



Impact Report

YEAR ENDED 30 JUNE 2018



Australian
Impact Investments

A FULLY OWNED SUBSIDIARY OF ETHINVEST

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The information contained in this document is general in nature and does not take into account your personal situation. You should consider whether the information is appropriate to your needs, and where appropriate, seek professional advice from a financial adviser.

Taxation, legal and other matters referred to in this document are of a general nature only and are based on Australian Impact Investments' interpretation of laws existing at the time and should not be relied upon in place of appropriate professional advice. Those laws may change from time to time.





*Impact investing must embrace the integrity of
impact as its centrepiece.*

Year in Review 2018

Impact investing has jettisoned into the mainstream conversation over the past year with the recognition that more than USD 2.5 trillion is required annually to meet the United Nations Sustainable Development Goals (SDGs) in developing countries alone and USD 3.5 trillion a year for the next 30 years is required to combat climate change¹. Financial institutions, fund managers, pension funds, insurance companies, foundations and family offices with household names have begun impact investing activities, leveraging the work of early pioneers in the impact investing sector.

Market Momentum

The Global Impact Investing Network (GIIN) 2018 Annual Investor Survey reported that 226 organisations collectively managed USD 228 billion in impact investing assets with the majority reporting performance in line with both financial and impact expectations². Only five years ago the survey set included just 125 organisations managing USD 10.6 billion in impact investing assets³. Australia has also witnessed growth in impact investing with the set of investable impact products increasing to \$5.8 billion at 31 December 2017 compared to \$1.2 billion at 30 June 2015⁴.

On the back of this momentum Sir Ronald Cohen, the oft-named grandfather of impact investing, has declared an 'Impact Revolution'. The Impact Revolution seeks to rethink capitalism, overturning its 'single-minded focus on profit to deliver profit and impact simultaneously'⁵. Efforts are being made around the world to rally leaders from finance, business, and philanthropy, together with governments, to be part of the impact revolution. And with impact assets forming less than one percent of global assets currently

under management, and no country yet on track to meet the SDGs, there is much for the Impact Revolution to do.

For Australia, despite being a developed nation, challenges extend across the SDGs. The 2018 SDG Index lists Australia as 37th in the world behind most other wealthy nations including New Zealand, Canada, the United States and the United Kingdom⁶. While performance in poverty alleviation, health and wellbeing and quality education is strong, Australia is the worst performing country in the world on climate action driven by "spillover" effects from the export of fossil fuels and ranks poorly on goals pertaining to life below water and on land. The Social Progress Index 2018, a measure of basic human needs, wellbeing and opportunity, reported Australia falling from 9th to 15th place with other nations recording greater improvement. A key factor of this fall was continuing high greenhouse emissions, together with treatment of refugees on Manus Island and Nauru. And for Australian's living in the bottom two income deciles, a small proportion experience entrenched inequality⁷.

[1] Global Steering Group for Impact Investment, Investing for A Better World, 2018.
 [2] Global Impact Investing Network, Annual Impact Investor Survey, 2018.
 [3] Global Impact Investing Network, Impact Investor Survey, 2014.
 [4] Responsible Investment Association Australasia, Benchmarking Impact, 2018.
 [5] Sir Ronald Cohen, On Impact, 2018.

[6] Sustainable Development Solutions Network and Bertelsmann Stiftung, 2018 SDG Index and Dashboards, 2018.
 [7] Australian Productivity Commission, Rising Inequality? A stock-take of the evidence, 2018.



Our Contribution

Notwithstanding the significant task ahead, Australian Impact Investments is pleased to be enabling our clients participation in the Impact Revolution. Throughout the year ended 30 June 2018 (FY18), we made positive investment recommendations on 10 investments from our review of 86 opportunities, facilitating the contribution of \$13.5 million by 40 clients of our parent company, Ethinvest. Some of the investments made over FY18 included:

- **AbilityMade**, for-purpose technology company manufacturing 3D printed orthoses for children with disabilities.
- **BT GIS – Alleasing Environmental Portfolio Series**, portfolio of organic waste digesters.
- **IIG Solar Asset Fund**, portfolio of solar infrastructure assets.
- **Infradebt Ethical Infrastructure Fund**, portfolio of renewable energy and social infrastructure projects
- **Youth Choices Social Impact Bond**, funding for Life Without Barriers to deliver a Multi-Systemic Therapy program to reduce youth re-offending.
- **Youth Connect Social Impact Bond**, funding for Churches of Christ (QLD) to deliver the Youth Connect Program to improve housing stability and resilience of youth exiting the child protection system.

Since the launch of Australian Impact Investments in August 2014 through to the end of FY18 Ethinvest clients have collectively committed a total of \$39.8 million to a diverse range of 32 investments including 30 generating impact in Australia. Ethinvest clients' collective commitment represents 8% of the \$468.0 million capital invested in the 30 domestic investments.

These investments benefit excluded and disadvantaged populations – the homeless, young people exiting out-of-home care or the criminal justice system, people living with disabilities or suffering mental health issues, and the working poor – and reduce the environmental footprint of our society. The specific impact of each investment, including their contribution to the SDGs, can be found later in this report.



