites and liquidity profiles. Portfolios with a shorter time horizon generally include liquid fixed-income funds that prioritize capital preservation objectives. Portfolios with longer time horizons generally include a larger percentage of private debt and equity to maximize for greater risk and return. All portfolios generally seek 100% allocations to social and/or environmental impact investments and are reviewed and monitored by the IC. The IC generally reviews quarterly returns and an annual performance assessment.

Impact Portfolio	Portfolio Description
Liquid Impact Portfolio	Generally seeks to preserve capital through a portfolio of cash equivalents and short-term fixed income. This option provides liquidity, targets capital preservation and above money market returns. The target composition is 55-65% certificates of deposit at community finance institutions, 30-40% cash equivalent deposits at community finance institutions and 0-10% liquid private high impact debt. The portfolio is tilted towards social impact with a domestic orientation.

Conservative Impact Portfolio	Generally seeks to preserve capital and generate growth through a portfolio of mostly U.S. short-term bonds and higher yielding private debt. The target composition is 45-55% Environmental, Social And Governance ("ESG") public fixed income, 20-30% ESG cash/cash equivalents and 20-30% high impact private debt targeting affordable housing, community investments and microfinance lending. This portfolio is tilted towards global social impact.
Moderate Impact Portfolio	Generally seeks moderate growth and risk through a balanced portfolio of global stocks, bonds and private debt. The target composition is 35-45% ESG public equity, 30-40% ESG public fixed income, 20-30% high impact private debt targeting affordable housing, community investments and microfinance lending and 0-10% ESG cash/cash equivalents. The portfolio is tilted towards global social impact.
Aggressive Impact Portfolio	Generally seeks long-term growth and risk through a diversified investment portfolio of global stocks, bonds and private debt and equity. The target composition is 45-55% ESG public equity, 20-30% high impact private debt and equity, 10-20% ESG public fixed income, 0-10% real estate and 0-10% ESG cash/cash equivalents. The portfolio is tilted towards global environmental impact.

3.1.1. Selection and Evaluation

Construction of Impact Portfolios is generally based on different investment and grant-making time horizons, risk appetites and liquidity profiles. In evaluating funds, the Investments team generally assesses, among other factors, the stability and strength of the fund manager, investment objectives, long-term risk/return profile, size, fees, and historical fund performance. Staff also requires that ESG or impact criteria be incorporated into the fund manager's investment decision making process.

3.1.2. Monitoring

Performance of Impact Portfolios is generally evaluated quarterly based on comparisons to benchmark returns. Each Impact Portfolio is generally assessed annually based on trailing twelve month returns relative to benchmark returns. The IC generally reviews the annual assessments and votes on additions or removal from the Watch List (see 3.3.3. "Watch List" for more detail). Portfolios are rebalanced as possible on an ongoing basis as new contributions are received and a full rebalancing of the portfolios is performed on an annual basis at year-end.

3.1.3. Private Allocations

IA's Private Allocations are accessible via the Impact Portfolios and are generally comprised of direct impact private debt and equity investments. IA designed the private allocations to address various investment themes. All private allocations are generally reviewed by the IC in terms of quarterly returns and underlying holdings.

- **IA Sustainable Agriculture ("IASA"):** IASA generally invests in one or more funds or investments focused on sustainable agriculture. The allocation was created to provide diversification into private debt focused on sustainable agriculture within the Moderate and Aggressive IA Impact Portfolios. Investments in these fund managers generally support smallholder farmers and farming cooperatives that produce food sustainably.
- **IA Microfinance ("IAMF"):** IAMF generally invests in one or more funds or investments committed to microfinance, or increasing access to financial services such as loans, savings, insurance and fund transfers to entrepreneurs, small businesses and individuals who lack access to traditional banking services. This allocation was created to offer diversification into private debt focused on financial inclusion within the Moderate and Aggressive Impact Portfolios.
- **IA Private Equity ("PE")**: The IA PE Pool generally invests in private equity fund managers across a range of impact themes.

3.1.3.1. Selection and Evaluation

Funds and fund managers included in the Private Allocations generally undergo the same due diligence process and evaluation criteria by IA's Investments team as for individual private debt and private equity funds (see 3.3.1. "Selection and Evaluation" for "Individual Funds" for more detail).

