VALUING NATURE'S CAPITAL

2024

Annual Institutional Impact Investors Survey

PHENIX CAPITAL

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PHENIX CAPITAL

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INTRODUCTION

Welcome to the annual Phenix Impact Investors Report. The overarching theme of the 2024 edition is natural capital. Titled, *Valuing Nature's Capital*, this report builds on last year's investor survey by taking a look at how investors are allocating to arguably the most important capital market, namely nature's assets.

Commonly now referred to as natural capital, it is the inventory of the planet's natural resources, including geology, plants, animals, minerals, and ecosystems that produce goods and services.

A speech by President Franklin D. Roosevelt in October 1937 foresaw natural capital's demise: "...the natural resources of our land – our permanent capital – are being converted into nominal evidences of wealth at a faster rate than our real wealth is being replaced.... That is the unbalanced budget that is most serious".

But it would be another 36 years before the term 'natural capital' was coined by E. F. Schumacher in his book *Small Is Beautiful*.

According to the World Economic Forum's (WEF) *2020 The New Nature Economy Report*, $44 trillion of economic value generation – more than half the world's total GDP – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss.

Industries highly dependent on nature generate 15% of global GDP ($13 trillion), while moderately dependent industries generate 37% ($31 trillion). Construction, agriculture and food and beverages are the three largest industries that depend on nature the most.

The dependency is either by the direct extraction of resources from forests and oceans or the provision of ecosystem services such as healthy soils, clean water, pollination and a stable climate.

The combined value of these three industries alone, an estimated $7.9 trillion, is roughly twice the size of the German economy. Collectively these industries impact heavily on at least eight of the UN Sustainable Development Goals (SDGs).

Despite this, the United Nations only adopted a new framework to go beyond GDP to make sure that natural capital is recognised in economic decision-making and reporting in 2021.

So why is this "asset class" that makes all life possible still an afterthought in accounting frameworks?

INTRODUCTION

Siloed thinking is a core part of the problem. Last year's report focused on 'joining the dots' with respect to the Sustainable Development Goals, which should not be viewed in isolation.

Natural capital assets, which support ecosystem services, can be assessed across five pillars: freshwater (both ground and surface water), oceans, land (including forests and soil), biodiversity (the diversity within species and between species and ecosystems), and climate.

Right now, there are five drivers of biodiversity and ecosystem change: land-use change; climate change; pollution; natural resource use and exploitation; and invasive species.

According to the WEF's *Global Risks Report 2024*, biodiversity loss and ecosystem collapse due to these changes is the third top 10 problem in a decade's time.

Understanding the link between natural capital assets and the ecosystem services they provide is a crucial first step to fully comprehending the risks associated with nature loss that businesses and investors face.

In addition to understanding the different impact journeys taken by investors, this report will look at how different investors are starting to look at investing in natural capital.

Survey Highlights:

- 67% invest indirectly via impact managers
- 33.3% have impact as a separate allocation
- 78% of investors had an allocation to one or more types of private equity strategies
- 48% of investors allocate to European-focused funds
- 45% of investors allocate to five or fewer impact funds
- 90% of investors have climate as an impact theme
- 71% actively considering natural capital
- 70% looking at forestry as natural capital proxy
- 78% of investors have biodiversity on their radar

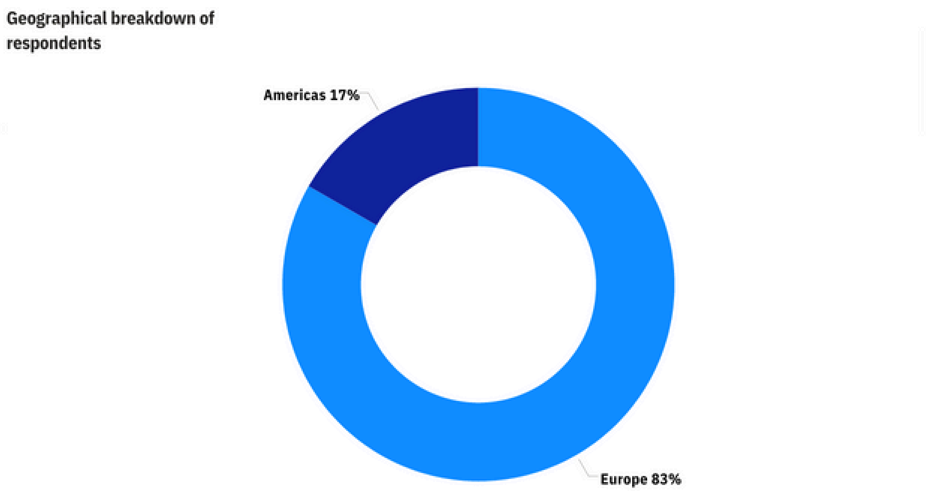
We wish to thank all the respondents for their time and input and to our six profile candidates for sharing their journey with the community so generously and helping to tie together many of the themes and ideas in this report.

INVESTOR SURVEY

Our annual Impact Investor Survey is designed to give a real time snap shot of investor sentiment into the challenges, themes, and general developments in the market as well as focus on one topic that will shape impact investing in the future.

While the overall number of respondents may be relatively small, those that participated manage approximately $474.7 billion in total with roughly $22.2 billion allocated to impact strategies.

This is almost 2% of the total global impact asset universe, according to GIIN's 2022 [$1.164 trillion] estimate.



Geographically, 48% of the investors surveyed are located in The Netherlands including heavy hitters such as ABN AMRO, FMO, MN, Rabobank and Van Lanschot Kempen. Meanwhile nearly 17% of respondents are from the Americas, including USA, Canada and Brazil.

In our profile section, Vincent Triesschijn, Global Head ESG and Impact Investing at ABN AMRO, shares how the bank has gone from zero capital in 2015, to more than €4 billion invested almost a decade later.

This year, 83% of the respondents are from Europe, including Belgium, Luxembourg and Switzerland which continues to be reflective of the differences between European and North American attitudes to sustainable investing.

Last year, we looked at the EU vs US with respect the impact investing differences on both sides of the Pond. This year, in addition to our six investor profiles, the survey data and anecdotal qualitative information, we have extracted and included relevant investor data from the database.

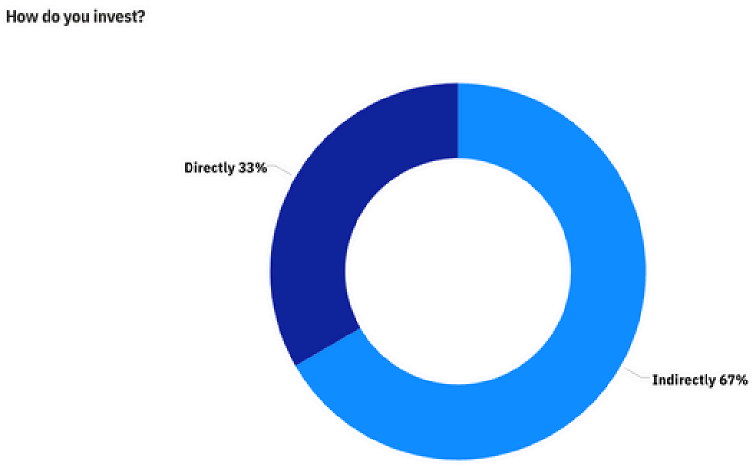
In terms of investor mix, respondents ranged from funds of funds, through family offices to pension funds and foundations, all of whom have different fiduciary duties, and therefore, return expectations and obligations.

Given different investors and a different number of investors have responded this year, year on year comparisons for the different questions would not be accurate so we are looking more at the trends.

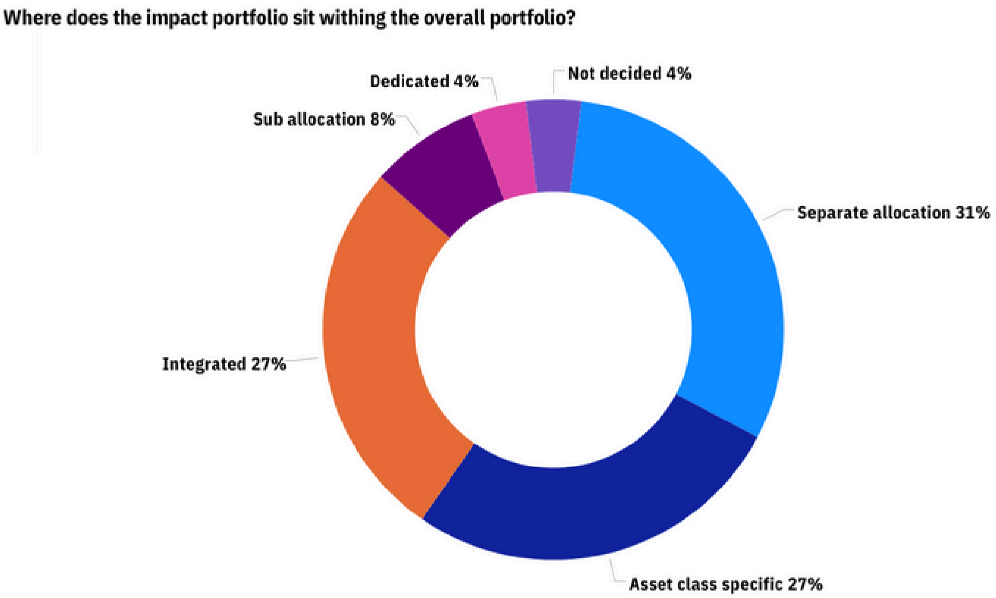
INVESTOR SURVEY

Indirect impact investing via funds or funds of funds continues to be the preferred strategy for 67% of the respondents.

In a market that is relatively young, the onus for measurement, underlying due diligence and reporting lies with the investment manager.



The Phenix Impact Fund Database, currently has a total of 2,820 impact funds across seven main strategies and includes 116 funds of funds.



Investors opting to carve out a separate allocation for their impact investments is the most popular category once again, with 31% of the respondents selecting for this route.

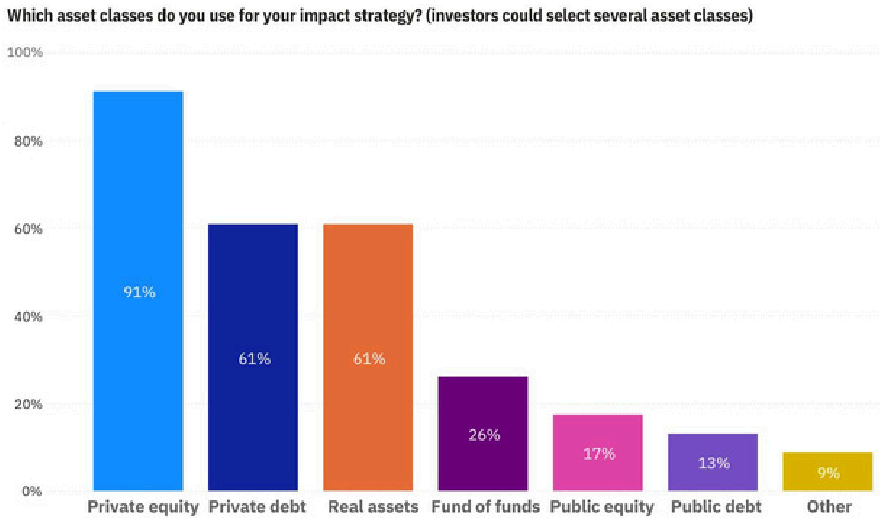
Like many 'new' strategies, first time investors often like to incubate or trial portfolios before increasing their allocation or integrating the process.

This year, Jenny Overman, associate director, Privium Fund Management, returns to discuss how they started to expand the thematic focus of the Privium Sustainable Impact Fund to include natural capital a few years ago.

Last year, we also profiled Sybren Devoghel, investment manager at King Baudouin Foundation, which has a separate and dedicated allocation for their impact first investments, This year, Sybren talks about the launch of a dedicated vehicle for the foundation's asset specific private market finance first impact investments.

Asset class specific and integrated mandates, are favoured by 27% of the respondents, respectively. CO Invest and Wire Group, both featured in the interviews section, run their impact investments as a dedicated fund.

INVESTOR SURVEY



Only one investor surveyed still had to allocate impact assets.

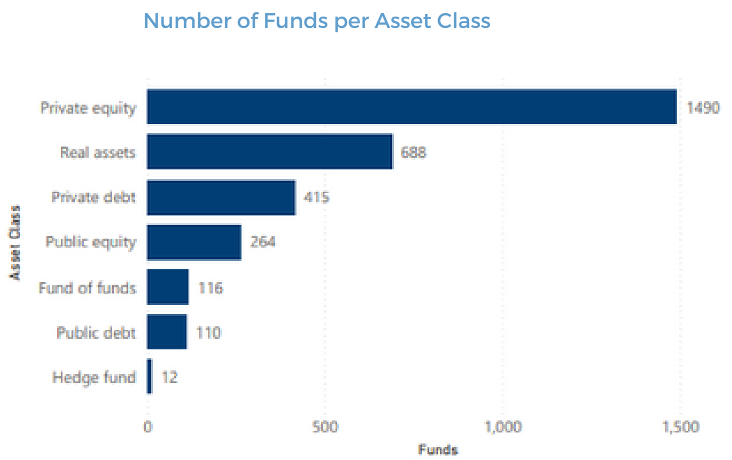
Of those that have invested, in terms of asset classes, 78% of the respondents had private equity in their portfolios.