Figure 1: Growth of Our Impact Portfolio

■ Social
■ Environmental

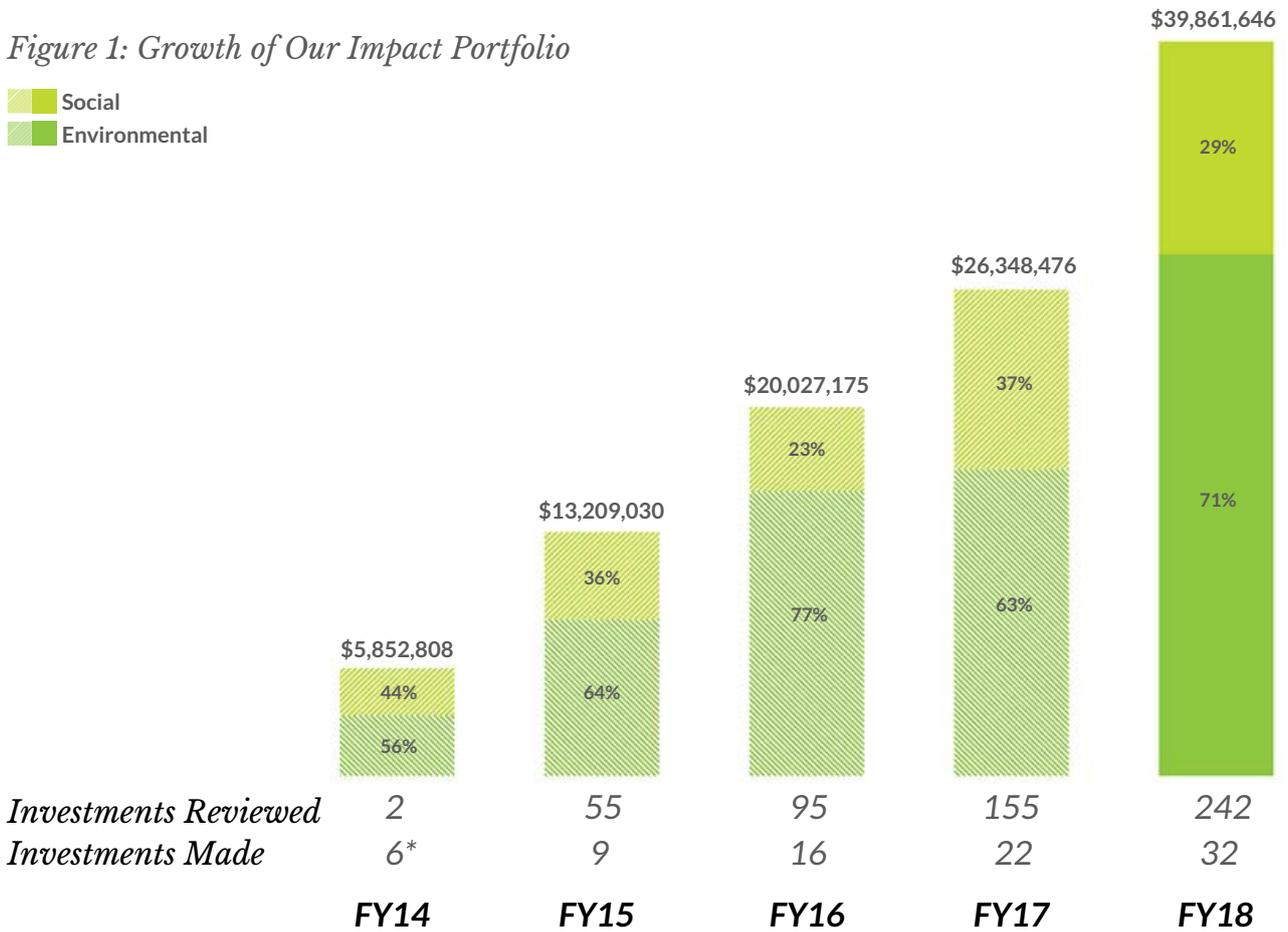


Figure 2: Contribution to Sustainable Development Goals



* Including four impact investments made by Ethinvest before foundation of Australian Impact Investments in 2014.

Over FY18 several investments recorded activity that helped to build the track record of impact investing:

- **Giant Leap Fund**, Australia's first 100% impact-focused venture capital fund for which Australian Impact Investments is a Venture Partner, added five new portfolio companies demonstrating companies fusing profit with purpose are part of the start-up landscape.
- **Patamar Fund 1** (formerly Livelihood Impact Fund), a venture capital fund investing in high growth companies solving South and Southeast Asia's most pervasive problems at scale, recorded its first investment exit.
- **Sycamore School**, an educational institution providing full-time primary school education for autistic children, provided investors full repayment ahead of schedule delivering returns of 8-10%. Excitingly, the success of the primary school will be extended to years 7 to 10 with the school receiving approval to offer high school years from 2019 onwards.

Shortly after the close of FY18, Benevolent Society Social Benefit Bond (BenSoc SBB) became the first social impact bond to reach maturity in Australia. Its Resilient Families program, targeting children in out-of-home care, completed with 32% fewer children entering out-of-home care compared to the matched control group. Over the lifetime of the BenSoc SBB, 816 children and 303 families accessed the Resilient Families program, 86% of which remained intact⁸. As well as strong impact outcomes, the BenSoc SBB returned 6% to



capital protected investors and 10.5% to capital exposed investors⁹. This is a very positive result for investors and helps to strengthen the case for social impact bonds in the Australian market.

Another marker of progress during FY18 was our appointment as impact asset consultant to Koda Capital in February 2018. We are thrilled to have the opportunity to work with Koda Capital and assist them to help their clients in building impact portfolios.

We trust that you enjoy reading about the impact of the investments of our clients who we are honoured to be working with to build impact investment portfolios delivering strong environmental and social impact alongside financial returns.

[8] The Benevolent Society 2018, Resilient Families Impact Report, 2013-2018, Sydney Australia, p4.

[9] The Benevolent Society 2018, 'Social Benefit Bond Investor Financial Report, October 2018', Sydney Australia, p9.

Building Impact Portfolios

Our team has conversations with a diverse array of investors - high net worth individuals, family offices and charitable trusts and foundations - to help them navigate how to build an impact portfolio. These conversations can be early in an investor's impact journey to help build understanding of the landscape for impact investing or provide an impact analysis of a current portfolio. For others the conversation may centre around the different approaches investors can take to impact investing or the design and implementation of an impact investing strategy. Regardless of the stage of conversation, the ultimate end goal is an impact portfolio.

