

Transform Tomorrow



2022 CapShift Impact Report

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Amplifying impact



Around the globe, there are thousands of organizations developing solutions to some of our biggest social and environmental problems. Yet, scaling these solutions to bring them to the people and places where these innovations are most needed requires capital.

CapShift partners with families, financial advisors, and donor advised fund (DAF) providers to shift their capital into mission-driven funds and social enterprises. There are a few things we've noticed while doing this work.

When it comes to impact investing – there is a large gap between interest and action

Donors and investors believe in the potential for impact investing to create change. In a recent [survey by Fidelity Charitable](#)¹, 62% of millennials and 46% of Gen X investors believe impact investments have more power to create change than traditional investments. However, that belief has not translated into an equivalent amount of money moved – yet. Finding, researching, and monitoring impact investments is resource intensive. Determining how to invest with charitable or traditional assets is complex. And families are worried about measuring the real impact they create. CapShift is determined to make it easier to turn intent into action – and in this impact report, we'll share stories of DAFs, advisors, and families who are working with us to help bridge that gap.

Growth of ESG investing has skyrocketed – and for those interested in driving intentional impact, this is a starting point, not an ending point

Investments aligned with Environmental, Social, and Governance (ESG) principles are no longer niche. ESG aligned assets ended 2021 at \$35 Trillion and are poised to end 2022 at around \$41 Trillion² – that equates to nearly one third of global assets. And for many families, ESG is just the beginning of the journey. Families interested in driving intentional change are looking to complement their ESG holdings with impact investments – which are investments designed to generate positive, measurable social and environmental impact alongside a financial return. For example – instead of holding an equity allocation in an oil company with a high ESG rating, an investor might instead invest in a climate tech company developing distributed solar generation systems in emerging economies. This shift toward identifying investments that drive specific impact outcomes is where the CapShift team spends the bulk of our time – and we'll highlight the impact that the funds, companies, and organizations we've helped fund are creating throughout this report.

Donors and investors are using their charitable and traditional investments to drive targeted impact to support both people and the planet

When we look at the types of impact funds and organizations CapShift's clients have funded through our platform over the past few years – it's clear that the entities we work with are looking to drive intentional impact. **41%** of funds flowed to institutions working to create equitable, sustainable, and targeted economic development opportunities, **30%** of funds flowed to address pressing social needs, and **29%** of funds flowed into investments focused on mitigating, slowing, and adapting to climate change³. CapShift's focus is to help our clients align their investments with their values and we'll share stories about these change makers in the pages to come.

We're proud of the work we've accomplished – and thrilled to celebrate the amazing work our partners and clients have done with us. We're also excited for the momentum we're building and hope this report inspires you to see how impact investments and recoverable grants can work in tandem to transform tomorrow.

Shifting capital into impactful opportunities

CapShift is an impact investing platform and solutions provider that empowers philanthropic and financial institutions to shift their client capital towards a better tomorrow. Since our founding over three years ago, we've accomplished a lot⁴.



\$169 million moved into catalytic, mission driven public and private funds and nonprofit organizations

- **\$98 million** into private investments focused on driving targeted social and environmental change
- **\$15 million** into 83 recoverable grants which help nonprofits bridge funding gaps, expand programs, and innovate solutions

60

Public, private, and nonprofit impact funds and enterprises working to tackle entrenched problems received funding through CapShift's network

100+

Charitable account owners have shifted capital into impact opportunities driving change for people and the planet

**Nearly
\$70 billion**

In charitable assets can access CapShift's impact investing and philanthropic impact solutions

85+

Referral partners from leading foundations, family offices, and funds help source impact opportunities

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Transforming the world, one impact theme at a time



The top five impact themes supported by CapShift's clients included⁵:

31%

Financial Services

Providing individuals and small businesses with access to affordable, fair and useful financial services and products.

29%

Climate Solutions

Creating a healthier planet through the support of clean energy production, sustainable oceans and marine ecosystems, conservation of natural resources, access to clean water, regenerative food systems, and technological solutions to combat climate change.

13%

Housing

Expanding access to affordable housing and/or creating pathways to home ownership for underserved individuals and communities.