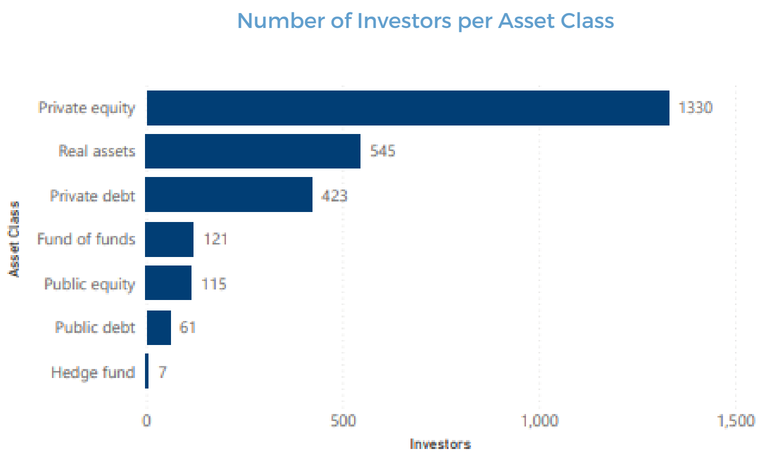
Nearly 78% of the private equity investors allocated to venture and growth, respectively, and 44% also including buyout funds.

Of those investors allocating to real assets, 39% invested in infrastructure, nearly 35% invested in farm and cropland, and another 35% also invested in timber and forestry, while real estate was popular with 30% of the investors.

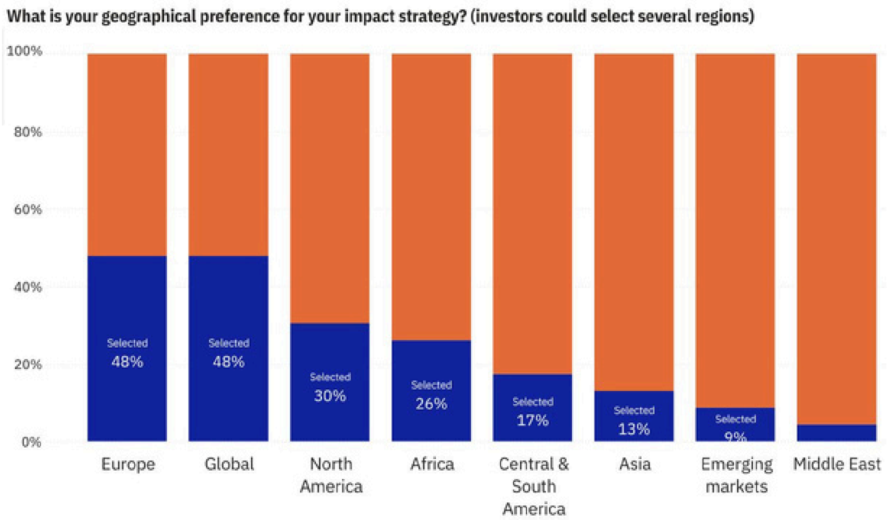
Nearly 61% of investors surveyed had private debt in their portfolios with just 13% holding public debt. Some 22% of the investors allocated via funds of funds, of which the Phenix Impact Database tracks 116. Nearly 74% of the investors surveyed are allocating to impact without the use of a consultant.

Looking at the Phenix database, which tracks a total of 2,820 impact funds managed by 1,150 managers, private equity funds make up nearly 53% of the total number of funds included, while real assets, the second largest fund category, makes up around 24%. Mirroring the survey, of the investors tracked in the database, the majority, 1,330 in number, allocate to private equity, with real assets the next most popular category.





INVESTOR SURVEY

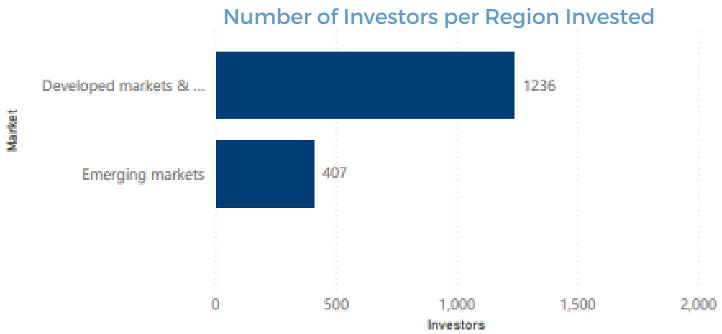


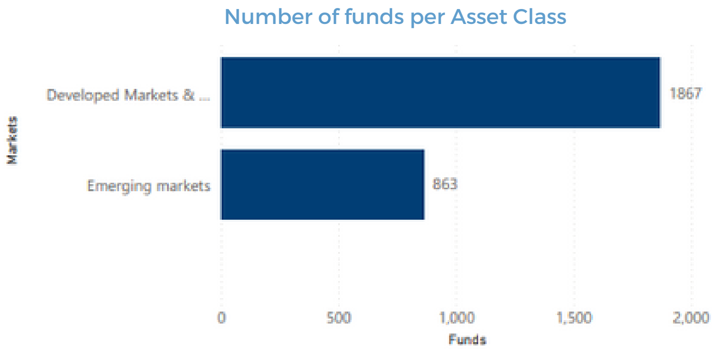
More than 50% of the respondents invested in two or more regions, with a European or global mandate being the most popular with 48% and 43% of investors.

Nearly 35% of the investors had a North American focus, while 30% allocated to Africa.

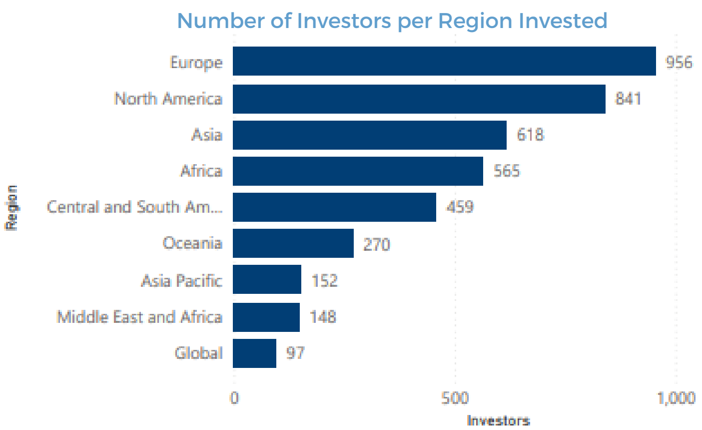
There are nearly 54% more developed market funds in the Phenix Impact Database than those with an emerging market focus, which mirrors the investor appetite. There are 1,236 investors investing in developed markets, which is 67% more than those with an emerging market preference.

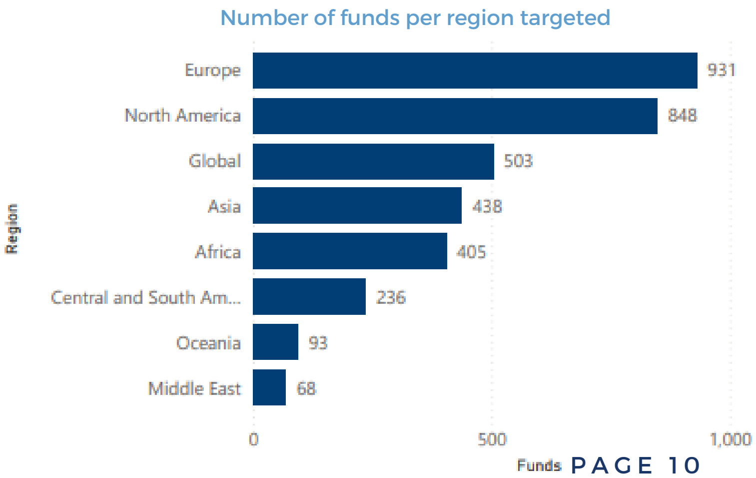
Yet it is the emerging markets that have a larger SDG financing gap. The war in Ukraine and consequent global inflation led to lower financial flows from developed to developing countries. It is estimated that the emerging markets need an extra $3.9 trillion in annual investment to achieve the SDGs by 2030.



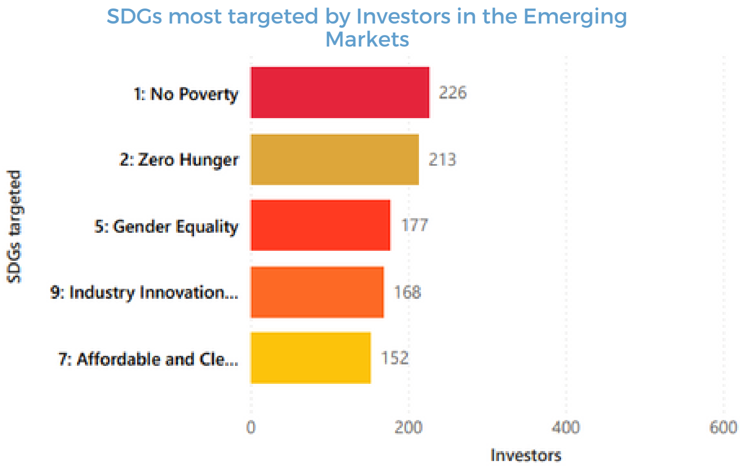


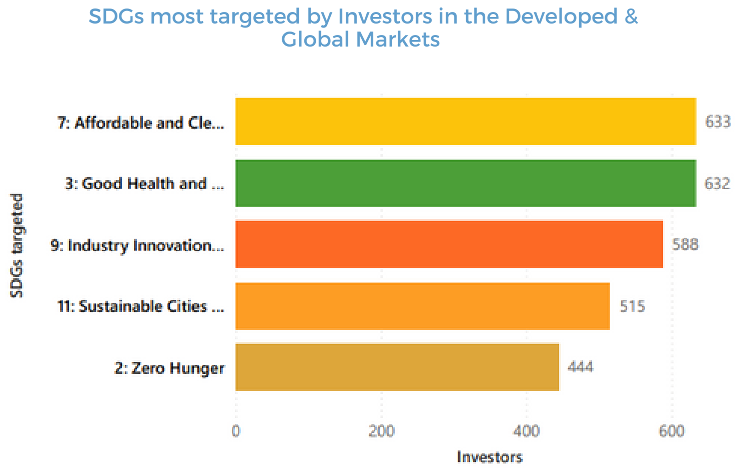
While the number of funds per region targeted in the database reflects the European, global and North American investor appetite, the investors have preference for Asian, African and Central and South American funds over those with a global mandate.



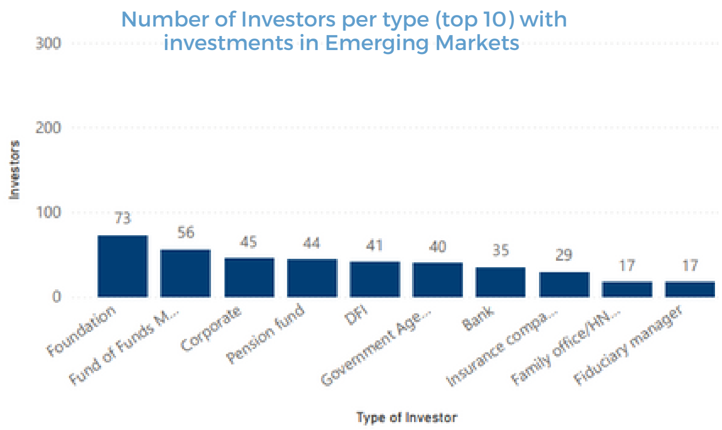


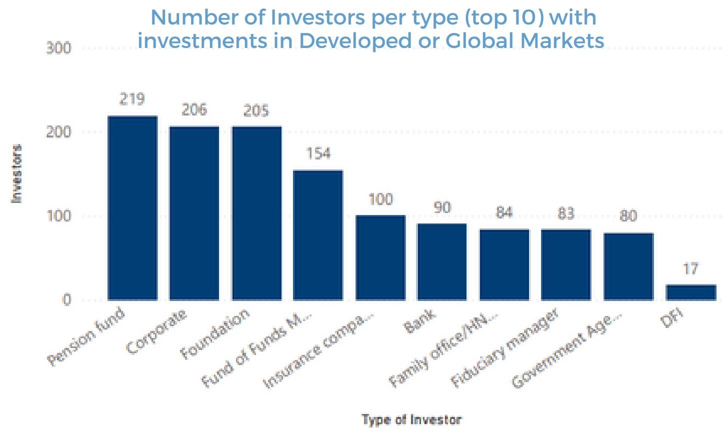
INVESTOR SURVEY





It is interesting to look that the different SDGs from the point of view of geographical preference. The investors in the Phenix Impact database that are targeting the emerging markets prioritise No Poverty (SDG1) and Zero Hunger (SDG2), with the latter in 5th place for developed market investors. Affordable and Clean Energy (SDG7) is the priority for developed market impact investors, while this comes in 5th place for investors focusing on the emerging markets.



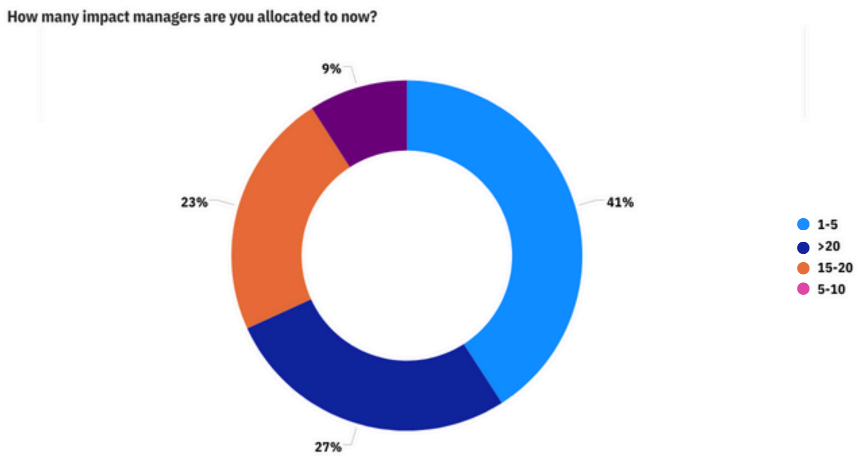


In terms of catalysing capital for development, different investors have different risk and return expectations. Pension funds, which have longer liability profiles, typically have less risk tolerance and require more stable returns streams. They are the largest investor group in the developed markets, according to the Phenix Database.