Our Five-Stage Approach

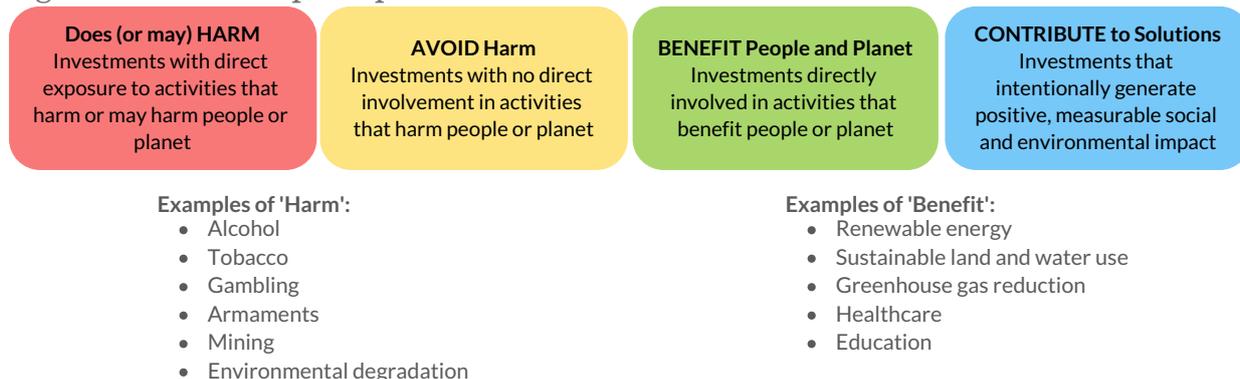
Leveraging the investment and impact experience of our team, we adopt a five stage approach to build customised impact portfolios that reflect our clients' values and concerns and positively contribute to environmental and social change.

1. Develop an investment strategy
2. Source investment pipeline
3. Conduct due diligence
4. Investment recommendations
5. Portfolio management

Our due diligence process involves all investments being assessed using our impact framework that considers risk, return and impact (refer to Figure 4: Impact Framework). For every positive recommendation a comprehensive investment advisory report is prepared.

Each investment is categorised as one of three types of impact - avoiding harm (A), benefit to people and planet (B) and contribute to solutions (C) (refer to Figure 3: ABC-H Impact Spectrum). We reserve type C for those investments where impact is intentional and measurable.

Figure 3: ABC-H Impact Spectrum





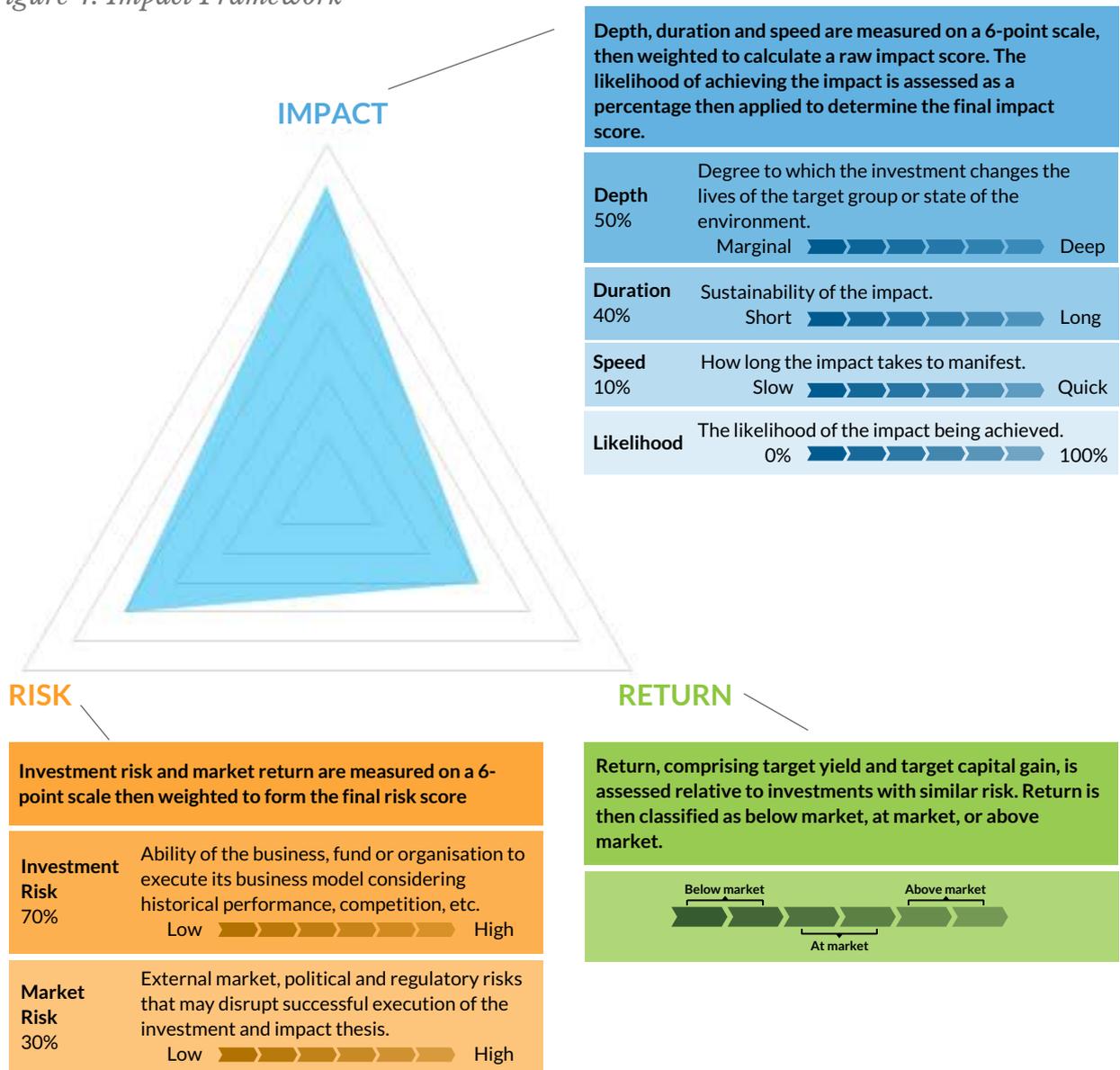
To the extent possible, investments are also aligned to the United Nations' Sustainable Development Goals (SDGs) that serve as a universal framework and call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity.