3.1.3.2. Monitoring

Performance of Private Allocations is generally measured and reported on quarterly. Funds and fund managers included in the Private Allocations generally undergo the monitoring process as individual private debt and private equity funds (see 3.3.2. "Monitoring" for "Individual Funds" for more detail).

3.2. Investment Strategies

IA's Investment Strategies are investible, pooled vehicles generally comprised of direct impact private debt and equity investments. IA designed the investment strategies to address various investment themes. All strategies are generally reviewed by the IC in terms of quarterly returns and underlying holdings.

- **IA Community Investment Strategy ("CIS")**: The CIS generally invests in funds that are addressing issues related to community development including affordable housing, financial inclusion, small business funding, sustainable agriculture and fair trade.

3.2.1. Selection and Evaluation

Funds and fund managers included in the Investment Strategies generally undergo the same due diligence process and evaluation criteria by IA's Investments team as for individual private debt and private equity funds (see 3.3.1. "Selection and Evaluation" for "Individual Funds" for more detail).

3.2.2. Monitoring

Performance of Investment Strategies is generally measured and reported on quarterly. Funds and fund managers included in the Investment Strategies generally undergo the monitoring process as individual private debt and private equity funds (see 3.3.2. "Monitoring" for "Individual Funds" for more detail).

3.3. Individual Funds

IA allows clients to make a la carte investments into individual funds. A la carte offerings range from ESG screened mutual funds to private debt and equity funds. Individual funds generally target a range of returns based on asset class and investment theme. All individual funds are generally approved by the IC and monitored on an ongoing basis.

3.3.1. Selection and Evaluation

Funds and fund managers generally undergo due diligence by IA's Investments team and are approved by the IC. In evaluating funds, the Investments team generally assesses, among other factors, the stability and strength of the fund manager, investment objectives, long-term risk/return profile, size, fees, and historical fund performance. ESG or impact criteria is generally required to be incorporated into the fund manager's investment decision making process.

3.3.2. Monitoring

IA manages both private and public investments and tracks available benchmarks when feasible. IA's Investments team generally monitors and reviews the performance of each fund on an ongoing basis. The IC generally reviews the annual assessments and votes on additions or removal from the Watch List (see 3.3.3. "Watch List" for more detail).

3.3.3. Watch List

On an ongoing basis, the Investments team generally evaluates each current investment option to identify whether any primary or secondary red flags exist:

- **Primary Red Flags**
    - Material change from financial approach
    - Material weakening of business model
    - Material change in risk profile
    - Qualified or negative audit findings
    - Material change in valuation procedures
    - Materially low third-party rating downgrade
    - Materially poor financial performance
    - Withdrawal of investors and investor interest
    - Material change from impact approach
- **Secondary Red Flags**
    - One or more covenant breaches
    - Materially increased portfolio concentration
    - Negative financial performance for 1+ years
    - Third-party downgrade/consistently low rating

- Violation of impact reporting requirements
- Material change or vacancy in management
- Material staff turnover or over 10% in layoffs
- Change in or negative news regarding firm/fund auditor
- Material legal action against firm or fund

The presence of any primary red flag will generally result in the investment being recommended for placement on the Watch List and submitted to the Investment Committee for review. Investments placed on the Watch List will generally be monitored on a quarterly basis. Each quarter the Investments team reviews the Watch List position to determine whether the investment should be removed from the Watch List based on improvements, or if it should be removed from the platform based on lack of improvement and/or continued decline. For an investment to be eligible to be removed from the Watch List, improvements in the relevant red flags must generally be maintained for at least two consecutive quarters.

3.4. Custom Investments

IA invests directly into eligible transactions sourced and recommended by clients. Clients generally must identify, perform due diligence and structure an investment prior to recommending the investment. Custom investments above $1MM are directly approved by the IC and monitored on an annual basis. Custom investments below $1MM are approved by staff with oversight from the IC.