Nearly 68% more investors focus on developed markets than the emerging markets. In terms of numbers, fewer investors, 397 in total, focus on the emerging markets, but the largest group are the foundations that can often have an impact first mandate. There will be overlap in the numbers as some investors will focus on both markets.

That said, in terms of committed capital, foundations are the most active in developed and global market funds, while development finance institutions are by far and away the biggest allocator in the emerging markets.

INVESTOR SURVEY

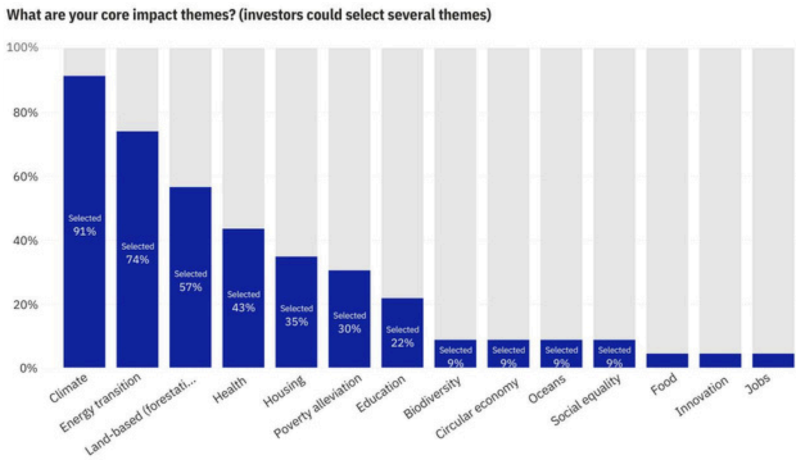


Nearly 41% of investors have between one and impact funds in their portfolios, 23% invest in 15 to 20 funds and 27% allocate to more than 20 funds.

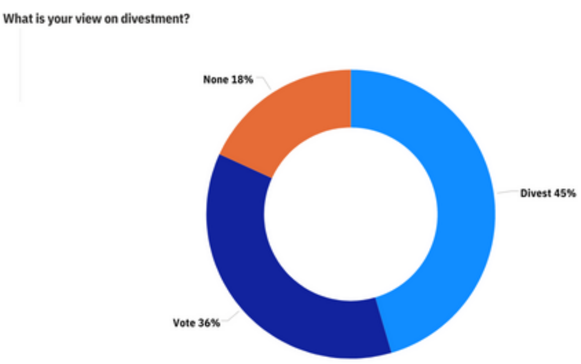
Among the funds in the portfolios of the investors that were willing to disclose are: Vison Ridge, Tikehau, EQT, Apax, Candriam, Ara Partners and Blue Orchard.

The impact themes for the survey roughly correlate to the SDGs, giving a thematic overview of what investors are focusing on.

Investors allocated across between two and seven themes, averaging 3.8 themes per investor. More than 90% had climate as a core impact theme, with 74% focusing on the energy transition.



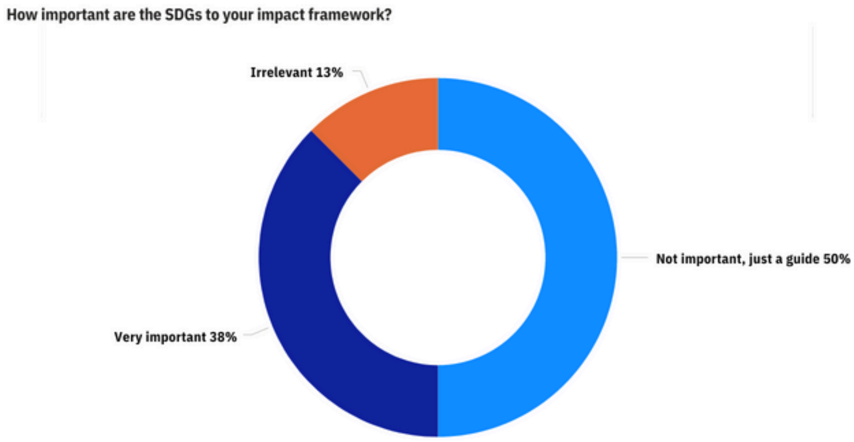
Land-based themes such as forestation and agriculture was the third most targeted theme by 57% of investors. Health and housing were targeted by 39% and 35% of investors, while nature-based themes such as the ocean and biodiversity saw only 9% of the investors interested, respectively.



At the end of 2023, more than [1,600 institutions] managing more than $40.6 trillion in assets had divested from fossil fuels. When asking investors on their view of divesting versus voting for change, 45% said they would divest, while 36% would vote and 19% have no view on the subject.

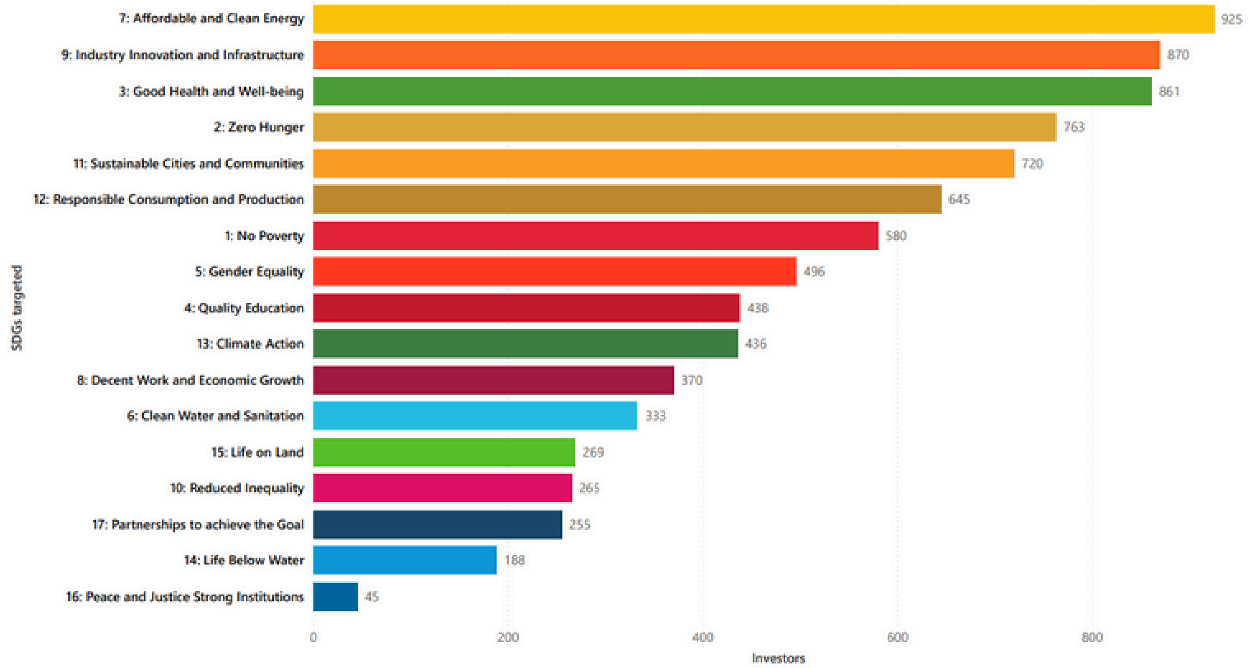
Yet when asked ***How important is engagement for you?*** More than 90% of the investors said that engagement was very important, and less than 10% were either neutral about it or it was not important.

INVESTOR SURVEY



As the 2030 deadline for financing the SDGs draws closer, the [2024 Financing for Sustainable Development Report] says that $4.2 trillion is required each year to close the financing gap, up from $2.5 trillion before the pandemic.

Half the investors do not see the SDGs as an important tool for their investments, but more as a guide. Nearly 38% of investors see them as important, while 12% see them as irrelevant.

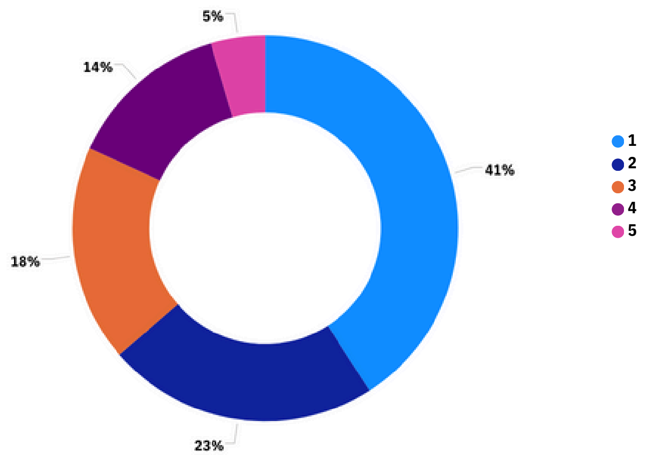


Even if half the investors surveyed only see the SDGs as a guide, they are still a useful tool to look at where the investments are flowing, and where the funding gaps might be. Affordable & Clean Energy, Industry, Innovation and Infrastructure, and Good Health and Well-being are the top three SDGs that the investors in the Phenix database favour.

With respect to the investment themes of the universe surveyed, more than 90% had climate as a core impact theme, which has come 10th in the SDGs favoured by investors in the database. Once again, nature-based themes such biodiversity (included in SDG15) and the ocean were 13th and 16th place, respectively, showing the lack of flows to an crucial investment theme.

INVESTOR SURVEY

On a scale of 1-5 (where 5 is high influence) how has war influenced your impact portfolio?



Peace, Justice and Strong Institutions (SDG16) is another of the least funded or discussed goals, yet conflict, and climate, were among the key risks discussed at Davos in January.

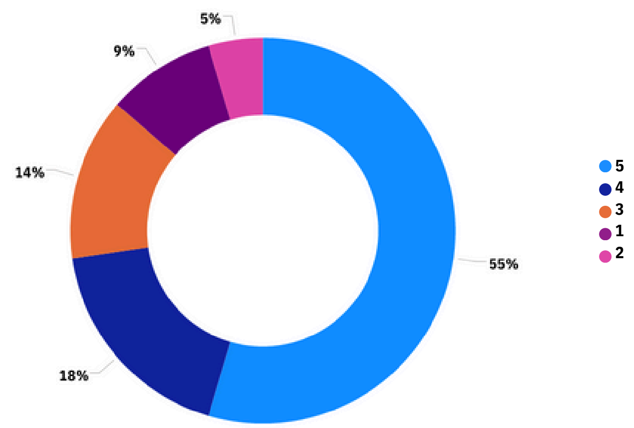
Interstate armed conflict was a new entrant in the World Economic Forum's survey list of risks.

In 2024, conflict escalation could be seen in three areas: Israel, Ukraine and Taiwan. Conflict could have potentially economic, geopolitical and security consequences, so we asked investors if war was an influence on their impact portfolios. For the majority of the investors, some 41%, war had very low influence on portfolios, and only just 5% saw it as a high influence.

Climate change on the other hand saw nearly 55% of investor portfolios being highly influence, going up to nearly 73% if scale four and five were taken into account.

Last year's [investor report] looked at climate finance, an umbrella term for financial resources such as loans, grants, or domestic budget allocations for climate change mitigation, adaptation or resiliency.

On a scale of 1-5 (where 5 is high influence) how has climate change influenced your impact portfolio?



Global climate finance approached [$1.3 trillion] on annual average in 2021/2022 compared to $653 billion in 2019/2020. Most of this growth is due to an increase in mitigation finance, with the largest growth in the renewable energy and transport sectors.

In 2009, developed countries agreed to mobilise $100 billion annually by 2020 to support climate action in developing countries. However, this is not nearly enough. The first *Needs Determination Report* of the Standing Committee on Finance in 2021 shows nearly $6 trillion is needed to implement developing countries' climate action plans by 2030, and this does not fully cost for adaptation.

INVESTOR SURVEY

For many the impact investing journey started with sustainable and or responsible investing moving through ESG and around 2015 many had defined impact investing as a distinct form of money management.

Of those that replied to the question of what was the first fund or theme they invested in, 17% started with micro finance. Renewable energy and frontier markets were also starter impact themes.

The reasons for moving towards impact investing were many and varied, including client-driven demand. For a number of investors, it was a natural move from ESG investing.

One allocator said “[We were] not satisfied with the results from ESG investing, too much greenwashing by the big names”. Shifting to sustainable economics and future proof investing were also cited as reasons.

Jim Bunch, partner at CO Invest, profiled in this report, is a place-based impact investor that believes Colorado has quality investments but not enough local capital.

“Investing in fund managers outside the state and helping connect them with opportunities allows us to keep our capital local, and also generate compelling returns,” he said.

In terms of what next, one investor is focusing on affordable housing, while another is going to explore impact in the listed equity market. A third investor is focusing on managers that are transitioning from extractive industries to regenerative ones.

A number of investors, including Privium Fund Management, are going to focus on biodiversity and natural capital, including more investments in agriculture and forestry.

The next section of the investor survey focuses on natural capital and the challenges this new ‘capital market’ faces as well as if/how it appears on investors’ radar.