Our frameworks have been informed by almost thirty years of ethical investment experience within our parent company, Ethinvest, and its

proprietary screening processes, together with emerging best practice across the international impact investing community, particularly the Impact Management Project¹⁰.

Our analysis enables clients to understand and manage the impact of their portfolios.

Figure 4: Impact Framework



[10] Impact Management Project n.d., 'Investor's Impact Matrix', <https://impactmanagementproject.com/investor-impact-matrix/>.



Community Impact Foundation

Australian Impact Investments is the investment manager for the Community Impact Foundation (CIF), a public ancillary fund that provides a communal philanthropic structure to those seeking a planned, tax effective approach to giving.

Launched in 2015, the CIF is the only public ancillary fund in Australia that actively employs an investment strategy to amplify its social and environmental impact and provide comfort to subfund holders that their contributed capital will be invested in a manner consistent with their values. The long term goal of the CIF is that all contributed capital is 100% deployed to impact investments that contribute to solutions (C); however, while the market for impact investing grows, it also invests in activities that benefit people and planet. All assets of the CIF are screened to avoid harm and, in particular, are fossil fuel free, with no exposure to armaments, old growth logging, nuclear, child labour or animal testing.

As of 31 December 2018, the CIF had \$2.7 million, representing 30% of its portfolio committed to 16 impact investments, with the balance of the portfolio outside of cash holdings held in investments that benefit people and planet (B). Impact investments in the CIF portfolio include a range of social impact bonds targeting homelessness, children in out-of-home-care, youth recidivism and mental health.

The CIF also holds investments in solar and wind power, domestic and international impact venture capital and environmental water management. The CIF portfolio is a good example of the impact portfolios Australian Impact Investments is working to build for its clients.

For the 12 months and 3 years to 31 December 2018, the CIF generated a return (after fees) of 5.9% and 7.7% respectively.

Since inception, the CIF has made 181 donations totaling \$1.1 million to 76 charities.



\$1.1 million
Donations to 76 charities



\$2.7 million
Invested in Impact
(Contributing to solutions)



