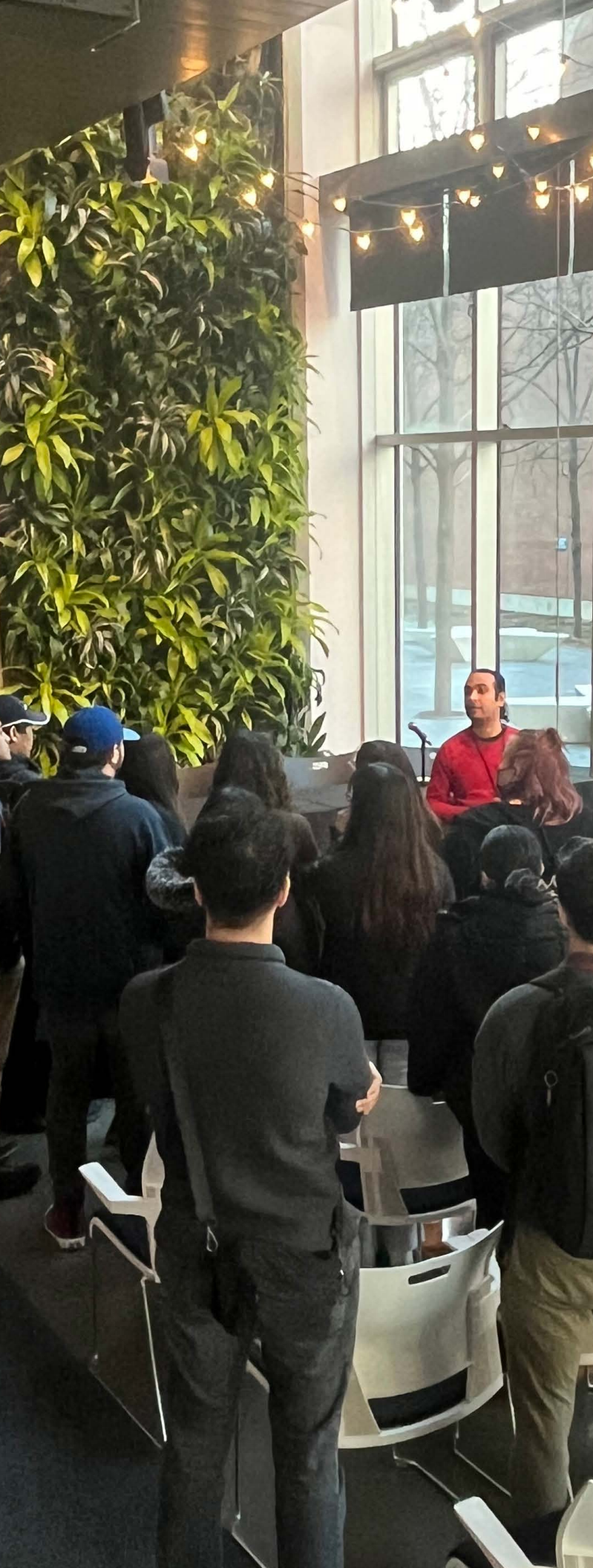




# Towards 100% Impact

2022 Impact Investing Report  
Data as of Q4 2022 (Dec. 31, 2022)

Fondation  
**McConnell**  
Foundation



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# 2022: Mapping our path to 100% Impact