8%

Healthcare

Funding inclusive and quality health services, medicines, vaccines, technologies, nutrition, and financing with the goal of improving health and well-being for all.

5%

Microfinance

Delivering micro-loans and support services to emerging market entrepreneurs.



Our clients also supported impact themes across a wide array of geographies and the United Nations Sustainable Development Goals.

- **44%** of private investment and recoverable grant allocations supported funds and organizations globally, while **56%** supported communities across the United States
- Organizations addressing **15 of 17** of the UN Sustainable Development goals received funding from clients working with CapShift



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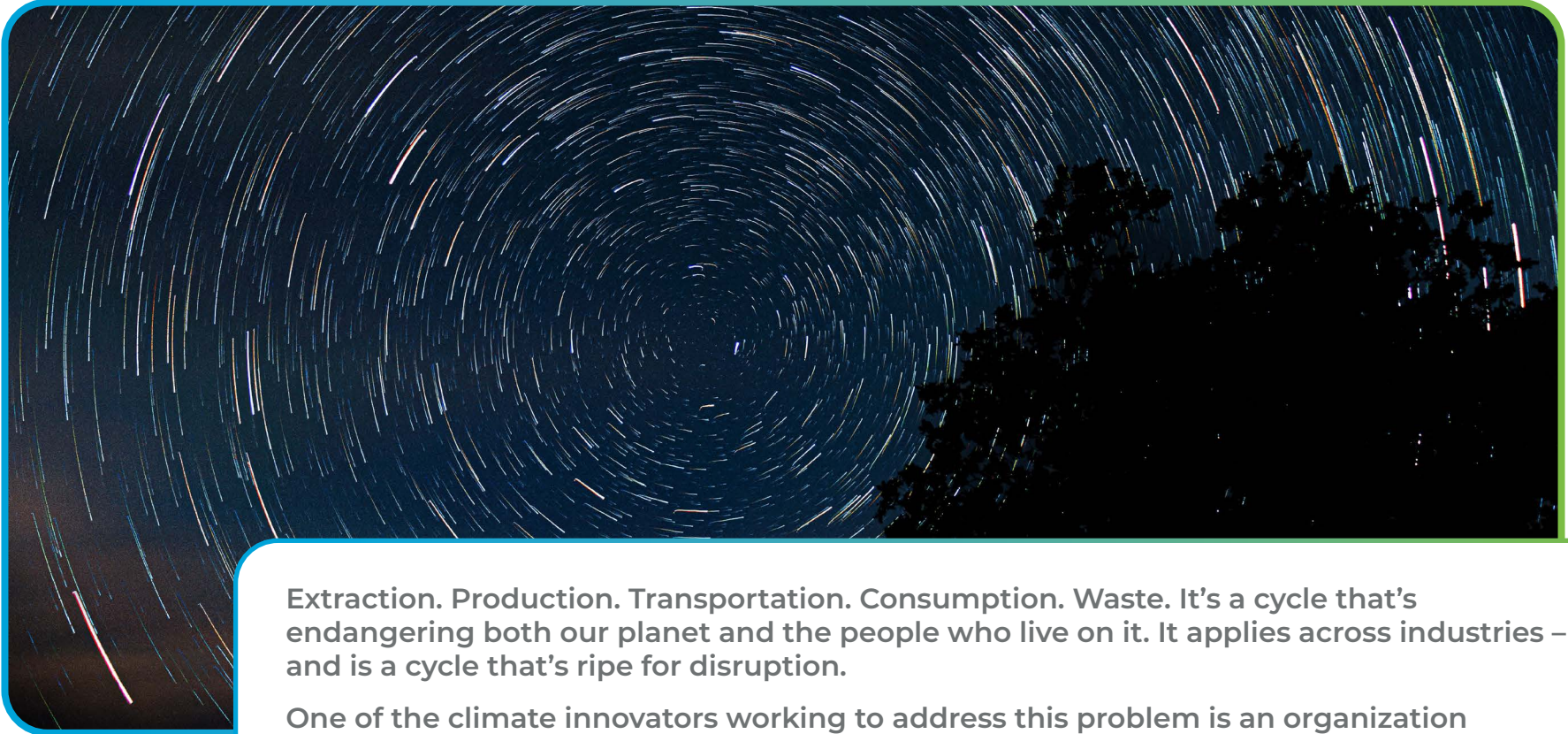
Stories of impact