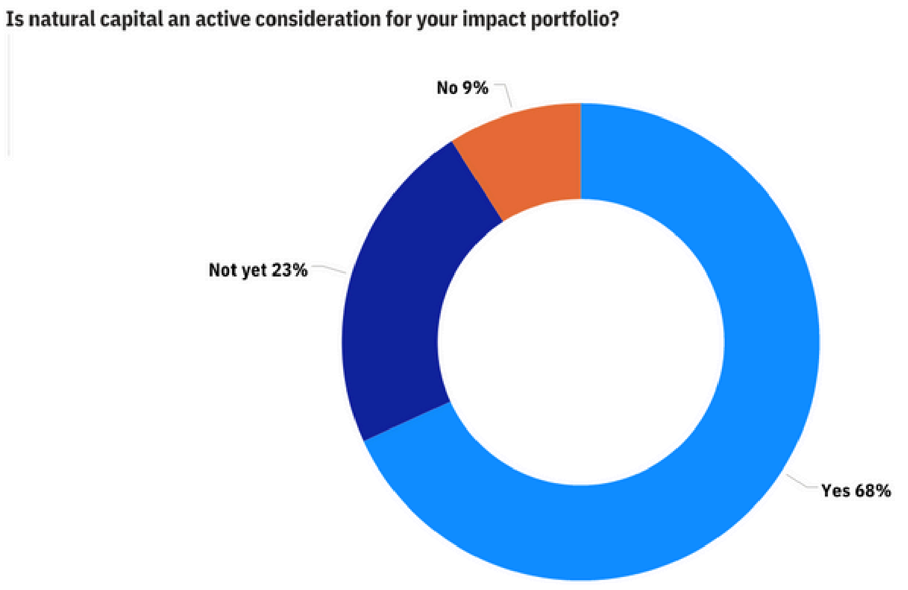
NATURAL CAPITAL IN FOCUS

Roughly, $7 trillion is invested globally each year in activities that have a direct negative impact on nature from both public and private sector sources, This is equivalent to roughly 7% of global GDP, according to UNEP's *State of Finance for Nature* report.

The UNEP report also found that investments in nature-based solutions totalled approximately $200 billion in 2022. BloombergNEF's *Biodiversity Finance Factbook* calculated that it will require almost $1 trillion annually by 2030 in financing to protect and restore the planet's more fragile natural resources.

Moreover, without this financing, global GDP could be $2.7 trillion a year lower than projected levels by 2030 due to biodiversity loss.

On the upside, and a reason to consider natural capital investing, is that transitioning to a more nature-positive economy could unlock $10 trillion of business opportunities and create 395 million new jobs by 2030, according to the WEF's *Future of Nature and Business* report.



From the data, nearly 68% of the investors are actively considering natural capital for their impact portfolios, while nearly 23% have not yet started to consider it.

Many investors are in the early stages of looking at natural capital with different areas such as carbon markets and associated ecosystem services, as well as food, acting as investment proxies for natural capital both from an impact perspective as well as a return multiplier.

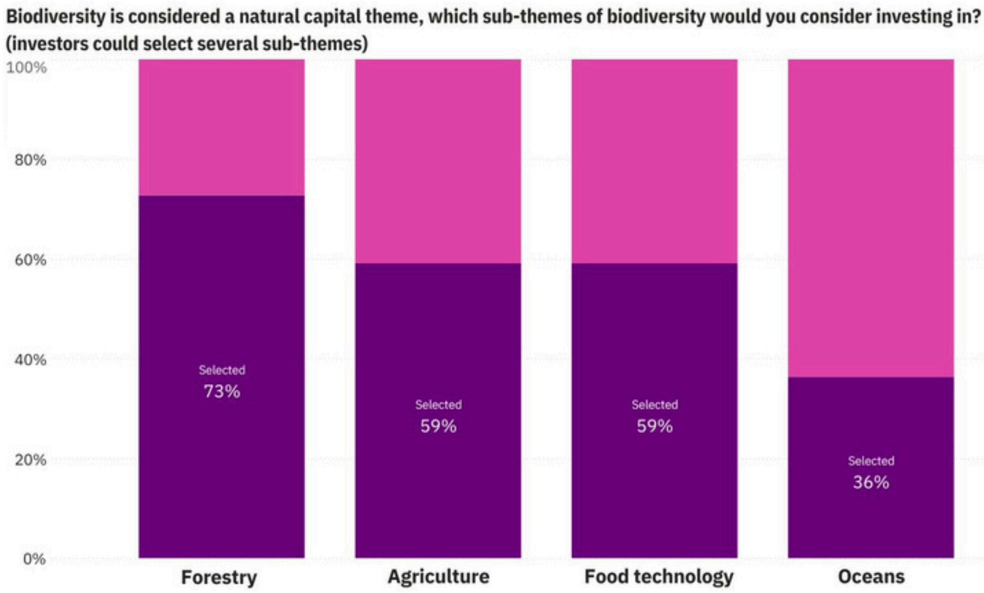
Farm land and forestry are currently the most active investments that fall under the natural capital umbrella.

NATURAL CAPITAL IN FOCUS

Biodiversity is one of the five pillars of natural capital theme, but investing in it is tricky. Theoretically, if you look at the SDGs, biodiversity, is included as a subset of Life on Land (SDG15), but biodiversity's survival, not explicitly included within Life Below Water (SDG14) despite being a significant component of it, is conditional on achieving Climate Action (SDG13).

For this reason, we took a deep dive into biodiversity-focused impact funds in April, but as there are currently not that many dedicated biodiversity funds within SDG15, we also looked at funds that focused on biodiversity through three other SDGS.

We looked at Zero Hunger (SDG2) due to the impact of agriculture on land and soil; ·Clean Water and Sanitation (SDG6) because of the impact of river pollution through fertilizer leaching and sewage; and SDG14, because the ocean is one of the main repositories of biodiversity containing some 250,000 known species.

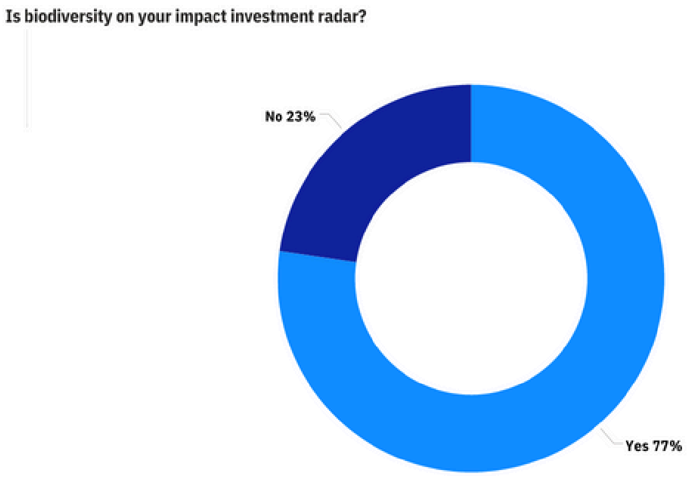


Forestry is probably the most mature and explored natural capital sub-theme, which explains why nearly 70% of the investors are looking at this asset class. However, 26% of the investors are only looking at forestry, while other may have forestry as part of a broader natural capital portfolio.

In fact, 35% of the investors are looking at all of the sub-themes, while food technology and agriculture each have 57% of investor interest, That said, 13% of investors are only interested in food tech, while oceans are only considered by investors looking at all four sectors. This last group makes up 39% of those investing.

The size of the blue economy, and its impact, both positive and negative, on food, livelihoods, climate change and the economy in general has been greatly overlooked, which is why it was a focus of our May Impact Funds Report.

NATURAL CAPITAL IN FOCUS



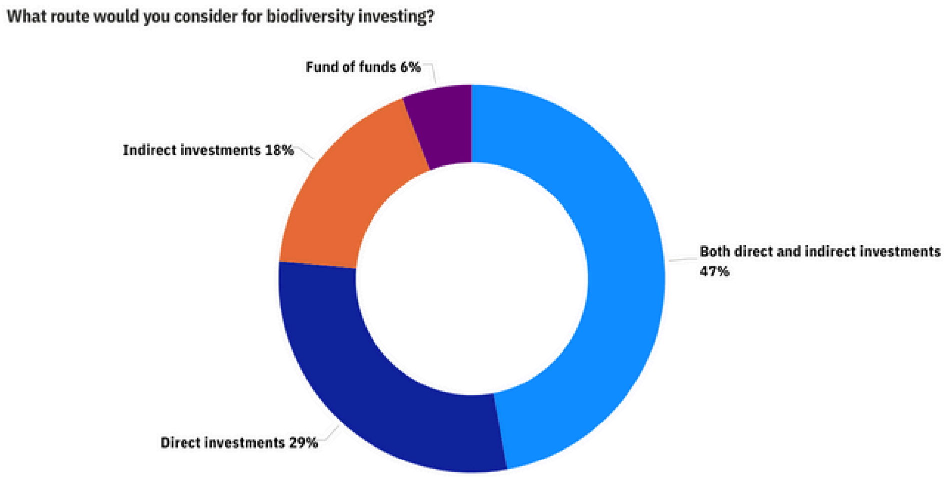
Not surprisingly, 77% of the investors said they have biodiversity on their radar but nearly 23% do not. The "how to" implement a biodiversity strategy is the main issue a number of investors have cited listing numerous challenges.

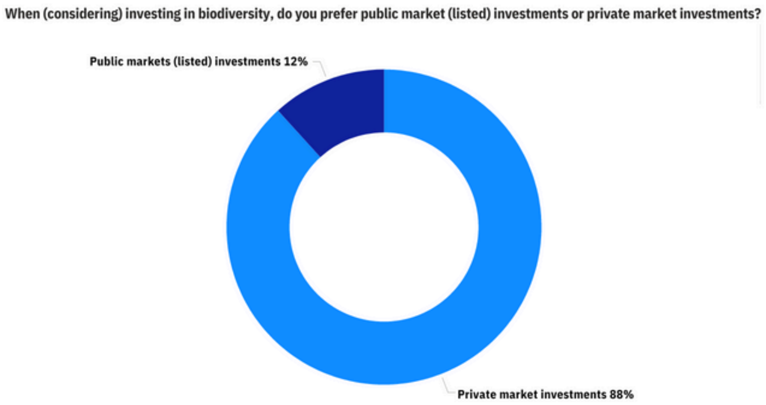
Biodiversity investing is still a niche frontier market, where lack of data, and real knowledge of the interconnectivity is a barrier for many investors, particularly those looking for returns.

Measurement, attribution, scalability as well as quantifying value are reasons why right now investing in biodiversity is difficult. Natural capital tends to be narrowly focused around carbon. Moreover, there are no clear standards on how to measure the effect of the investments on biodiversity and the current methodologies to properly value increases in biodiversity are limited.

For those that have biodiversity on the radar, 47% of investors will be opting for both direct and indirect investments,

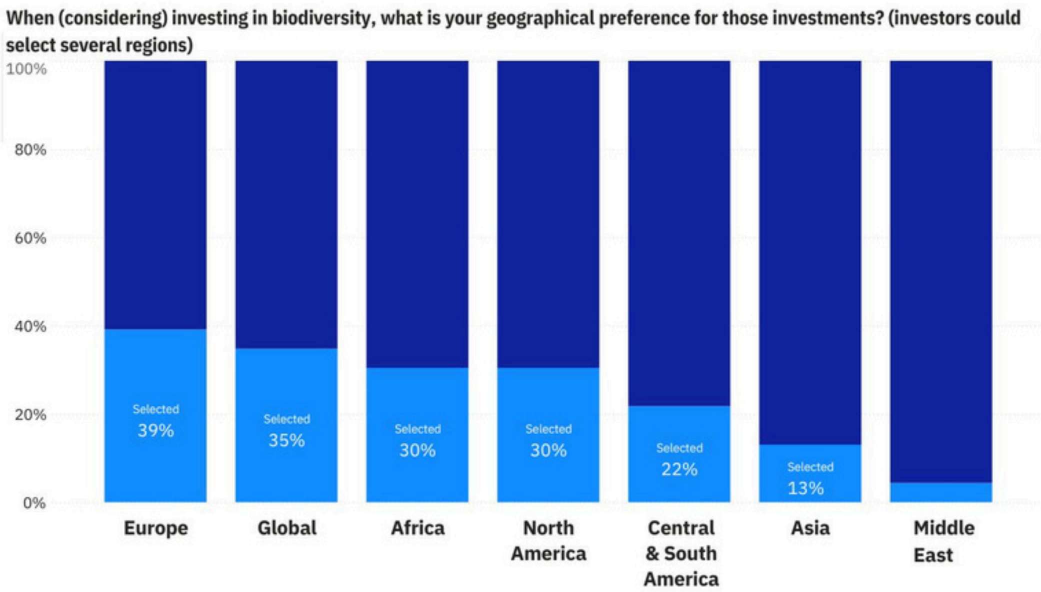
Nearly 30% are opting for just direct investments, and nearly 18% for indirect investments and almost 6% of the investors will consider a fund of funds vehicle.





In theory all impact investments in natural capital should be private market investments to be able to measure and monitor impact, but due to the return and liquidity requirements of some investors, in this case some 12% of the survey sample, listed investments in biodiversity will be required.

NATURAL CAPITAL IN FOCUS



The geographical breakdown of prospective biodiversity impact investments roughly mirrors that of general impact investments. That said at 30% and 35%, respectively, North America and Europe are less popular for biodiversity than general impact for which 35% and 48% of investors preferred respectively. For biodiversity, Asia and Central and South America are more popular regions for investors with for 13% and 22% of investors, respectively, compared to nearly 9% and 17% for general impact funds.