## Welcome

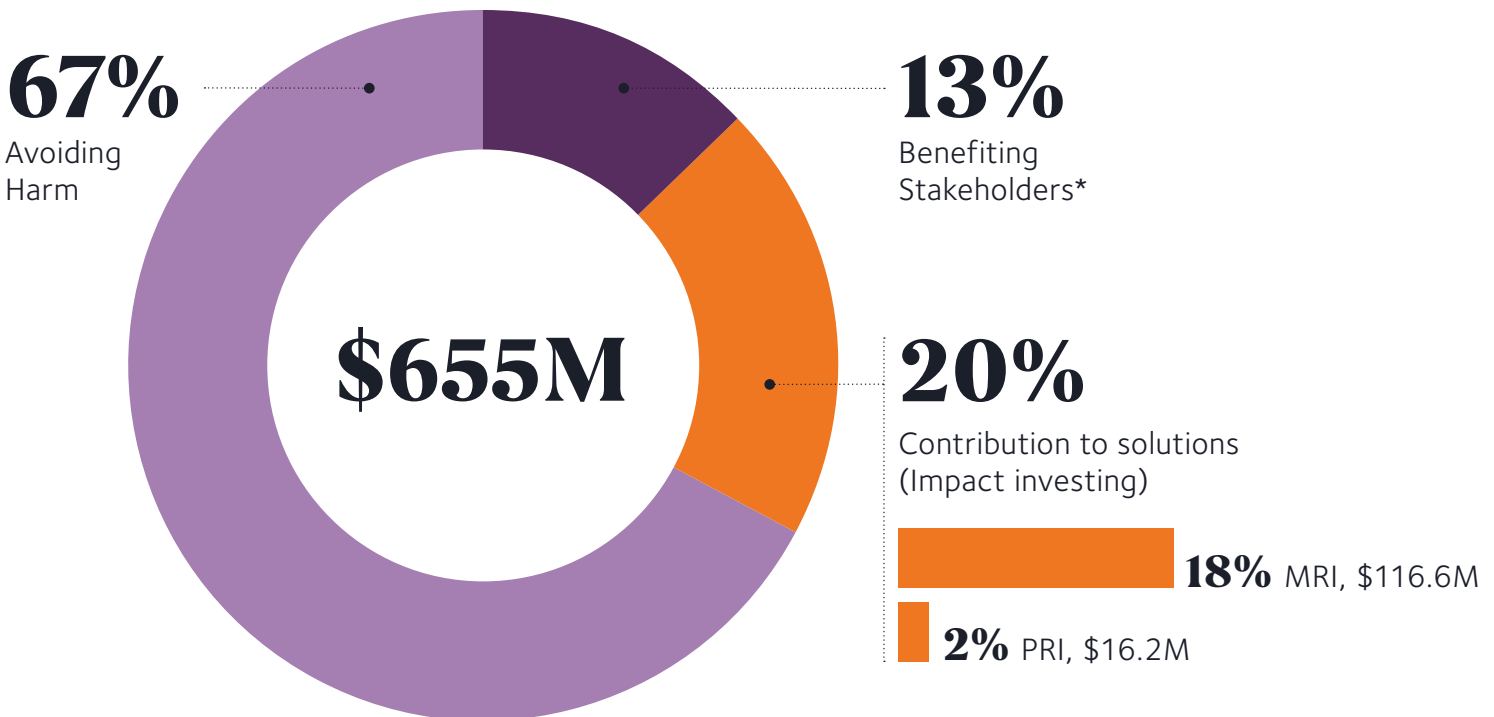
The uncertainty and volatility of the past year — from the continued scrutiny of Environmental, Social and Governance (ESG) investing, to compounding environmental disasters, economic turmoil and an accompanying cost of living crisis — have reinforced that investors have a responsibility to unlock the necessary capital that is needed to generate solutions to society’s most urgent social and environmental challenges.

In our recent impact update, we commented that 2022 was a year of reflecting, recommitting, and re-envisioning. First, it was a year of **reflecting** on what McConnell’s role should be considering the wider sector

growth the impact investing market has experienced in recent years, and what our impact as a philanthropic foundation should be over and above our grant funding.

From an investment standpoint in 2022, we were focused on **recommitting**, allocating additional investments to New Market Funds II, Amplify II, AlphaFixe, and Raven Capital Partners. We are excited by the strength of these Canadian managers and the leadership they continue to demonstrate in diverse impact areas of affordable housing, education, health and climate venture, sustainable fixed income, and Indigenous-led impact entrepreneurship. Our total impact portfolio is 20% of the endowment as of Dec '22.

## Foundation Total Assets (Market Value as of Dec. 2022)



\*5% of endowment is granted annually,  
100% of the portfolio is invested with  
targeted negative screens.