3.4.1. Selection and Evaluation

IA staff generally reviews prospective direct investments based on client recommendation. Donors source and recommend direct investments into private mission-driven businesses, impact funds and non-profit organizations. IA is not an investment advisor and does not make investment recommendations. Deal review does not take the place of a full deal and legal review by client counsel or deal advisors. The primary purpose of the IA review is to confirm incorporation of impact into a product/service and a commitment to measure and report on that impact, conduct basic Anti-Money Laundering ("AML") reviews, identify issues that raise the risk profile of the investment and complete a basic compliance scan. IA raises concerns, if present, with clients prior to making a final investment determination. Clients must appropriately understand the risks involved in recommending direct investments. Entities that receive investment must generally have a commitment to measuring and reporting on their financial returns as well as social and/or environmental impact.

The following list identifies some but not all classes of private securities that are eligible for custom investment by IA:

- Private equity placements
- Private debt placements
- Venture capital investments (Both debt and equity)
- Preferred stock (domestic and international)
- Direct loans
- Convertible debt

- Community investment debt issuances
- Standard Agreements for Future Equity ("SAFE")
- Revenue-share agreements

3.4.2. Monitoring

All investments will be monitored on a rolling basis for material events, such as (illustratively):

- Late or non-repayment of principal and payment of interest
- Late or cessation of financial and/or impact reporting
- Acts of default (by borrowers)
- Reports of deteriorating financial position or other developments that could impair an borrower's ability to repay and/or an organization from continuing as a going concern
- Wind-down notices
- Qualified financing or other events that affect share and/or conversion price

The IC is generally provided a summary of investments that are either non-performing or potentially at-risk, on at least an annual basis. Where IA has aggregate exposure over $1MM, IA will produce written assessments of the firms or funds in question, including an assessment whether there has been a material weakening in performance and operations. The IC generally reviews the annual assessments and votes on additions or removal from the Classified List (see 3.4.3. "Classified List" below for more detail).

3.4.3. Classified List

On an ongoing basis, the Investments team evaluates each large Custom Investment (>$1MM) to identify if any primary or secondary red flag exist.

- **Primary Red Flags**
    - Material change from financial approach
    - Material weakening of business model
    - Material change in risk profile of the firm or fund
    - Qualified or negative audit findings
    - Material change in valuation procedures
    - Materially poor financial performance
    - Withdrawal of investors and investor interest
    - Material change from impact approach
- **Secondary Red Flags**
    - One or more covenant breaches
    - Materially increased portfolio concentration
    - Negative financial performance for 1+ years
    - Violation of impact reporting requirements
    - Material change or vacancy in management
    - Material staff turnover or over 10% in layoffs
    - Change in or negative news regarding firm/fund auditor

- Material legal action against firm or fund

Upon evaluation, the presence of any primary red flag will generally result in the investment being recommended for placement on the Classified List and submitted to the IC for review. Investments once placed on the Classified List will be monitored on a quarterly basis. Each quarter the Investments team reviews the Classified List position to determine whether the investment should be removed from the Classified List based on improvements, or if it should be maintained on the Classified List based on lack of improvement and/or continued decline. For an investment to be eligible to be removed from the Classified List, improvements in the relevant red flags must generally be maintained for at least two consecutive quarters.

3.5. Professionally Managed Accounts (PMAs)

Professionally Managed Accounts (PMAs) are managed by a primary investment advisory. Investment objectives of PMAs should generally be consistent with IA's investment objectives. Investment advisors manage assets on a discretionary or non-discretionary basis in compliance with the Investment Policy Statement while providing sufficient liquidity to support the account holder's recommended grants and to cover account expenses. In general, the portfolio should be managed prudently and diversified among asset classes, sectors and securities. Staff generally monitors PMA accounts in accordance with internal standards to remediate underperformance in the interest of ImpactAssets clients.

3.6. White Label

White label products refer to customized programs developed in partnership with an independent registered investment advisor (RIA) or enterprise platform. These products may include any combination of ImpactAssets' products and assets and may include investment options that fall outside the scope of ImpactAssets' products and assets. The investment objectives of white label products should generally be consistent with IA's investment objectives. ImpactAssets will typically vet the partner before finalizing the white label product offering. However, the Investment Committee will not generally provide additional oversight of the specific investments if they are outside the scope of the products and assets offered by ImpactAssets and covered within this document. In general, white label products should be managed prudently and diversified among asset classes, sectors and securities.

3.7. Impact Notes

IA Impact Notes generally aim to provide value to investors through the following:

- Seek to generate financial as well as impact returns;
- Democratize access to impact investing by providing increased availability, access and affordability;
- Decrease investment minimums, easing a key barrier to capital flows into impact investment;
- Providing oversight through IA's IC;
- Offering financial as well as impact reporting.