Conclusion - What are the biggest challenges to impact investing right now?

The challenges to natural capital investing have already been mentioned, but impact investing itself continues to evolve. Fund raising for impact investing is tricky on a number of fronts.

The first is that fundraising for private equity in general has been hard, but for first vintages with no track record even if the idea is brilliant getting cornerstone investors is hard work.

Moreover, investors requiring liquidity have fewer options in the impact space. Lack of common view at all levels, particularly for reporting, with everybody doing their own thing according to best knowledge makes impact investing very inefficient.

Many investors are finding hard to source enough growth fund as many impact funds focus on early-stage investing. From a thematic point of view, it is still quite hard to visualise which technologies will be the winners in the energy transition.

And finally, along with the fear of impact washing, marketing is generally weak as to whether funds are more philanthropic in nature and impact first or finance first requiring market rate returns, Lower than expected returns are likely to leave many investors disillusioned.

MICHIEL LENSTRA, CO-FOUNDER & CHIEF CONSCIOUS SOLUTIONS, WIRE GROUP

Wire Group works towards a Conscious Economy - a value(s) driven economy that has wellbeing for all of life as its foundation. We are a holistic wealth partner, and have been a specialist in impact investing and conscious wealth allocation since 2010. As a collective of individuals, families and strategic partners, we research and develop ways to manage wealth in a way that generates multiple returns: social, ecological, financial and personal. Wire Group aims to make the impact investing sector in the Netherlands more professional and accessible. Michiel Lenstra, co-founder and Chief Conscious Solutions at Wire Group, talks about the company's impact mission and investing for ecosystem and human healing.

What is Wire Group's mission?

Wire Group was founded in 2010 with a mission to grow the impact investing ecosystem and make it more professional and accessible. To achieve this, our team works with wealthy individuals and family offices, to deploy their wealth more consciously. We do this through workshops and trainings, bespoke impact strategy engagements, and ultimately through our investments, to generate multiple returns: social, ecological, financial and personal.

Our nine-strong passionate and multi-disciplinary team have both impact investing and entrepreneurial backgrounds and the reason we are all titled 'Chiefs' is that each member of the team makes a valid contribution to our domain. Many of us have been at the forefront of the impact investing movement since 'Day 1'. Our name, Wire Group, connects a number of concepts, including the creation of energy ('Wire'), and the fact that an ecosystem cannot operate in isolation, but needs multiple entities moving together ('Group').

Because creating a conscious economy is not only about investments but also about the kind of organisational structures we base our economy on, in 2022, we transitioned from a limited liability company to a cooperative, locking in our purpose while driving some of our profits to the Wire Group Foundation.

What challenges to you see in impact investing?

Since 2010 we have worked with about 50 families and Family Offices, helping them to direct capital towards impact. In 2015, we began supporting investors to make impact investments, first deal-by deal on a syndicated basis, then in 2020 we raised our first fund of funds, the Wire Private Markets Fund. Having added now our second fund-of-funds, Wire Thrive Fund, we have raised €115 million in assets and are still continuing to fundraise.

Our first fund has invested in 12 impact funds, including Eversource Capital's Green Growth Equity Fund, India's largest climate impact fund; Circularity European Growth Fund II; the Blue Horizon Ventures I that focuses on sustainable food systems; and Trailhead Capital Regeneration Fund I investing in regenerative agriculture practices and products.

The 12 impact funds currently invest in more than 200 underlying impact companies, diversified by geography, sectors and investment stage. Wire Group never intended to become a fund manager, but the funds we manage emerged as a service to the individuals and families that we worked with over the years, and as a contribution to the 'ecosystem' of conscious wealth and impact investing.

In our view, all investments should be premised on 'multiple returns', with wellbeing for all of life as the foundation. At the same time, we know from our nearly 15 years of experience of investing for impact that this is not a straightforward process.

It is not just about investing in some sectors while avoiding others. It is also not about deploying environmental, social and governance (ESG) checklists. It is much more about mindset, awareness, worldview and intentions, which helps to drive impact and avoid unintended consequences.

Our team spends a lot of time to really understand how the fund managers we invest in look at impact and what their intentions are. With each fund manager, we'll do a 'campfire conversation', outside of the office setting, to really get a sense of them as people, their ethics and their personal drivers. This might be hiking in the mountains of Colorado or at a museum in London.

Assessing the impact potential of a fund is not straightforward. Climate technology and carbon sequestration are good examples of this. As a standalone category both can ignore biodiversity and land use change. We will look for fund managers who understand that and seek to avoid these kinds of trade-offs to deliver multiple impacts.

And of course, we carefully diligence the financial risks and returns. With our funds we deliberately target a healthy financial return of 7%-10% net IRR to investors, because we know from experience that it is not necessary to compromise on financial returns to get strong impact returns.

How do you manage impact as a fund-of-funds?

It is true that we are one-step removed from the impact 'on the ground'. We invest into third party funds creating a multi-manager portfolio of funds that in turn invest into companies. This means that we do not exercise full control over the sectors or the specific companies we ultimately invest in.

Nor can we always engage directly with the management of the companies or have full access to the data that we need to make an ESG or impact assessment.
What we can do is engage very actively with the fund managers and this has proven to be an effective strategy. While we don't influence which companies they invest in, we do work with them to get their impact thesis even more clearly defined. We have also helped some of the managers in our portfolio on improving governance at the fund-level, or on improving diversity in the team. For several of the funds we invested in, for example, we have been able to improve the gender or ethnic balance in the team.

We also take a very comprehensive approach to impact measurement so we can show how much value we are creating through our investments. We co-developed this methodology with the Impact Institute. It seeks to value societal value created by the companies we invest in and is based on social returns on investment, natural capital accounting and other existing frameworks.

We convert the impact value into monetary terms and our ultimate aim is that, for every dollar invested results, our investees generate at least two dollars of societal value. We have staked our carried interest on achieving this, which is also known as 'impact-linked carry'. To get to this high quality of impact measurement we engage actively with the fund managers, and sometimes with the portfolio companies themselves.

How does natural capital play a part in your investments?

Although we are aware that natural capital or ecosystem services are used in common parlance, we prefer the term ecosystem functions, as it gives a greater sense of urgency and the language of capital or services can present nature as something that is there for the benefit of our economy. It is of course true that so much of the global economy is dependent on healthy ecosystems, as the European Central Bank is also increasingly acknowledging. But we need to go beyond that and understand the intrinsic value of nature as well as the deep interconnection between healthy ecosystems and healthy humans.

In our second fund-of-funds, Wire Thrive Fund II, we aim to contribute to planetary balance through 'ecosystem healing' and 'human healing'. This theory of transformation acknowledges this interconnection. For us, these two healings are intricately linked, basically two sides of the same coin. You cannot invest in reducing poverty without investing to avoid climate change. And the disadvantaged cannot prioritise taking care of the environment if they are too focused on basic needs and survival.

Ecosystem healing includes themes like biodiversity, healthy soils, rewilding and conservation, greenhouse gases, and natural resources, while human healing covers themes like income inequality, physical and mental health and equal participation in society.

Part of our strategy is to invest in nature-based solutions, which due to the co-benefits such as water regulation against flooding, biodiversity and making food systems more resilient, we believe are more effective than investments in say climate tech. In addition, it is important that humans, whether they are local citizens or indigenous groups, are an integral part of the solution.

"You cannot invest in reducing poverty without investing to avoid climate change."

This is why we are enthusiastic, for example, about the EcoEnterprises Partners' 4th fund, one of the most intentional investors in Latin America at the intersection of human and ecosystems healing. This fund seeks to invest in nature-based companies that promote positive environmental and social outcomes, with a focus on preserving and regenerating biodiversity; fostering climate solutions; and promoting sustainable, inclusive growth such as gender-inclusive and women-led businesses that engage with indigenous communities in the Amazonian, Andean, and Meso-American regions.

As another example, LeapFrog Investments' Climate Fund, one of the investments we are considering for Wire Thrive Fund, also demonstrates the kind of systems thinking we like to see by investing in climate solutions that contribute to local livelihoods. It is a climate fund with the idea of a 'just transition' at its heart, addressing ecosystem healing and human healing in tandem.

Inclusion and empowerment is another important overarching theme in our fund. As an example, we invested in Cross-Border Impact Ventures' inaugural fund Women's and Children's Health Technology Fund that is focused on investments in technology companies that address the health needs of women, children, and adolescents or make health systems more resilient. For this investment, we were not looking for a healthcare fund, but for a fund that had positive impact for women. The fact that healthcare for women is an area that has been underinvested in for decades led us to Cross-Border.

In Wire Thrive Fund we will also be investing in real assets for the first time because we see this as an asset class that brings financial diversification while delivering tangible and predictable impact., which contribute to human healing and ecosystem healing.

Based on our theory of transformation, Wire Thrive Fund will invest in 12 to 15 fund managers across sectors such as healthcare, poverty reduction, regenerative agriculture and sustainable forestry.

Michiel Lenstra

Michiel Lenstra, co-founder and Chief Conscious Solutions at Wire Group. He has been guiding high-net-worth individuals and families in developing and implementing their impact investing strategies since 2014. Michiel also develops new investment strategies and products that enable high-net-worth families to deploy their assets in an increasingly conscious way. He began his career in mergers & acquisitions and strategy consulting at KPMG Advisory and has since been able to apply his investment experience to generating positive impact. Over the years, Michiel has gained extensive knowledge and experience around regenerative agriculture and ecosystem investing.

About Wire Group

Wire Group works towards a Conscious Economy - a value(s) driven economy that has wellbeing for all of life as its foundation. We are a holistic wealth partner, and have been a specialist in impact investing and conscious wealth allocation since 2010. As a collective of individuals, families and strategic partners, we research and develop ways to manage wealth in a way that generates multiple returns: social, ecological, financial and personal. We have a full spectrum service offering: from facilitating conscious wealth journeys, including the aspects of personal growth and family dynamics, to developing impact strategies, and supporting our relations in deploying their wealth more consciously. In each partnership we have the ambition to realise tangible results that contribute to a better world. Find out more at www.wire-group.org.

PRIVIUM FUND MANAGEMENT

JENNY OVERMAN, ASSOCIATE DIRECTOR & ESG LEAD

Globally, Privium Fund Management manages more than $4 billion in total assets across a variety of strategies, managers, and jurisdictions. About a quarter of the assets under management apply some form of sustainable strategy and about a fifth specifically target impact. These funds are mainly managed from the Amsterdam office in The Netherlands. Jenny Overman, associate director at Privium Fund Management in the Netherlands, discusses the firm's impact journey and how natural capital and biodiversity are coming to the fore.

How has Privium's impact journey evolved?

Our journey into impact investing started more than 10 years ago when we were asked to manage a fund for the municipality of Amsterdam that targets private market climate and energy transition investments in the local area. This opportunity formed the basis of our current approach to impact.

That fund, was the firm's first step into managing public money and therefore operating on an additional level of transparency and impactful investment decision making. We could immediately see the value of flexibility in setting up a fund structure to include co-investment and to ensure that the impact measurement was the best it could be at the time.

Since then, we have launched several other impact funds: a fund of funds for Netherland's largest private bank, ABN AMRO MeesPierson; and the FMO Privium Impact Fund, a financial inclusion co-investment fund developed with the Dutch development bank FMO.

From an asset class perspective, our impact funds are active in private debt, private equity, infrastructure, and forestry. These investments are made directly, through open-ended funds or though closed end-exchange listed funds. In terms of managing new impact funds however, we are not limited to any specific asset class.

Privium always works together with a dedicated investment advisor or an experienced portfolio management team to bring its funds to market. Thematically, our impact funds focus on renewable energy generation, storage and infrastructure, financial inclusion, natural capital and social impact.

With respect to the UN's Sustainable Development Goals (SDGs), we find them useful to shape and visualise the targets for reporting for the Article 8 and Article 9 funds. They are also useful for explaining our impact focus and formulating our KPIs.

In terms of investors, the range is also broad spanning private banks, family offices, wealth managers, (U)HNWI's and institutional investors.

My role is day to day fund management, which means that I am responsible for everything that is needed to keep a fund operating.

In addition, Privium's fund management team has a diverse background in a wide range of fund selection, portfolio management and structuring which allows us to work closer together with our advisors and portfolio management teams. For our impact funds, this helps us to shape our vision for whatever theme we are focusing on, which is currently natural capital.

How do you define natural capital?

Therein lies the challenge as there are all kinds of different definitions. The natural capital umbrella covers all natural capital ecosystem services, such as water, clean air, tides, seasons to name just a few examples. If you break it down, inside there is more to it, as too with climate change, so I think that it helpful to divide these sectors up a little bit more.

These huge ecosystems are intricately interwoven, so it is impossible to tackle the whole thing as a single entity. For example, a natural capital or biodiversity fund needs to have definable focus areas, such as clean water, ecotoxicity, flora and fauna, or soil health in agriculture.

These are different subsets of natural capital. The beauty is that as long as you make sure that your "no significant harm" is in order, portfolio managers and experts can focus on the parts that they can do best.

We learnt a lot from one of our investments in forestry, and so now we scrutinise all our impact holdings for what we call "additional impact", which is biodiversity or ecosystem impact and social impact. We want to see that a manager considers the entire ecosystem footprint of a technology such as solar or wind turbines.