\$3.4 million
Invested in Benefiting
people and planet

Figure 6: CIF Portfolio Impact

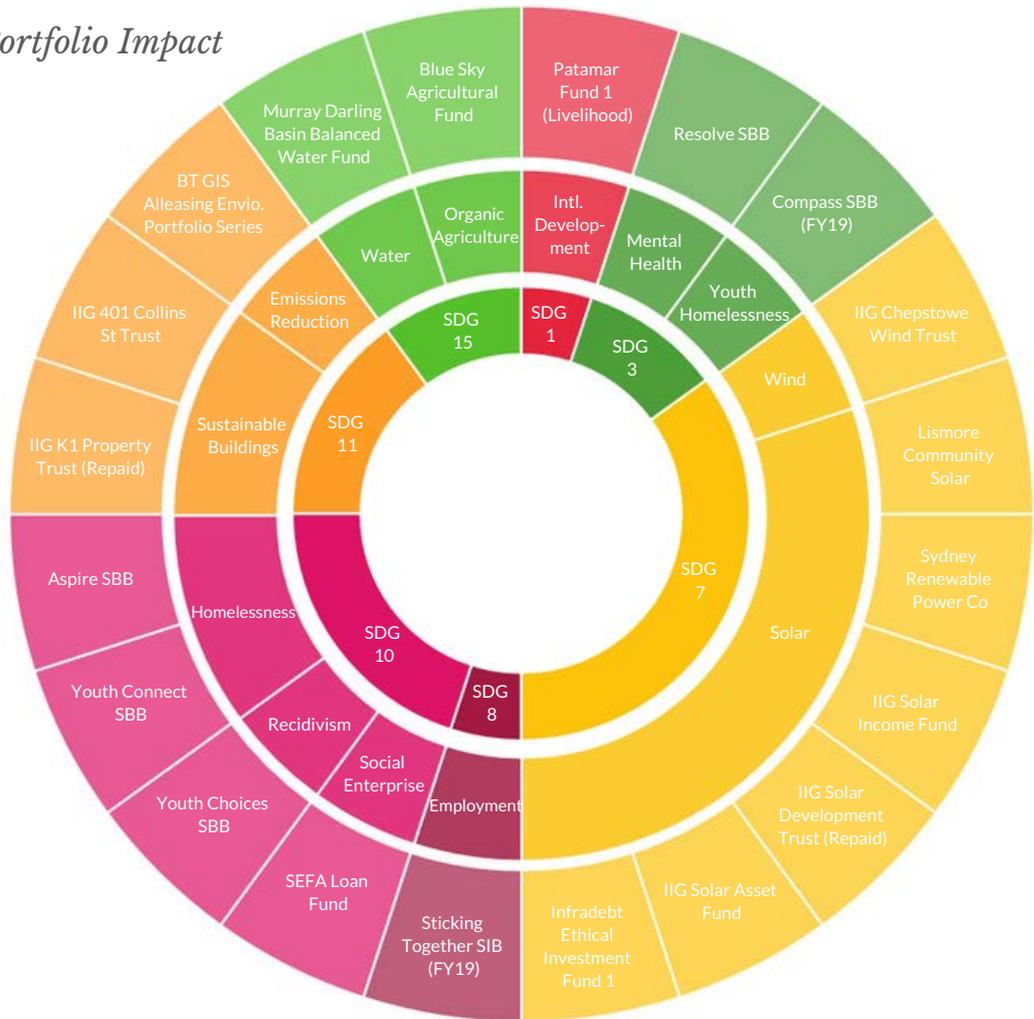
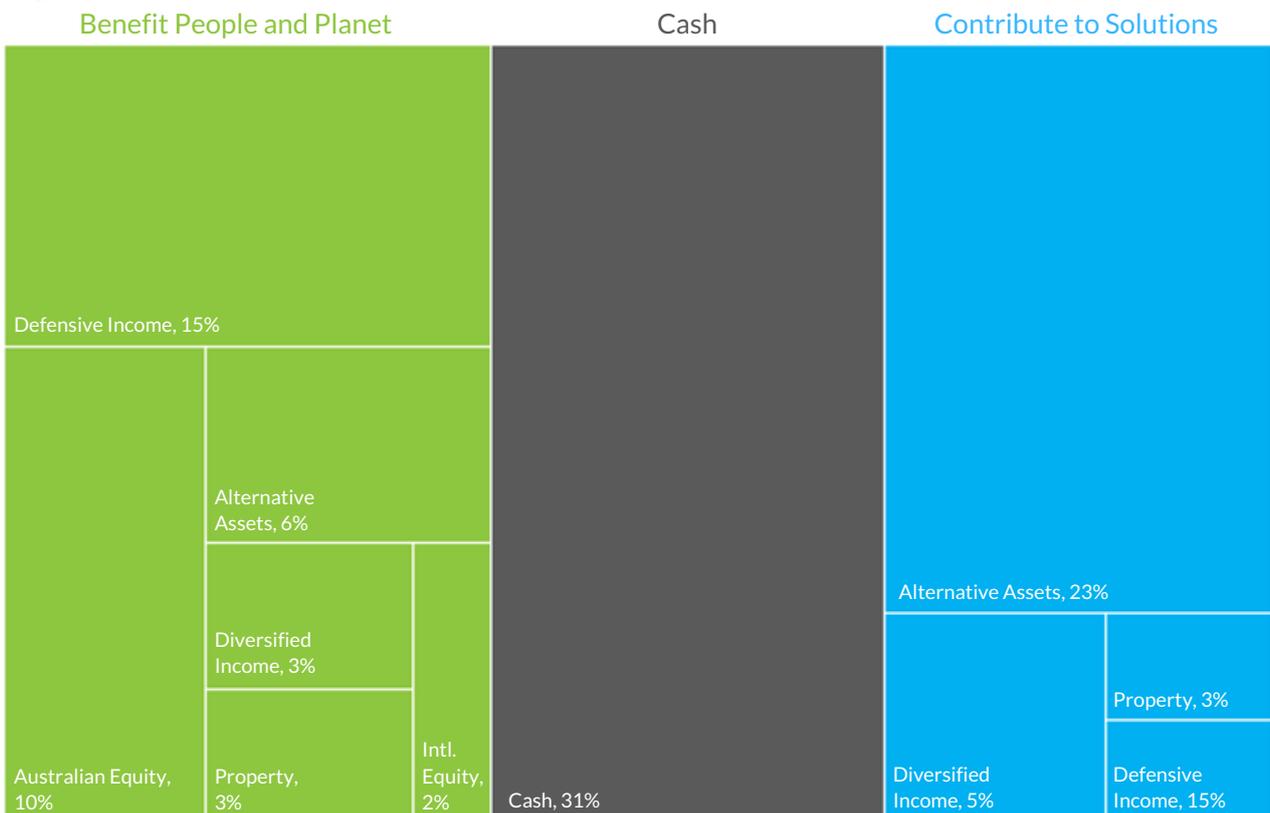


Figure 7: CIF ABC-H Breakdown





Our analysis enables clients to understand and manage the impact of their portfolios.

Our Clients' Impact

A diverse range of environmental and social impacts are generated from the investments in which we facilitated our clients participation. These impacts include carbon abatement, increased biodiversity and reduced land fill, through to enhanced economic participation for low income populations, better physical and mental health and improved family cohesion.

Renewable energy and energy-efficient property make up the majority of the environmental impact of our clients' portfolios. Investments in agriculture, water and waste management are also held. The primary environmental impacts of these investments include generation of renewable electricity, tonnes of CO₂ emissions abated, tonnes of organic grain consumed and grown, and litres directed to environmental watering events.

Our clients' social impact was generated through investment in Social Benefit Bonds (SBB) or Social Impact Bonds (SIB) and venture capital into for-profit for-purpose businesses, as well as dedicated impact funds. These investments aim to generate positive social impact for communities and families in the areas of international development, disability, out-of-home care, education, homelessness, mental health and recidivism.

While some of our new investments are yet to record impact, we are encouraged by the potential for change they present.

All figures are for the period from inception of the investment until end of FY18 unless otherwise stated.





Environmental Impact

7 AFFORDABLE AND CLEAN ENERGY

Hepburn Wind (FY08)
4.1MW community-owned wind farm.

IIG Chepstowe Wind Trust (FY14)
6.15MW wind farm.

Kurrawang Community Solar (FY16)
36kW solar PV array for a remote Indigenous community.

Lismore Community Solar* (FY16)
99kW community-funded solar farm.

IIG Solar Income Fund (FY17)
Solar farms and assets with total capacity of 21.37MW.

Sydney Renewable Power Co. (FY17)
520kW community-owned solar PV array at Sydney's ICC.