Within each of the numbers we shared are hundreds of stories of impact. From the families and institutions directing their capital into impact investments, to the organizations using those investments and donations to drive authentic change, to the small businesses, micro-entrepreneurs, innovators, and nonprofits putting that capital to work in their communities – there are thousands of people striving to create a better future for themselves, their families and communities, and the planet. We’re sharing just a few of these stories of impact on the following pages.

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Minimizing our impact on the planet



Extraction. Production. Transportation. Consumption. Waste. It's a cycle that's endangering both our planet and the people who live on it. It applies across industries – and is a cycle that's ripe for disruption.

One of the climate innovators working to address this problem is an organization dedicated to addressing waste in supply chains. They invest in companies working to build more efficient production and recycling systems, extend the lifetime of valuable resources, and keep materials in circulation for as long as possible. These efforts build circular supply chains, thus minimizing the need to constantly pull more virgin materials and resources from the earth.

Keeping materials in production longer is just one way to minimize our impact on the planet. Averting CO2 emissions, planting trees to pull carbon from the atmosphere, protecting land from being developed and resources from being extracted, and generating energy sustainably are all ways to minimize our impact on the planet.

Together, organizations who received funding from CapShift's clients were able to⁶:



Avert **3.7 million** metric tons of CO₂



Maintain **1,133,028** hectares of sustainably cultivated land



Protect **7,971** acres of forest and plant over **3.3 billion** trees



Save **2 trillion** gallons of water from being used for energy production



Keep **466,000** tons of materials in circulation



To learn more, check out our [climate investing resources](#).

Empowering strong, equitable communities

Healthy communities rely on key building blocks. They require equity, a thriving economy and employment opportunities, an empowered population, affordable housing, healthcare, access to healthy food, and strong educational institutions. For underserved or marginalized communities, localized, scalable access to capital is needed to establish many of the building blocks upon which a healthy community is created.

We worked with a donor who was very interested in using her DAF to support investments in local communities. Her fund is with a well-respected national DAF provider and she was interested in pursuing impact opportunities that allowed her to support her local community as well as similar communities across the nation. Working through her DAF provider, we were able to connect her with both a local community development financial institution (CDFI) working in the greater Boston area as well as a regional network of CDFIs working to address the capital needs of historically disenfranchised communities across the American South.



Impact investing is personal. CapShift works with families to help channel their investments into the places and causes that mean the most to them. Across the opportunities CapShift has moved capital to in 2021, those organizations have been able to⁷:



- Renovate or build **10,363** affordable homes



- Assist **26,990** Small and Medium Enterprises with loans and/or technical assistance across the globe



- Create, place, or retain **114,199** jobs either directly or through underlying borrowers



To learn more, check out our [community investing resources](#) and our [racial justice framework](#), written in partnership with TheCaseMade.

Catalyzing access to impact first capital



Philanthropists can play a unique role in helping fund solutions to some of our most pressing challenges. One tool our DAF clients offer to help their donors enhance their grantmaking is a recoverable grant.

Recoverable grants can be used by nonprofits to fill funding gaps, scale existing revenue generating programs, or develop innovative solutions to entrenched problems. A recoverable grant is given to a selected nonprofit and once it has met its program goals, the money may be returned to the DAF for future grantmaking. This allows nonprofits the flexibility to scale and experiment without taking on additional financial risk on top of the risk that a new program might fail.

CapShift works with six of the largest DAF providers who see the potential for how this type of funding can provide critical support to people and the planet. They have embraced the possibilities of recoverable grants – providing catalytic funding for issue areas such as equitable access to healthcare, helping women and BIPOC entrepreneurs start and grow food-based businesses, empowering women, and providing capital to disenfranchised communities in the southern United States. The flexible, patient capital they are providing is critical to helping nonprofits scale their impact, allowing these organizations to take risks to bring new solutions to entrenched problems.