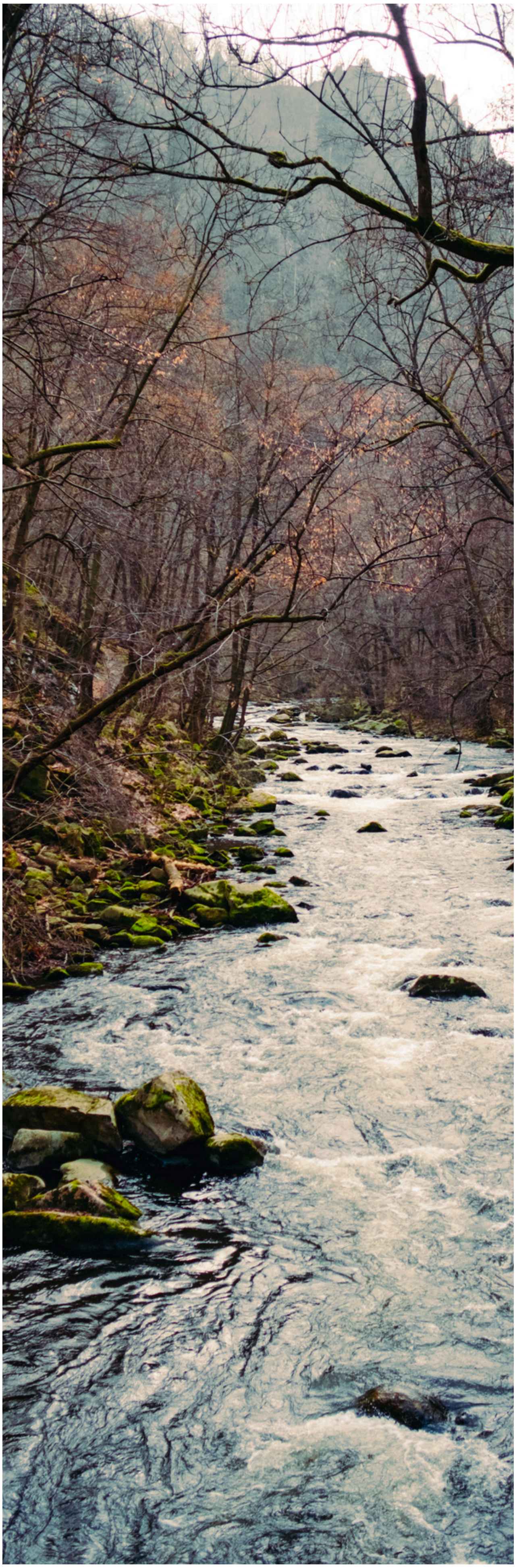
Next to the primary impact target of renewable energy for example, our assets are responsible for their ecosystem footprint as well. For example, in the UK there are regulations in place so that if you build a wind farm close to old peat lands you are required to revitalise the peatland for additional carbon capture.

We are convinced that in every investment and every asset there are ecosystem dependencies and these should be managed.

For example, a solar farm and bees do not look correlated but if the solar farm impacts the bees' habitat, it will impact biodiversity. So, for this reason we are constantly challenging all our managers of all our investments.

It's not always easy. Take battery storage as an example. How can a set of containers with batteries inside impact biodiversity?

The site and its infrastructure take up space and causes disturbance and noise. We are pushing managers to design sites with minimal impact and habitat improvements such as hedgerows and wildflower areas surrounding the site.



When did you start focusing on natural capital?

We have been running the Privium Sustainable Impact Fund; a fund of funds that invests via a combination of third-party open-ended funds and closed-end listed structures, for more than a decade now.

But three or four years ago, we started expanding the thematic focus of the fund to include natural capital because we saw investment opportunities in this theme developing. When it comes to defining natural capital, we are flexible in terms of focus. If it fits in the strategy and makes sense, we can include it.

Forestry management is a good example of the depth of our natural capital focus. We took care to select a manager that does not just manage the forest but also develops afforestation and really considers not just the trees that are suitable for logging but also native tree species to blend those in.

Although the fund is no longer publicly available, Foresight Sustainable Forestry Company Plc (FSF), a listed natural capital investment company that invests in UK forestry and afforestation assets, is manager that thinks deeply about the rest of the assets in the forest such as water, soil, animal and plant life as well as the social impact the forestry or land asset can have.

The UK needs to import a lot of timber for construction, so the investment case for caring for forestry assets is compelling. The company targets low grade agricultural land without a succession plan and aims to recreate the forest that might have once inhabited that piece of land. Many of the forestry funds that tick the natural capital impact box focus solely on the logging yield, rather than the additionally surrounding impacts.

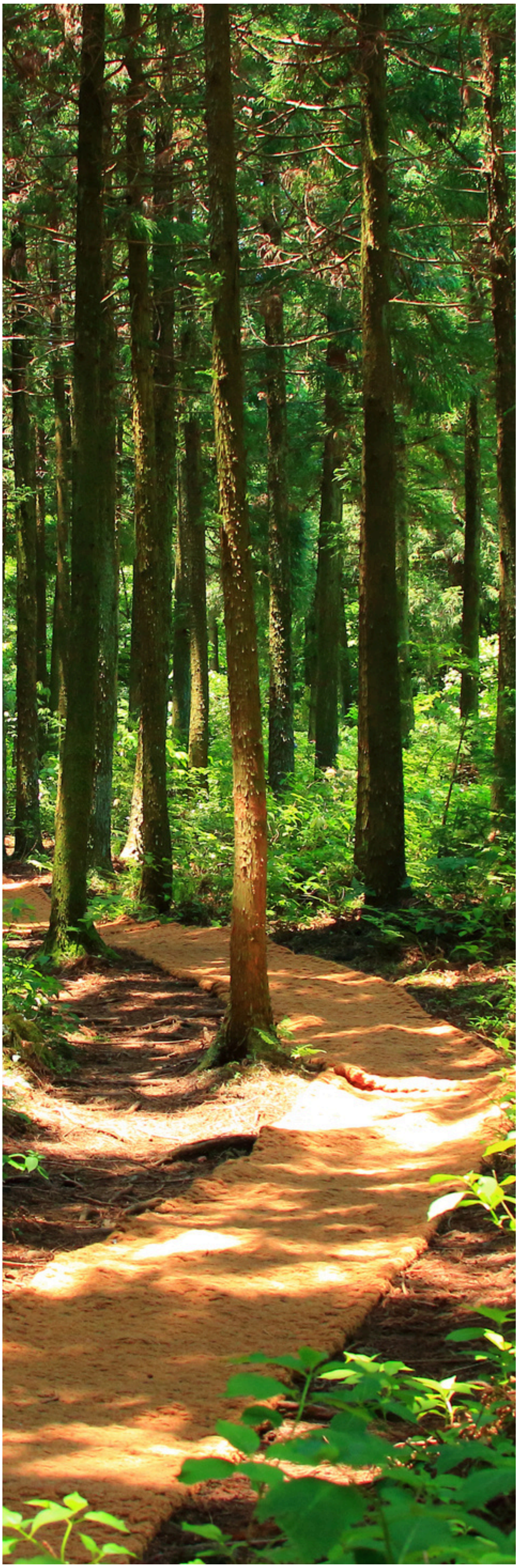
What are the challenges?

Natural capital, and with it, biodiversity, is a little bit like the rise of the technology sector. It starts off looking like its own separate investment topic, but very quickly it becomes part of almost every other sector. Now natural capital is becoming better understood, the innate dependency for every sector, company and country, can no longer be denied.

Taking action is harder. Right now, definitions are an issue. Also, there is not enough data and so there not enough benchmarks. But this shouldn't deter investors looking into the space. If there is no process that means you must create your own. Key is to structure something that works for you and your assets. It just has to be transparent with links to data and knowledge. You must start somewhere, and it can still be a work in progress.

I foresee the same growth and development in natural capital that we have seen in impact investing in general. As an industry, we are creative, and we will find a way to set an industry standard where possible.
Lastly from a regulatory point of view, I'd like to say that regulation is not required but we've already seen how it can be helpful for the sector to really take off. When you put a value on something it suddenly becomes investable and suddenly there is a business case.

The challenge is doing it in the way that captures the complexity of the system. The UK has implemented a government strategy known as the Biodiversity Net Gain (BNG) approach to development, and/or land management, which aims to leave the natural environment in a measurably better state than it was beforehand. To achieve this, it has started a statutory biodiversity credit scheme, similar to carbon credits, to ensure that economic development in the UK is not impacting biodiversity. Putting a price on natural capital biodiversity credits will eventually create a new market.



"Now natural capital is becoming better understood, the innate dependency for every sector, company and country, can no longer be denied."

What is next on your biodiversity investing agenda?

The global economy is dependent on ecosystem services, so biodiversity is a valuable point to invest in change. It does not really matter how intelligent a business is, or how new their technology is, if you haven't considered your biodiversity dependencies, you are at risk. Investing in listed companies that have a specific solution to supply chains that have high biodiversity impacts is one way to start making changes.

For this reason, we launched the he Danum Ecosystem Fund, which invests the shares of publicly listed companies to accelerate system transformation to halt biodiversity loss.

Our most recent venture, which is still in the process of being created, is a fund of funds dedicated to the biodiversity space. The Biodiversity Impact Fund will be an evergreen fund of private market funds targeting various dimensions of biodiversity loss on land and sea.

Jenny Overman

Jenny joined Privium in July 2019 and is Associate Director & ESG lead at Privium Fund Management in the Netherlands. She is jointly responsible for the investment oversight of the firm's impact and sustainable funds. In addition, Jenny is responsible for SFDR Implementation, ESG policy development and ESG monitoring and reporting at Privium. Before Privium, she was a buy-side equity analyst at ING Investment Office and an assistant portfolio manager for the sustainable discretionary mandates of ABN AMRO MeesPierson and Triodos Bank. Jenny is a CFA and CAIA Charterholder.

About Privium Fund Management

Privium Fund Management (Privium) is an independent, globally operating Alternative Investment Fund Manager that has offices in Amsterdam, London, Hong Kong, Singapore, Shanghai and New York. Privium manages various strategies, including long-only equity, impact loans, real state, private equity, hedge funds, fund of impact funds, and private debt. Privium has been involved in impact investing since 2013, and its current ESG and impact strategies focus on healthcare, financial inclusion, sustainable agriculture, and energy transition in Europe, the US, and emerging markets. To find out more www.priviumfund.com.

ABN·AMRO

VINCENT TRIESSCHIJN, GLOBAL HEAD ESG & SUSTAINABLE INVESTING

Sustainability is core to ABN AMRO's purpose 'Banking for better, for generations to come', which is why sustainability is a key element of the bank's strategy. Currently, ESG and Sustainable investments at ABN AMRO amount to more than €50 billion. Vincent Triesschijn, global head ESG and sustainable investing, discusses the bank's impact journey.

How has ABN AMRO's impact journey evolved?

Since 2005 ESG Investing has been a core offering to both Private Banking and Retail Clients. In 2018 the bank decided to offer ESG investments as the default option to new clients in the Netherlands, making ESG investing mainstream and out of the "niche" corner.

Coming from an era where Sustainable Investing was not regulated, we're now entering a (more) regulated world. This means that a larger part of the agenda is now driven by regulation. It also means that definitions become clearer and more industry wide. From my perspective, Sustainable investing is about having a positive impact on society, the environment and people.

Impact investing usually falls in this category, while ESG (environment, social and governance) is more about financial risk. Where ESG is really about analysing companies to determine the impact of sustainability on companies, Sustainable and Impact investing is mostly about the impact of the companies on society. Phenix Capital defines the difference between the two in this article.

From my position as global head ESG and sustainable investing, I have a dual role. On the one hand it's a policy mandate, on the other hand it's a strategic role and we're very much involved in discussions around impact investing products and solutions. I execute this mandate with an international team to make sure all relevant geographies are represented in our policy and strategic decisions.

Where our ESG journey began in 2005, our impact journey started in 2015 when we began adding impact to the portfolios in the form of a small microfinance portfolio.

It was a toe in the water, a small allocation to small loans in frontier countries. Since then, we have seen rapid growth from zero capital to more than €4 billion invested almost a decade later.

We have structured entire mandates with direct investments and funds for clients. Now the structure is in place to offer impact funds to our high-net-worth clients that can meet the €2.5 million investment minimums, we have been able to democratise impact investing for a more retail segment that requires a €50,000 investment minimum. Of course, all of this is subject to suitability requirements.

Asset growth in excess of 20% has been fast but it came from a low base. In terms of number of clients, the growth is especially impressive. That said, €4 billion out of a total €200 billion of client assets means impact investing is still a small slice of the total pie but there is plenty of potential for more to come if and when people decide to allocate more of their portfolios to impact investments. With true scale, fees could come down and impact investing could potentially grow to a much more mainstream and mature phase.

The investment product range has been fast growing and the offering is now wide, from sourcing third party funds for clients; structuring our own impact fund with for example Symbiotics as a sub adviser; and the FMO Privium Impact Fund that offers clients of ABN AMRO the opportunity to co-invest in loans to private-sector companies in emerging markets (see Privium Profile).

Many impact investments are private market products so have higher fees and lower liquidity, which is a challenge for the liquidity conscious retail investor. But even the larger institutional investors face issues in terms of many of the funds being too small for the size of allocations they want to make; or simply the smaller (perhaps newer) funds do not meet the risk tolerance criteria, so investors pick the larger funds.

Size and availability are also key issues from a due diligence perspective. Few organisations have the resources to research hundreds of smaller unproven funds, preferring to on board a €100 million fund to a €15 million fund, which might be more genuine and have more impact. We are lucky to have resources and a dedicated private equity team in place, however also for us resources are not unlimited.

In terms of measuring and monitoring, we validate and aggregate their methodologies and metrics. While the quality of reporting has improved over time, aggregating all the data into one report is still a challenge. We use the available metrics to create an integrated report with a qualitative opinion.