IIG Solar Development Trust (Swan Hill)* (FY18)
19.3MW solar PV array.

IIG Solar Development Trust (Chinchilla)* (FY18)
19.9MW solar PV array.

Infradebt Ethical Investment Fund 1* (FY18)
Fund investing in environmentally and socially positive infrastructure.

Repower Shoalhaven* (FY18)
120kW solar PV array.

IIG Solar Asset Fund (FY18)**
Solar farms and assets with eventual capacity of 73.8MW.

95,283

MWh renewable energy generated

105,341

Tonnes of CO₂ emissions abated

11 SUSTAINABLE CITIES AND COMMUNITIES

IIG 401 Collins Trust (FY14)
Retrofit of historical property in Melbourne to achieve NABERS 4.5-star rating.

IIG TAC Property Trust (FY15)
A-Grade office building with NABERS 5.5-star rating in Geelong, exited in FY2018.

IIG K1 Property Trust (FY15)
A-Grade office building with NABERS 6-star rating in Brisbane.

BT GIS Alleasing Environmental Portfolio Series* (FY18)
Two investment funds leasing ORCA waste disposal and management systems.

IIG Giant Leap Fund: Switch Automation* (FY18)
Smart building technology company.

75

MWh renewable energy generated

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

IIG Giant Leap Fund: Sandle (FY17)
Carbon neutral delivery service for Australian small-to-medium businesses.

IIG Giant Leap Fund: GlamCorner (FY18)
Online platform shifting consumer behaviour away from 'fast fashion'.

2.4 billion

Kilometres of carbon neutral delivery service

80⁺

Tonnes of clothing diverted from landfill

15 LIFE ON LAND

Murray Darling Basin Balanced Water Fund (FY16)
Investment in water rights in the southern Murray Darling Basin to balance farming and environmental needs.

Blue Sky Agriculture Fund III (FY16)
Integrated supply chain agricultural production, processing and marketing within the organic grain industry.

1,710

Megalitres of water for environmental watering events

23,059

Tonnes of CO₂ emissions abated

* Impact measurements are yet to be recorded.
** Assets of the IIG Solar Development Trust were rolled into the IIG Solar Asset Fund once construction was substantially complete.
+ Since inception of GlamCorner in 2012



Social Impact

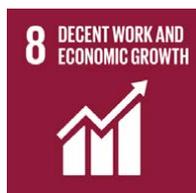


Patamar Fund 1 (Prev. Livelihood Impact Fund) (FY15)
 Venture capital fund investing to improve the livelihoods of low income populations across Asia.

Triodos Microfinance Fund (FY16)
 Microfinance fund providing access to financial services for low income populations in emerging markets.

6.9 million
 Livelihoods improved

40.5 million
 People with access to financial services



IIG Giant Leap Fund: YourGrocer (FY17)
 Platform supporting online grocery shopping from local and independent shops.

\$10 million
 Sales for independent retailers



Newpin SBB (FY13)
 Program returning children in foster care to their families.

Benevolent Society SBB (FY14)
 Intensive family support program keeping children with their families and out of foster care.

Resolve SBB (FY17)
 Mental health program to support 526 participants.

AbilityMade (formerly AbilityMate)* (FY18)
 Producer of 3D-printed Ankle Foot Orthoses for children with disabilities.

IIG Giant Leap Fund: Perx (FY18)
 App improving medication adherence through gamification and behavioural psychology.

32%

Fewer children entering out-of-home care

154

Children restored to their families

134

People receiving mental health support

72%

Rate of adherence to medication regimes



Sycamore School (FY17)
 Primary education offering specialised education for autistic children.

65

Children enrolled



SEFA (FY14)
 Social impact lender providing for purpose organisations access to capital.

Hireup (FY16)
 Online platform empowering people with disabilities to select and manage their support workers.

Aspire SIB* (FY17)
 Program to provide 600 homeless people with housing and life skills to permanently end their homelessness.

Youth Choices SBB* (FY18)
 Program to reduce the future offending rate of 120 young people.

Youth Connect SBB* (FY18)
 Program to provide housing stability, education, employment and personal development to 300 young people.

1.2 million[^]

Hours of support to people with disabilities

\$15.3 million

Loans to mission led organisations

* Impact measurements are yet to be recorded.
 +Since inception of YourGrocer in 2013
 ^Since inception of Hireup in 2014

Since the launch of Australian Impact Investments in August 2014 through to the end of FY18 Ethinvest clients have collectively committed a total of \$39.8 million to a diverse range of 32 impact investments.