Across the DAF providers CapShift works with, we've been able to⁸:



- Support **83** recoverable grant opportunities



- Direct **\$15.7 million** to **27** high impact nonprofit organizations



- Introduce recoverable grants to our DAF clients' donors – representing nearly **\$70 billion** in charitable assets



To learn more – check out our [recoverable grant resources](#).

Broadening access to impactful investments

Many investors and donors are interested in impact investing opportunities with higher levels of liquidity – allowing them to align their investments with their values while still actively granting through their DAF.

CapShift helped one savvy national DAF provider tackle just this problem. Working with our client, we built thematic impact portfolios which they have made available to all of their donors. This approach has allowed our client to broaden the number of account holders who are able to invest with impact without placing liquidity restrictions on their donors' ability to grant. The four portfolios we built are designed to drive impact across key thematic impact areas.



Economic opportunities that advance equity and inclusion



Companies working on climate solutions



Investment in companies that support the advancement of women



A broad cross section of social issues

Impact across these four portfolios is measured in three key areas⁹:

Key impact metrics aligned with each theme

For example, within the equity and inclusion portfolio, two of the key metrics measured include more exposure to companies with equality in pay (**194%** higher exposure than the benchmark¹⁰) and more exposure to products that enable equity and inclusion – including affordable housing, education, small and medium enterprise finance, and social impact products and services (**11%** higher exposure than the benchmark¹¹).

Shareholder engagement and proxy voting strategies

Best illustrated by a policy that one of the underlying managers in the fund targeting the advancement of women established for their portfolio companies. Their policy stated that company boards must have at least two women board members before they add a director who is not a woman. This policy resulted in **217** votes against directors based on board diversity in 2021.

Intentional demonstration of values aligned with the impact themes of the portfolios

In the fund focused on environmental solutions, one of the underlying fund managers is a signatory of the Net Zero Asset Managers initiative and has committed to aligning its investment portfolio with **net zero** emissions by **2050**.

This approach allowed our client the ability to offer impactful opportunities to their donors and to significantly increase the number of donors who are able to use their DAF assets to create impact. Thematic portfolios are one of the most accessible forms of impact investing – and most major DAF providers in the U.S. offer either thematic portfolios or public market ESG options. These types of pooled vehicles are a great way for donors to align the investment recommendations they make in their DAF accounts with their philanthropic priorities.

Building on ramps for future impact investors

Financial and philanthropic advisors have a significant role to play helping families find sustainable and impactful ways to activate their capital. Many come to their advisors for guidance when they are ready to get started with impact investing. In fact, 33% of investors¹ say that their financial advisor is the primary professional they look to for impact support. Yet advisors aren't yet fully resourced to respond to the increasing requests for impact investments from clients.



Over the past year, CapShift has worked closely with a number of advisory practices to help them:

Uncover niche investments to meet specific client needs

CapShift partnered with a team of wealth managers serving a large and sophisticated group of clients looking to enhance the impact of their investment portfolios. We were tapped to help this experienced team identify specific impact opportunities which aligned with their distinct client requests. One example of this work was a request by a client to find impact opportunities in regenerative agriculture with a focus on farmer livelihoods and climate. CapShift was able to source, research, and provide a blend of private funds to the wealth manager to fill this request. These funds focused on driving impact through the acquisition and conversion of conventional farmland in the U.S. to more sustainable practices, supporting rural farmers in the developing world to adopt more sustainable practices, and investing in climate solutions leading the transition to a lower carbon economy.

Identify impactful investments for a foundation's charitable assets

CapShift worked with a family foundation interested in exploring how program related investments (PRIs) could be additive to the foundation's philanthropic giving strategy. We educated the foundation's team on the key components of a PRI, so the team understood the requirements. CapShift then led the diligence for the foundation's first PRI to a therapeutics company advancing a novel treatment for mental illness, which resulted in the foundation making their first ever \$1 million program related investment.