We use the GIIN (Global Impact Investing Network) definition to measure intentionality and financial and societal returns. Sometimes, we struggle to find a way to measure claims of additionality, which can be achieved at the company level and at the investor level. The latter of which, however, is much harder to differentiate out due to high demand and a shortage of available impact projects.

“We try to create portfolios that are as diversified as possible so try to stick to traditional asset allocation models where possible. That said, not all strategies are available in size for impact.”

What are the impact asset classes and themes?

We try to create portfolios that are as diversified as possible so try to stick to traditional asset allocation models where possible. That said, not all strategies are available in size for impact.

For equity, we have invested in several funds and themes. Within renewable energy we have allocated to funds such as Aquila European Renewables, which targets assets that are expected to generate renewable energy output for at least 25 years from their commissioning date; Ecofin U.S. Renewables Infrastructure mixes renewable energy and sustainable infrastructure assets predominantly in the US; HydrogenOne Capital Growth that invests in hydrogen and hydrogen related assets; and TRIG, a company investing in renewables infrastructure that contribute towards a net zero carbon future.

Having decided to offer impact investing to the retail investor, we decided to add public market investments to give the portfolios the required level of liquidity. An example is the ABN AMRO Aegon Global Impact strategy. Certain buyout funds, for example are only available to the high-net-worth investors, due to liquidity constraint.

As a bank, the overarching themes are climate change, social impact and the circular economy and biodiversity, but in terms of product offering we decided not to take a specific thematic approach.

Of the 16 Sustainable Development Goals, some client interest was more concentrated on climate, and zero hunger. Overall, the preferences were many and varied, so we decided to offer options on all 16 SDGs. The impact framework and the selection of funds is based around the SDGs but the impact metrics are not always directly related.

How does natural capital fit into your impact process?

We are passionate about natural capital, but in reality, putting a number or value on it is much harder, which means it is hard to integrate this into the portfolios. We estimate the negative impact on, for example, deforestation but that is not nearly enough. The industry still needs to come up with something workable, including realistic workable definitions. Biodiversity measurements is getting better and better and in theory should already be the next big thing in the financial industry, but it is still niche unfortunately.

Look at deforestation. The answer looks easy; plant a tree. But in reality, the question is what kind of tree? How long will take to grow? What are the risks? Deforestation has almost been nailed as an investment theme but it is just one area and look at how long the discussions to get the definitions took. It's a massive topic, much broader than climate alone.

In a perfect world, societal and natural capital would be aligned but they can contradict each other. Take renewable energy, which is a good thing from a natural capital perspective, but if people have to move for it, then it can bring challenges from a societal point of view.

What we need to do is to consider the net impact of the bigger picture. The carbon emission intensity of wind mills is a good example. There is negative environmental impact, but the overall impact is positive. "Net impact" and "do not significant harm" needs to be at the heart of every investment. That said, overall, we are very optimistic about developments due to the attention in the market and new strategies that are being developed. We need more (blended) finance solutions to scale up impact in the future and that is generally being recognised in the industry.

Vincent Triesschijn

Vincent Triesschijn, Global Head ESG and Sustainable Investing at ABN AMRO, is responsible for further growing ABN AMRO's sustainable investment capabilities and for further integrating the bank's Environmental, Social and Governance ("ESG") efforts for investment services. Before starting at ABN AMRO in 2012, Vincent worked for other financial institutions such as Kempen Capital Management and JPMorgan. He holds a Master degree in Sustainability from the University of Cambridge.

About ABN AMRO Bank

ABN AMRO is a full-service bank with a transparent and client-driven business model with traditional and digital banking products, a moderate risk profile, a clean and strong balance sheet, a solid capital position and strong funding profile. Transitioning to a sustainable society is core to ABN AMRO's purpose, making sustainability a key element of the bank's strategy. The bank serves retail, private and corporate banking clients, with a primary focus on the Netherlands and North-West Europe, with more than 22,000 people. Find out more at www.abnamro.com/sustainability.

King Baudouin Foundation

Working together for a better society

SYBREN DEVOGHEL, INVESTMENT MANAGER

The King Baudouin Foundation (KBF) is an independent foundation that has been working to improve society together with partners, experts and donors for more than 45 years through its programmes that include: social justice and poverty; health; heritage and culture; education and development of talents; local, Europe and international; democracy and climate; environment and biodiversity. Sybren Devoghel, investment manager, discusses what the foundation has been doing over the past 12 months and considering how to incorporate natural capital and biodiversity within its impact strategy.

How is impact investing executed at the foundation?

Since the start of our foundation in 1976, we have used an ESG lens for our endowment portfolio. In 2015, we strengthened this approach by implementing a best-in-class investment policy. Under the umbrella of this policy, we started experimenting with impact investments initially using part of our capital to make investments that have a societal impact.

In 2022, we started making commitments to private equity and infrastructure equity funds, which made it easier in terms of breadth of offerings to invest in companies looking to solve societal problems. We had been doing impact investments for over 20 years already, but adding private equity and infrastructure equity to our strategy allowed us to significantly scale that impact.

Our endowment programmes aim to foster sustainable and positive change in society in Belgium, Europe and around the world. Of course, we require competitive returns to continue our work, however, we have a small bucket for impact first investments for which we have lower expectations when it comes to those financial returns.

The aim is to dedicate 40% of all assets we have discretion over, currently some €600 million, to finance first impact investments by 2030. Right now, the majority of our impact investing allocation is to financial return first investments. The returns are important to fund our philanthropic programmes.

In terms of investment process, the inhouse investment team and external investment consultants collaborate on the selection of funds and asset managers. ESG integration and the voting and engagement activities of the asset managers are important factors in the selection and due diligence process.

We also allocate smaller amounts to impact first investments, while small these amounts can make a big difference to the investee. The way we allocate on an impact first basis is to invest directly or indirectly in companies and organisations by providing capital, giving loans or guarantees.

Our return expectations on impact-first are rather low. Preservation of capital is already a success at a return level in many cases. The main return comes from the impact on the planet and the people we have supported.

We also encourage the 1,300+ funds we accommodate to invest part of their financial assets to impact investments. Some of them have been very active impact investors for quite some time, by investing in equity capital of start-ups, giving guarantees to obtain credit lines for agricultural companies in developing countries or by loans to social organisations.

As a foundation, by putting our own money in such investments encourages other philanthropists to experiment with this asset class too.

What is new at the foundation?

It has always been important for us to align our portfolio to the wider objectives and mission of the foundation. Climate change, biodiversity, circular economy and other fundamental societal and environmental changes are key factors in determining our investment strategy.

As an example, we have committed to infrastructure strategies that will expand low-carbon and renewable energy production and that will scale low-carbon solutions and services that accelerate decarbonisation.

Since the beginning of the year, we committed to a manager focusing on financial inclusion in emerging markets. A second commitment was made to a manager developing renewable energy in Western Europe.

Our goal is to have our whole portfolio net zero carbon emissions by 2040, a metric we started to track in 2024. As world politics changes, renewable energy does not seem to be at the top of the agenda anymore so it might take us longer to achieve zero emissions.

Since we last spoke, we have set up our own fund, a Belgian domiciled investment vehicle. Now all our investments are centralised we can track our carbon footprint. The new structure also means we had a chance to reshuffle asset allocation, resulting in greater allocation over time to private assets.

To be clear, our impact first investments are outside the scope of this vehicle, which is designed for financial returns in line with the market as well as impact.

Changing structure was necessary for us to move forward with the rest of our strategy. One of the changes we implemented is to work with passive Paris Aligned Benchmark (PAB) mandates, which have the added value of lower costs and a greater objectivity in the selection of the assets.

PAB indexes approximate a pathway for the index to achieve alignment with the 1.5˚C goal of the Paris Agreement, measured against an initial base level for the index. We are invested in more than 20 funds and two mandates spanning listed equity, fixed income and private markets. On the fixed income side, we are planning to make some allocations to sustainable strategies.

We are considering a couple of asset managers with impact strategies in direct lending, but it does not always prove to be easy to select the right strategies. Take a company with a polluting activity is looking for credit to make its activity less polluting; should we provide this capital or stay away from such companies all together?

Overall, we take our time before we invest. More recently, we have found that some Article 9 funds have turned back to becoming Article 8 funds. The rating is something we pay attention to, less because we do not want to invest in Article 8 funds, but more we want to see clarity and conviction in our managers.

Where does natural capital/biodiversity investing sit in the portfolio?

While impact investing is a key focus for our management the smaller allocation to impact first investments is an important tool in our philanthropic toolbox. Natural and biodiversity is a new and complex theme.

From an investment point of view, we do not know yet whether such investments will yield a market return, so the money to finance these investments will come from the impact first bucket. This pool of capital contains “riskier” investments, so we allocate smaller amounts to experiment.

That said, right now we are in the early throes of this topic. We have not made any investments in natural capital and biodiversity but are having conversations. The obvious first theme are forest funds, but these are not straight forward. The environmental impact is clear but how the funds make money is still complex and, in many cases, not yet proven. Moreover, one of our key filters is looking for negative impact, otherwise what is the point?

Sybren Devoghel

Sybren has been active as Investment Manager at the King Baudouin Foundation for more than 2 years now. He started his career by working for a small non-for profit that provides expertise to SMEs in Eastern and Southern Africa. After a year in the US, where he took on the role of Business Development Manager for a Belgian SME, he decided to return to the non-profit sector. In his current role, he combines both these experience in the investment approach.

King Baudouin Foundation

King Baudouin Foundation, was created in 1976, to mark the 25th anniversary of King Baudouin’s reign, is an independent and pluralist foundation working to improve society together with numerous partners, experts and donors for more than 45 years. Our activities aim to foster sustainable and positive change in society in Belgium, Europe and around the world. Find out more about King Baudouin Foundation [www.kbs-frb.be.](http://www.kbs-frb.be)

CAPROCK

MARK BERRYMAN, MANAGING DIRECTOR

Founded in 2005, Caprock is a multi-family office that provides full-service outsourced chief investment officer (OCIO) services to more than 400 high-net-worth families, managing more than $11 billion in assets under advisement. The firm oversees more than $4 billion in private market investments, spanning private equity, venture capital, real estate, and private credit. Mark Berryman, managing director, discusses Caprock's long-standing expertise in impact investing.

How does Caprock operate in the impact space?

Caprock, which now advises on $11.5 billion, began nearly 20 years ago as a multi-family office serving ultra-high-net-worth families and foundations. A defining feature of Caprock is its disciplined yet agile approach to private investing.

We maintain a rigorous due diligence process and portfolio management system while staying nimble enough to explore innovative, high-growth investment opportunities.

I joined Caprock in 2016 largely because of its pioneering role in impact investing as a multi-family office, as well as its status as a founding B Corporation.

Along with Imprint Capital Advisors, which was acquired by Goldman Sachs Asset Management in 2015, Caprock was among the first multi-family offices to embrace impact investing, trailblazing in the U.S. market. This early entry has earned the firm significant recognition in the space.

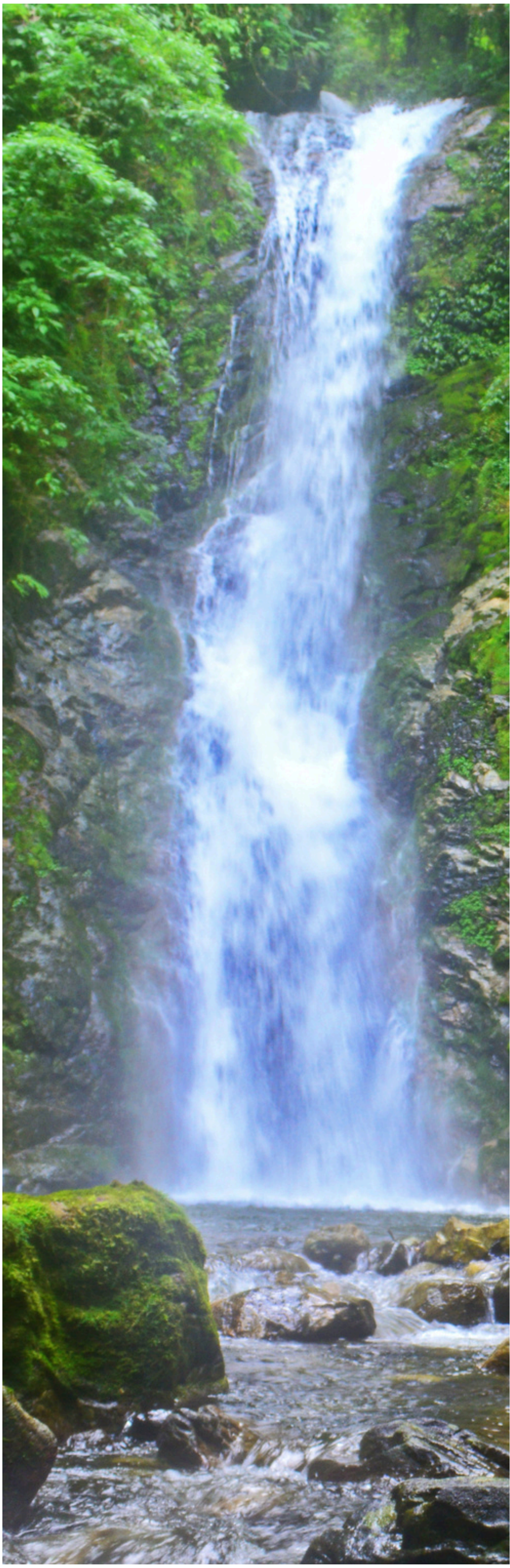
Our first impact investment was made in 2008, and impact investing has since become a core element of our business. To date, we've invested in more than 50 impact-focused managers and over 100 intentional impact funds. Each of our clients is unique.