Highlighted Investment FY18

Youth Connect Social Benefit Bond



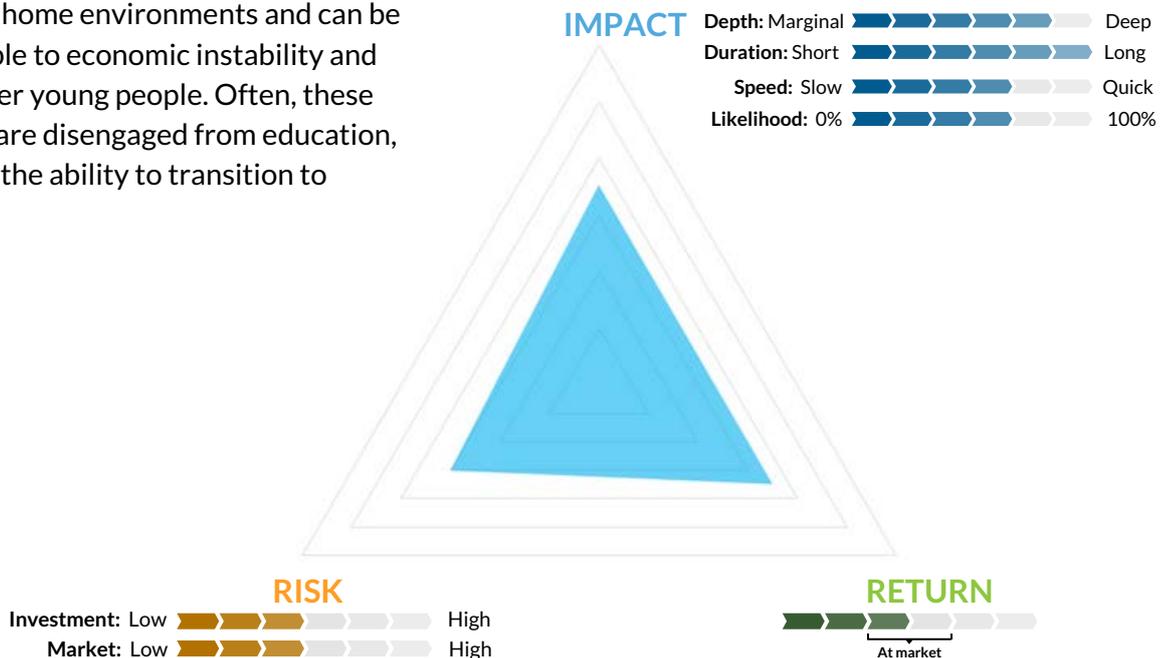
Impact Theme: Homelessness/Resilience
Total Investment Size: \$5 million
Client Participation: \$750,000
Target Return: 7.5% p.a.

Youth Connect SBB is a \$5 million social impact bond created to fund the secular Youth Connect Program (Program), delivered by the Churches of Christ in Queensland (CofCQ). The Program is a 'housing first' intensive case management program for 300 young people aged 15-25 who are exiting the child protection system and are homeless or at risk of homelessness.

Young people in the state care system are often from unstable home environments and can be more vulnerable to economic instability and crisis than other young people. Often, these young people are disengaged from education, which inhibits the ability to transition to

employment or further education and increases the likelihood of having a criminal record, experiencing mental illness and substance abuse. Studies have also shown that these young people have a significantly higher chance of experiencing homelessness.

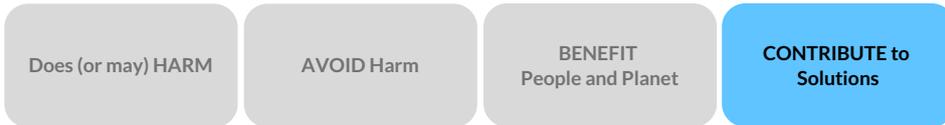
The Program aims to address these issues and generate positive social impact with a focus on housing stability, education, employment and personal development, to ultimately build independence and resilience in participants.





Highlighted Investment FY18

AbilityMade



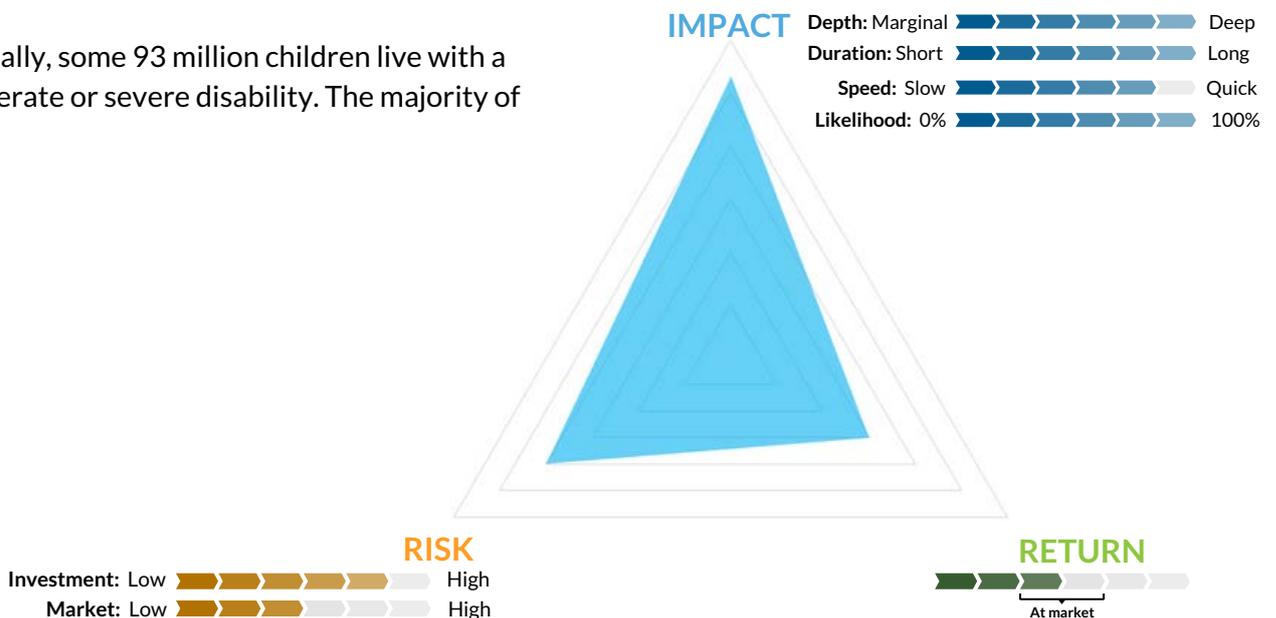
Impact Theme: Disability
Total Investment Size: \$600,000
Client Participation: \$100,000
Target Return: >20% IRR

AbilityMade (formerly AbilityMate) is a for-purpose technology company engaged in the customisation and digital manufacture of custom-made assistive devices with a mission 'to help children with disabilities access the equipment they need'. The first product of AbilityMade is 3D printed Ankle Foot Orthoses (AFOs) for children for which it has developed a series of novel products, processes and services to help orthotists to achieve the clinical results they expect and deliver effective, cutting-edge options and better experience to their patients.