# ABC Impact Framework



## Avoiding Harm

through implementation of negative screens and passive ESG integration



## Benefiting Stakeholders

through active ESG integration and shareholder engagement in addition to negative screens



## Contributing to solutions

through impact investments which seek measurable, additional positive social and/or environmental impact alongside financial returns

2022 was also a year of **re-envisioning**: we embarked on an ambitious strategic review where we created a new investment strategy and introduced a formal commitment to build a 100% impact portfolio by 2028. Over the next five years, our aim is for 100% of McConnell's endowment to be invested in the 'C', 'Contributing to Solutions' category.

As part of our new strategy, we have developed accompanying tools and revised our impact management approach to ensure we can effectively work towards our 100% impact goal.

Finally, 2022 was also a year defined by climate commitments. We completed a baseline emissions assessment of our portfolio and set carbon reduction targets to achieve our net-zero goals. The first step has been to divest from all fossil fuels, a process which will be completed by the end of 2023. In 2023 and beyond, we will move from commitment to action starting with the recent publication of our **Net Zero Carbon Action Plan**. We are committed to achieving our net zero carbon goals, including a 60% carbon emissions reduction by 2030 and net zero carbon by 2050 (based on a 2020 baseline) with a focus on a Just Transition, where "the move to a net zero carbon global economy is fair and inclusive to all" (**Impact Investing Institute**).

### What's new in this report?

This full report has three aims: to provide a detailed look into our impact portfolio and performance as of December '22, offer an overview of our revised impact management approach, and share more about our plans and progress towards 100% impact. Each annual impact report between now and 2028 will provide an update on our progress towards achieving the 100% impact goal.

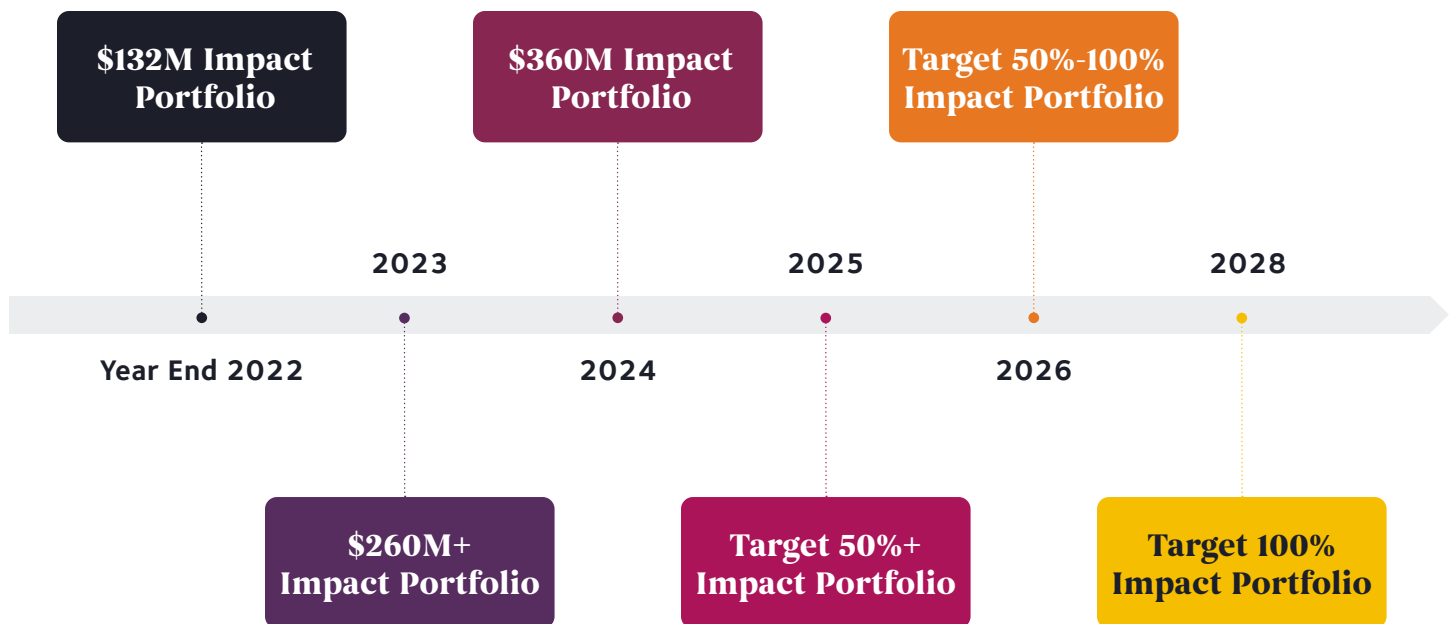
**For investors to play an even greater role in solving social and environmental problems, impact management must leave its silo and integrate with financial management.**  
- Impact Frontiers