Some have a singular focus, such as 100% climate-related or social-oriented investments, while others target specific themes like access to affordable water or gender-lens solutions.

Our primary goal is to deliver top-tier financial returns while generating measurable impact. Before presenting investment opportunities, we dedicate significant time to understanding each client's financial and impact objectives.

This process includes conducting a lifetime discounted cash flow model, onboarding sessions, discussions about vintage diversification and timing, and, of course, identifying the impact themes that resonate most with the client's values and goals.

As their family office, Caprock holds a fiduciary responsibility. Our deep expertise and extensive track record in impact investing allow us to provide clients with a broad, insightful view of the market.



How does natural capital feature as an impact theme?

Natural capital is a crucial impact theme, central to the investment objectives of many clients with a climate focus. However, the term "natural capital" can sometimes be misinterpreted or overused.

At Caprock, we take a structured, asset-class-based approach to investing, which means we set target returns for each sub-asset class. “Natural capital” fits within the “natural resources” sub-asset class, alongside other sub-asset classes like infrastructure, real estate, and transportation.

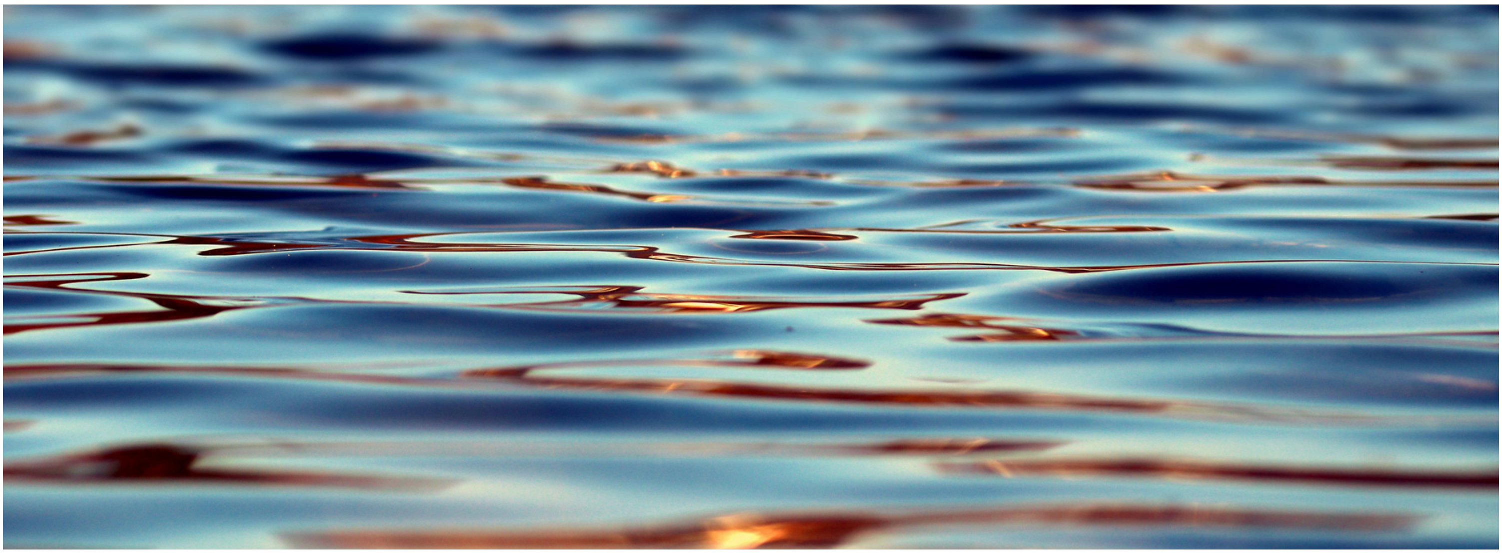
Thematically, clients often express interest in areas such as ocean health (the blue economy), sustainable forestry, regenerative agriculture, and conservation. For example, if a family’s wealth originates from the food industry, they might gravitate towards impact investments in agriculture. In such cases, we explore sustainable and regenerative agriculture strategies via a real assets allocation, complemented by venture capital funds focusing on ag-tech or food systems.

While we are a finance-first impact investing firm, we do have clients who aim to be catalytic with their capital. For these clients, we may identify unique opportunities that can push the needle in specific sectors.

In some instances, we work closely with family foundation clients to create or anchor funds that invest in niche impact solutions, as we did with early childhood education.

Certain impact themes, like regenerative agriculture or carbon sequestration, are still maturing. In these areas, patience is required, and we take a disciplined approach to avoid premature investments. In contrast, sectors like sustainable forestry have well-established track records, giving us firm data to work with.

“Natural capital is a crucial impact theme, central to the investment objectives of many clients with a climate focus. However, the term "natural capital" can sometimes be misinterpreted or overused.”



We were one of the few private investors in the U.S. to invest in the blue economy, investing in one of the world's largest oceanic funds in 2017 at that time. This fund took an overly broad, multi-asset-class approach through infrastructure?, private debt and real assets, investing in sustainable fishing, aquaculture, plastic removal, reef restoration, and more. While investing in the blue economy is critical for addressing the climate crisis, we've learned that taking a more targeted approach via asset class and sector can sometimes yield better outcomes.

The challenge with natural capital investing today is that it's often used as a catch-all term, leading to confusion. Some investors with limited experience in land-based investing are launching natural capital funds, which can create challenges. Our focus remains on being disciplined, partnering with experienced fund managers, and taking a thoughtful approach. In doing so, we aim to avoid the "cowboy" mentality that can arise when buzzwords are overused and to ensure that we help advance the sector through smart, informed capital deployment.

Mark Berryman

Mark Berryman, Managing Director, joined The Caprock Group in 2016, and is based in New York. Mark's first job after an accounting degree in college was serving as a three-year Peace Corps Volunteer in Mali, West Africa. It was this experience that made him realise philanthropy alone cannot solve environmental and social problems and financial tools were needed to sustainably scale solutions to improve people's lives and protect the environment. Among his other outside interests Mark is an Adjunct Professor at the Columbia University Graduate School of Business – Impact Investing.

Mark has a Masters from Georgetown School of Foreign Service and an MBA from Georgetown University and sits on numerous boards and committees in the impact investing industry, including serving as the Inaugural Chair of the Impact Capital Managers Limited Partner Council and Investment Review Committee for Impact Assets 50.

About The Caprock Group

Caprock is a multi-family office serving ultra-high-net-worth individuals and family foundations. Founded in 2005, Caprock acts as a full-service outsourced chief investment officer and chief financial officer for 400 wealthy families with $11.5 billion in assets under advisement. TA Associates, holds a majority stake in the firm, which continues to operate independently from locations in Boise, Seattle, San Jose, Newport Beach, Park City, New York, Austin, Chicago, Scottsdale, and Winter Park.

Caprock's clients benefit from the firm's endowment-like investment approach. The firm manages more than $4 billion in private market investments, including private equity, venture capital, real estate and private credit and has expertise in impact investing. The firm is an SEC-registered investment advisor and a founding B-Corporation.

Find out more at www.caprock.com.

CO/invest

JIM BUNCH, MANAGING DIRECTOR & CO-FOUNDING PARTNER

COinvest is a fund of funds that focuses on making a difference to Colorado communities through thematic private market investments in areas such as climate and sustainability, housing affordability, education, health and well-being. Jim Bunch, the fund's managing director discusses how the strategy is harnessing the power of place-based thematic investing in Colorado.

How did COinvest's ethos evolve?

COinvest originated from the portfolio of Gary Community Ventures (Gary), a Denver-based philanthropic organization dedicated to increasing opportunities for Colorado kids and families. To create maximum impact in the community, the organisation uses its resources to make impact investments, fund policy and advocacy initiatives, provide philanthropic grants, and incubate new social change solutions through its **Venture Lab.** Since its founding by Sam and Nancy Gary, the organization has been committed to ensure that all its assets, whether philanthropic, below-market, or market-rate, are managed in pursuit of its mission and values. That makes it the most ideal place for COinvest to have gotten its start.

What is COinvest's impact focus?

There are really two main ways COinvest focuses on impact. First, the fund aims to leverage thematic investing for the benefit of the communities in the state. This includes themes that have both environmental benefit (clean energy, regenerative agriculture, etc.) as well as social impact (workforce training solutions, digital health platforms that reduce cost and improve access, workforce housing, etc.)

Second, it leverages its funds to address the shortage of capital in the state. We have found that investing exclusively in the themes we care about only in Colorado leads to sub-optimal financial outcomes. By contrast, investing in national managers in these themes pulls our capital out of the state. So, to balance these tensions, we invest with the best-in-class managers, but help them build pipeline in the state so some of the investments are back in Colorado. We also help connect portfolio companies outside the state with opportunities to expand their products and services within Colorado.

An example from Gary's portfolio is Guzman Energy, a wholesale power provider dedicated to communities in search of affordable and reliable energy. Gary has exposure through a fund commitment to Vision Ridge. Guzman offers rural electric co-ops an option for solar and wind power, and through customer migration to this platform, it pulled enough demand from the merchant coal plant that it will be shut down earlier than expected in 2028. Not only is this a climate win, but it also improves regional air quality, where incidents of asthma are well above the state average.

In terms of asset classes, we invest across private equity, venture capital, real assets, real estate and private credit. When it comes to geography, 90% or more of the investable businesses are along the Denver front range where private equity and venture investments are most likely. To reach other parts of the state, we invest in real asset and private credit solutions for solar energy, wind farms, regenerative agriculture, and workforce housing to support these regions.

Why Colorado?

We have seen a tremendous diversification and expansion of the Colorado economy over the past 20 years. At the same time, the local investment capital is generally not sufficient for the dynamic ecosystem. As an example, the Denver/Boulder area is the 5th best climate tech hub in the country, largely due to a combination of the excellent university labs and resources, as well as groups like the National Renewable Energy Laboratory in Goldan and NOAA in Boulder. However, unlike the other markets (i.e., San Francisco, New York, Boston and Los Angeles), we only get a fraction of the investment capital.

As a result, we find that valuations are lower and access to the best businesses is easier than the more competitive sectors. Similar capital market gaps exist in digital health (Denver is one of the top 10 cities in the country), education, employee ownership and workforce housing.

Core to our offering is that even if our fund only raises $50 million, we know that by helping each fund we work with find one portfolio company in the state, the multiplier effect would mean substantially more than $50 million will be invested in the state.

If we commit $3 million to a fund and they invest $5 million into a company in Colorado, we have achieved more leverage than investing directly. At the same time, we know that the best market-rate return investments aren't all in Colorado, so the diversification from the remainder of the funds helps with our financial performance.

The final point I'd highlight for COinvest's impact is how it can help bring products and services to Colorado sooner than they otherwise might arise. For example, Landed is a company that helps provide partial down payments for teachers and nurses so they can live near where they work.

In many cities, the price of housing has meant they need to move to the suburbs with long commutes and no personal connection to the communities they serve. Despite the company being in the SF Bay area, Gary was able to connect them with three metro Denver school districts and several healthcare systems, such that a sizable portion of their portfolio was in the Denver front range, helping dozens of teachers and nurses.

"In summary, we are investing for place-based impact...Most importantly, our model achieves this without sacrificing financial expectations."

Where do you see natural capital opportunities?

Although a majority of the fund's investments are likely to be in more socially oriented themes, we do see significant opportunity in natural capital investing in Colorado. One only needs to consider the fact that Colorado is the headwaters of four major river basins: the Platte, Arkansas, Rio Grande, and Colorado.

There are numerous opportunities to have significant impact in preserving and maintaining natural capital and climate particularly on the real asset side. Colorado has a robust agriculture economy, and a shift to regenerative agriculture and organic farming has both significant environmental benefits, as well as improved economics for many of the rural farming communities with premium prices for these products.

Another natural capital investment is mitigation banking. This is a process where investors buy degraded land and rehabilitate it. For example, if an airport wants to pave wetlands for an extra runway, for every new paved acre, the developer needs to rehabilitate two acres.

Investment funds have started buying degraded wetlands and rehabilitating them so they can sell them on for wetland mitigation needed by the developers. An example would be ranch land that installed a concrete aqueduct for irrigation. Tearing out the concrete and restoring a natural riverbed leads to native grass rehabilitation, which in turn brings wildlife and fish back to the area.

In summary, we are investing for place-based impact. Leveraging the experience of Gary, we can drive as much impact as possible into Colorado through investment into the state, as well as linking businesses with opportunities to expand into Colorado. Most importantly, our model achieves this without sacrificing financial expectations.

Jim Bunch

Jim Bunch, managing director and co-founding partner of COinvest, is a long-time impact investor who Is dedicated to finding and supporting scalable business models that have positive social and environmental benefits.

Prior to joining Gary, Jim was a co-founder of an ESG advisory firm. Before that, he spent more than 15 years building and managing private market impact portfolios for institutions and high net worth individuals at Goldman Sachs/Imprint, New Island Capital and Omidyar Network.

About COinvest

COinvest implements a unique strategy to accelerate impact in Colorado. It invests with best-in-class private market managers and makes available resources to attract managers and their portfolio companies to expand their focus in Colorado. Denver-based COinvest is diversified across asset classes, investment themes (climate, health & wellness, education and housing) and geography. Although a minority of the investments are in Colorado, the capital invested in the state exceeds the firm's assets under management allowing it to focus the impact of the resources on the local communities while generating competitive financial returns.

Find out more at www.coinvestfund.co.

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