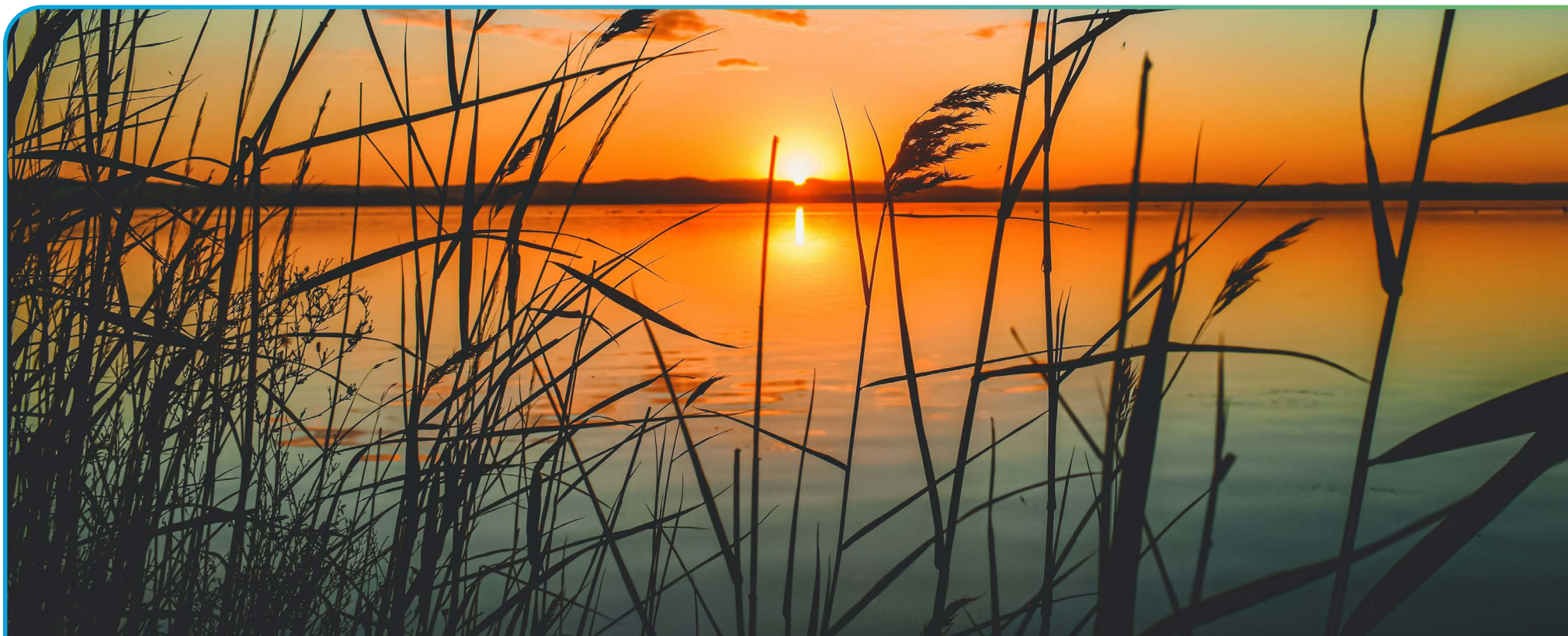
Guide internal decision making around impact investments

CapShift was tapped to help a large wealth management practice fulfill a client request to find climate focused investments to fill out a \$100 million climate focused portfolio. Our team provided subject matter expertise, market insights, and sourcing reports to help them identify opportunities that were a good match for the risk, return, liquidity, and impact goals their client was looking to achieve. Based on our insights, the team was then able to select investments aligned with their client's climate impact strategy to fill out their impact portfolio.

As this segment of the impact investing market grows, financial and philanthropic advisors will be fielding more questions from clients about effective ways to incorporate impact into their portfolios. CapShift is here to help advisors deliver the personalized experience and deep expertise their clients expect – and it's an area we're excited to see grow over the coming year.