As the responsible investment market matures, there is a greater need for a shared commitment to transparency and consistency around impact management to ensure investments are genuinely leading to better outcomes.

As part of this focus on impact transparency, we have introduced an **Impact Learnings** section that reports not only on our positive impact data and performance, but also shares lessons learnt and highlights what could be improved. Our aim is not to criticize, but to collaboratively work with our partners and the wider sector to improve standards of impact management, starting with our own approach.

To encourage more capital to move in the direction of impact, investors also need a better understanding of how to integrate impact and financial performance analysis. Thankfully, guidance is emerging to help investors assess and measure how impact can be a driver of financial value.

## 100% Impact Timeline



## The path ahead

We expect the momentum we have seen developing in the sustainable finance field to keep building in 2023. Emerging sustainability and impact standards both in Canada and internationally will be helpful in guiding investment behavior and building investor confidence. Through our collective efforts, we can help ensure that impact investing – where positive impact is pursued alongside competitive financial returns – continues to move from niche to the mainstream in Canada.

As we pivot from planning to implementing our investment strategy, our success will be dependent on continuous learning and partnership building. To this end, 2022 was a year of collaborations: we were excited to participate as a co-investor in the **Great Canadian ESG Championships** and to further our engagement approach, working with **SHARE**. In 2023, we have focused on deepening our partnerships, joining SHARE's Investors for Racial Equity – Community of Practice, participating in an Impact Frontiers cohort, partnering with impact-minded organizations across the country to commission market research on the state of the Canadian impact investing market, and working on the launch of an Impact Championships program.

We are excited to continue collaborating with, and learning from, global and local leaders alike, while working with leading institutional investors to draw increasingly more capital towards impact-driven funds that make a meaningful, measurable difference in the lives of people and the health of the planet. We invite you to join us on our journey to 100% impact.

**Wren Laing**, Investment Director,  
And **Edmund Piro**, Chief Investment Officer

and the entire investment team: **Alexandra Chamberlin**,  
**Gilles Hervé Koffi**, **Heidy O'Donova**

Photo provided by MKB Partners



# Our Impact Goals

# Impact Investing Thesis

We seek to build a thriving impact investing ecosystem in Canada, accelerating the shift to an impact-first economy where all investments contribute to the creation of a resilient, inclusive and sustainable society that can successfully address its complex challenges.

Currently, the Foundation seeks to invest through impact investing intermediaries to achieve the following mission-level impact goals:

## 1 Scale impact

Scale impact (across a range of domains and sectors) that aligns with our mission or focus areas. Examples of investments that are enabling this goal are private equity funds investing in for-profit social enterprises so they can grow and deliver more products and services, or funds that are increasing the number of affordable housing units available in the market.

## 2 Strengthen the capacity of the community sector

Strengthen the capacity of the community sector by enabling new forms of financing for charities, non-profits and social enterprises so that they can scale their activities and amplify the positive impact they have in their communities.

## 3 Build and influence the market

Build and influence the market through financial innovation and by shifting corporate and institutional behaviour. This is achieved by investing to test a new financial mechanism in the private markets, or in the public markets, by investing in managers with strong shareholder engagement that may lead to impactful change of corporate – and industry – behaviour.