Globally, some 93 million children live with a moderate or severe disability. The majority of

this population would benefit from prosthetics or orthotics, yet only 1 in 10 have access to the devices they need.

AbilityMade seeks to change this paradigm by using child-friendly, cutting-edge 3D printing and scanning technology to deliver access to affordable, high quality, customised AFOs in hours, rather than weeks. If successful, AbilityMade will be able to give thousands of children with cerebral palsy and other disabilities access to vital treatment they need.





Highlighted Investment FY18

Infradebt Ethical Investment Fund 1



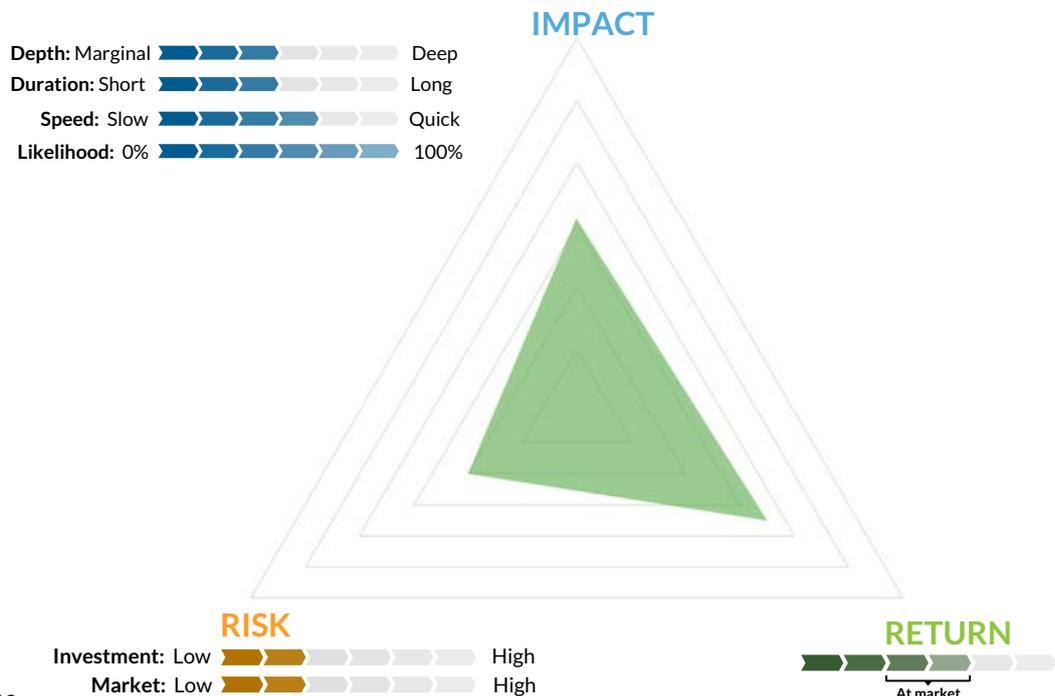
Impact Theme: Renewable Energy
Total Investment Size: \$10-20 million
Client Participation: \$4.8 million*
Target Return: 4.25% p.a

The Infradebt Ethical Investment Fund 1 (IEIF1) invests in infrastructure assets with an environmentally or socially positive impact, primarily via secured debt.

These assets directly benefit the community by generating employment, abating carbon and enabling the provision of social services, however with no formal requirement to report on impact the Fund is categorised as Benefiting people and planet (B).

Current assets include loans to:

- Royal Women's Hospital.
- IIG Solar Asset Fund's 19.3MW Swan Hill, 19.9MW Chinchilla and 34.6MW Brigalow solar farms.
- ASX-listed ReNu Ltd to purchase and operate a 600kW solar system in the ACT.
- ASX-listed Infigen Energy Ltd's six wind farms with total generation capacity of 557GW.
- Amaroo School's 600kW rooftop solar project.



* As at 31 December 2018

Our team, along with our clients, are committed to maintaining a focus on the end destination - a world that meets the needs of all within the means of the planet - to ensure the integrity of the impact to which we collectively contribute.

Our Commitment

Australian Impact Investments is an asset consultant specialising in impact and responsible investments. We provide research, portfolio construction and investment management services. We assist wealth managers, financial advisers and their clients, including family offices, charitable trusts and foundations and not-for-profits, to build bespoke portfolios that are aligned with their values and generate social and environmental impact alongside financial returns.

Our team, along with our clients, are committed to maintaining a focus on the end destination - a world that meets the needs of all within the means of the planet - to ensure the integrity of the impact to which we collectively contribute.

We will be transparent on where each investment in our universe sits on our ABC-H Impact Spectrum that encompasses avoiding harm (A), benefit to people and planet (B) and contribute to solutions (C), preserving C for those investments that intentionally target measurable social and environmental impacts.

We will also engage in shareholder advocacy to focus attention of business leaders to give consideration to the social and environmental impact of the companies they lead.

We very much look forward to walking alongside our clients in the Impact Revolution and welcome your feedback on this report. For those wanting to embrace the Impact Revolution we invite you to reach out to our team to learn more about integrating into your investment portfolio.

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- Nikhita S (School Girl)
- Lou Liebau (Green Vegetables)
- Vita Vilcina (Koala)
- Clem Onojeghuo (Strawberries)
- Rawpixel (Wind Power and Team Work)
- Perry Grone (Helping Hands)
- Peter Wendt (Leeks and Carrots)
- Joshua Sazon (Two Girls Facing Ocean)
- Ben Wicks (Children in Gumboots)
- American Power Association (Solar Panels 2)
- Ian Dooley (Hot Air Balloons)