Transforming tomorrow

"It is not the strongest of the species that survives, nor the most intelligent – but the one that's most responsive to change." -Charles Darwin



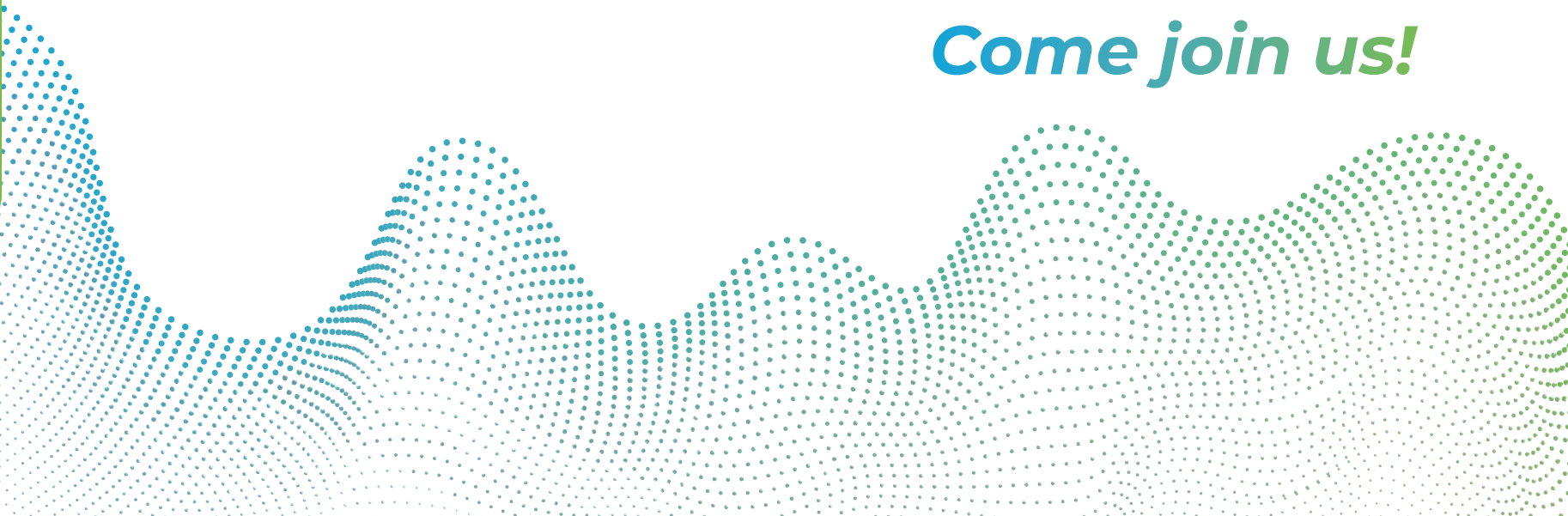
We can't expect to fix the world's problems using the same tools and approaches that got us into this mess. We have to change. And part of that change is thinking differently about our capital – arguably one of our most powerful allies in the fight to address our social and environmental challenges.

As you've seen throughout this report, there are innovators all along the capital stack. Donors and investors actively seeking opportunities to create intentional impact with their capital. Wealth managers, financial advisors, and philanthropic advisors creating pathways to help their clients put their capital to work effectively. DAF providers who provide their donors with opportunities to create impact with their charitable assets before those assets are granted. And funds and organizations using impact capital to address climate change, push for more sustainable and equitable sources of financing, build healthy eco- and food-systems, establish structures that support racial and gender equity, and more.

CapShift is honored to work alongside, and connect, each of these groups of innovators with one another. As we look toward next year, our focus is on building the systems that will help capital reach impact faster and more effectively. We're expecting to increase the pace and scope with which we're able to put capital to work for people and the planet. We'll be producing an investment primer on the food and agriculture sector – showcasing ways that donors and investors can drive impact in that space. And we'll be deepening our impact reporting work – helping families and their philanthropic and financial advisors better synthesize and understand impact across their portfolio.

We're ready to get to work transforming tomorrow.

Come join us!