3.7.1. Selection and Evaluation

IA will provide Manager(s) and/or Loan Servicing Agent(s) with portfolio objectives and Borrower selection criteria, generally including, but not limited to, the following:

- Target an appropriately risk-adjusted portfolio yield net of currency hedging and foreign exchange transaction costs based on interest rates charged to Borrowers;
- Borrower diversification target and objectives (i.e., a target of 5-7% and an objective of not more than 10% of Manager or Loan Servicing Agent's allocation of Note proceeds invested in a single Borrower);
- Geographic diversification objectives of not more than 30% of Manager or Loan Servicing Agent's allocation of Note proceeds invested in a single country.

To qualify as a borrower, IA generally assesses the following criteria:

- Existing borrower status (i.e., Borrowers will typically be existing borrowers of the Manager(s) and/or Loan Servicing Agent(s) or will meet standards that the Investment Committee may impose from time to time with respect to the following bullet point factors);
- Borrower credit worthiness and financial track record requirements (e.g., minimum years of financial track record and audited financials, minimum annual sales, minimum operational self-sufficiency track record);
- Borrower compliance requirements (i.e., all Borrowers and loans must be in compliance with Office of Foreign Assets Control (OFAC) sanctions);
- Borrower impact requirements (e.g., fair trade Borrowers must use a democratic process for member farmers to determine the use of the fair trade premium);
- Borrower reporting requirements (i.e., Borrowers must meet minimum financial and impact reporting requirements).

3.7.2. Monitoring

Each Manager and/or Loan Servicing Agent generally provides IA with a quarterly report that is reviewed by the Investments team. IA's Investments team identifies red flags and advises the IC on material issues. On at least a semi-annual basis, IA's Investments team will report to the Investment Committee on Manager and/or Loan Servicing Agent performance, financial and impact performance of the Notes, Liquidity Schedule, portfolio quality and Loan Loss Reserve.

3.8. Other Assets

IA generally applies guidelines in keeping with its mission for managing "other assets" on its balance sheet.

3.8.1. Undesignated Net Assets

Undesignated net assets are held outside of IA DAF and Impact Notes but are still considered part of IA investment portfolio. As such, IA's Investments team and internal operations generally require updates from fund managers to assess the financial returns and social impact of the holdings. IA may use these assets to fund current operations or invest the assets to act as a reserve fund to generate income to support future operations.

IV. Excess Business Holdings

A DAF is subject to the same IRS Excess Business Holdings requirements as a Private Foundation. The regulations are applicable at the individual DAF account level, and thus must generally be monitored on an account by account basis. The IRS says that the combined investment in any corporation, partnership, trust or other unincorporated business enterprise by a:

1. DAF; and
2. Any other DAF at IA to which the donor or a family member or related entity of the donor are donors; and
3. By the donor or a family member or related entity of the donor;

Generally may not exceed:

a) more than 20% of the outstanding voting stock of any corporation and not more than 20% in value of all outstanding shares of all classes of stock of that corporation;
b) more than 20% of the outstanding profits interest of a partnership; or
c) more than 20% of the outstanding beneficial interest of a trust or other unincorporated business enterprise.

Additionally, the IRS stipulates that that a DAF is also considered to not have Excess Business Holdings if it alone, or in combination with other DAFs at IA to which the donor or a family member or related entity of the donor are donors, holds less than 2% of any of the above holdings, regardless of the level of investment outside of the DAF program by other parties.

IA's policy shall be to generally limit the combined investment of those parties identified in items 1 -3 above in any corporation, partnership, trust or other unincorporated business enterprise to 20% of the ownership or control interests defined in items (a) through (c) above. In situations where it is reasonable and appropriate, IA will generally limit the level of investment to 2% in order to reduce the monitoring burden.

V. Excess Benefit Transactions

In accordance with Section 4958 of the Internal Revenue Code regarding Excess Benefit Transactions, a DAF account may be prohibited from investing in an investment if the investment is operated or controlled by a disqualified person with respect to the DAF account. A disqualified person generally includes, but is not limited to, donors, donors' family members, and entities controlled by donors or their family members.