Methodology

Impact Diligence

For all opportunities CapShift recommend to clients the diligence process provides an impact rating using a proprietary rubric built upon leading industry frameworks. CapShift's impact diligence has three core categories, each with underlying ratings: Impact Management, Impact Outcomes, and Impact Risk. Our sub scoring within each of these questions combines leading sector methodologies, most notably the **Impact Management Project**, the leading framework for considering the impact of direct enterprises, and **IFC's Operating Principles for Impact Management**, the leading guidance for responsible impact fund management.

Our approach first considers the appropriate **Sustainable Development Goals** met by the opportunity. Each opportunity in our database is further assigned 'impact tags'. While our tagging does not align 1:1 with **IRIS+** metrics, our team has determined a high degree of overlap, while ensuring tags can best meet our clients' needs.

Impact Monitoring

Once an investment or recoverable grant is made, CapShift reaches out annually for both qualitative and quantitative updates on the impact that opportunity has had over the prior year as part of our ongoing monitoring and review process. During this process, CapShift reviews the impact data and follows up where questions or inconsistencies with prior years arise. For example, when metrics have significant deviations relative to the year prior (e.g., major drops in loans provided, major delays in project development), metrics reported on in prior years are no longer provided, or metrics that CapShift would expect the issuer to report on are missing. CapShift will also reach out to clarify when it is not clear whether metrics provided are annual or since inception, differ from what was provided elsewhere, or do not match the reporting period requested.

CapShift may also proactively ask specific issuers how major external health or geopolitical events have impacted their work (e.g., loans provided throughout the COVID-19 pandemic, response to major crises such as has occurred in Afghanistan and Ukraine over the past year, women's health-oriented issuers on the overturning of Roe v. Wade).

Endnotes and disclosures

Unless otherwise noted below, all data contained within this report is from 1/1/2019 through 6/30/22.

[1. Using dollars for change – Seven key insights into impact investing for 2022 and beyond – Fidelity Charitable](#)

[2. ESG by the Numbers: Sustainable investing Set Records in 2021 - Bloomberg](#)

3. Source: CapShift. \$98 million in private investments represented by 45% from private investments catalyzed through CapShift's platform and 55% catalyzed through partners.

4. Source: CapShift. Impact sector data represents the amount of money moved directly into impact focused private and recoverable grant opportunities from inception to June 30, 2022. Impact sectors and geography as assigned by CapShift. Excludes all public investments, private investments and recoverable grants supported indirectly. Excludes opportunities with multiple underlying sectors (e.g., multi-impact sector funds).

5. Source: CapShift. Geography and Impact Sector Data represents the amount of money moved directly into impact focused private and recoverable grant opportunities from 1/1/19 to 6/30/22. Impact sector and geography categorization as assigned by CapShift. Excludes all public investments and private investments supported indirectly. Self-reported or CapShift ascribed classification refers to primary impact sector only and opportunities may operate across multiple impact sectors. UN SDG data: Each opportunity corresponds to its top 3 SDGs either self-reported or CapShift ascribed based on review and comparable opportunities. Excludes all public investments, private investments supported indirectly.

6. Data is self-reported by select investment and recoverable grant recipients. 3.3 billion trees planted and 466,000 tons of materials in circulation data is since inception through end of the 2021 fiscal year, All other data is fiscal year ending either 12/31/21 or 6/30/21.

7, 8. Data is self-reported by select investment and recoverable grant recipients as of fiscal year ending either 12/31/21 or 6/30/21.

9. Data is self-reported by select investment recipients as of fiscal year ending 12/31/21.

10. Source: MSCI ESG Portfolios Analytics Data as of 12/31/21 as compared to the MSCI ACWI Benchmark. Internal pay equity includes companies that have policies to champion equal pay amongst employees.

11. Source: MSCI ESG Portfolios Analytics Data as of 12/31/21 as compared to the MSCI ACWI Benchmark. Refers to companies who generate most of their revenues from products and services related to affordable housing, education, SME finance, and social impact products and services.

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This report highlights the self-reported impact of CapShift LLC and CapShift Advisors, the two entities are referred to as CapShift throughout the report. CapShift gathered self-reported data from a select group of funds, nonprofits and social enterprises that received investment or grant capital directly or indirectly from work CapShift performed or influenced. The data CapShift is reporting has not been audited or reviewed by a third-party.

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