**Our investment strategy is aligned with both the overarching mission-level impact goals above, and our three focus areas, each with their own distinct impact goals which contribute towards our overarching thesis.**



# Focus Area Impact Goals

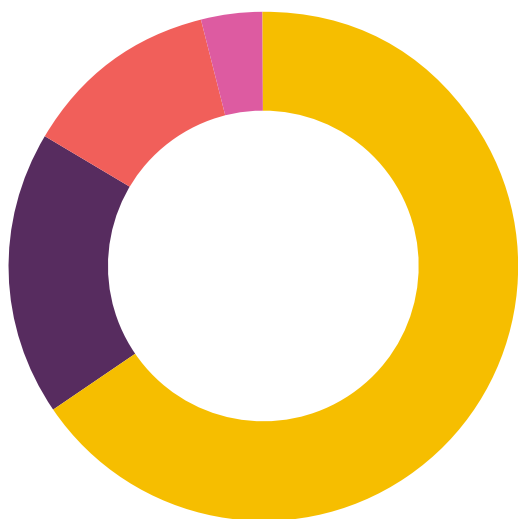
## Investing in our Focus Areas

In addition to our broader, portfolio-level impact thesis and goals, in 2022 we added impact goals aimed at advancing our three focus areas of communities, reconciliation and climate. These focus area-level impact goals are most relevant to our Program Related Investments (PRIs), whereas our Mission Related Investment (MRI) portfolio is more broadly tied to the mission-level impact investing goals above. By combining our investment capital with our philanthropic funding, we hope to activate exponential impact on issues of generational importance, that are impacting communities across the country.

## 2022 Focus Area portfolio breakdown

Our objective is to align all our investments with our mission over the coming 5 years. Not every investment will directly align with our three focus areas, as the current breadth of opportunity set is too limited. We hope to increase the number of focus area aligned investments strategically over time.

## Impact Investments by Focus Area (Committed)



- 65.8% Climate
- 17.8% Mission
- 12.8% Communities
- 3.6% Reconciliation



### Communities

We will scale investments into funds that support community resilience as well as communities facing systemic barriers to social and economic justice, with a focus on innovative, equitable and inclusive community financing and affordable housing.



### Reconciliation

We will support the emergence and growth of Indigenous designed and led financial innovations that advance a reconciliation economy. We want to use the experience we have gained through our philanthropic reconciliation activities to seed innovative investment approaches and to bring together new partnerships and pools of capital to support Indigenous-led impact initiatives.



### Climate

We will galvanize public and private investor action to accelerate the equitable transition to a net-zero carbon economy. We want to support best-in class impact fund managers to scale their funds and to encourage mainstream investors to move towards deeper impact, starting with our own endowment which will achieve net-zero carbon emissions by 2050 at the latest.

# Impact Governance

As part of our new investment strategy, we have more clearly embedded impact assessments throughout our investment process. This starts with an initial assessment using the Impact Management Platform's (IMP) five dimensions of impact evaluated against McConnell's impact goals. There is then an internal Impact Committee Review conducted by both program and investment team members. This review is based on the initial impact assessment where a decision is made about whether to proceed with the full due diligence process.

Impact analysis is front and centre throughout our decision-making process, including in our due diligence questionnaire, and our due diligence toolkit that our team uses to assess opportunities, as well as for reporting to the Investment Committee and the Board. After an investment is approved, impact remains a central component of portfolio management through the impact term sheet, annual impact reviews with managers and participation in fund-level impact committees where possible.

## McConnell Foundation's Impact Governance Process



### Impact Management Platform's Five Dimensions of Impact

#### What

- What outcome is occurring in the period?
- Is the outcome positive or negative?
- How important is the outcome to the people (or planet) experiencing them?

#### Who

- Who experiences the outcome?
- How underserved are the affected stakeholders in relation to the outcome?

#### How much

- How much of the outcome is occurring – across scale, depth and duration?

#### Contribution

- Would this change likely have happened anyway?

#### Risk

- What is the risk to people and planet that impact does not occur as expected?

Source: <https://impactfrontiers.org/norms/five-dimensions-of-impact/>

# Impact Performance

# Introducing Impact Ratings

To help us better understand the projected performance of both current and prospective investments against our impact goals, we have introduced an impact ratings tool which helps us more systematically assess relative expected impact performance. The impact ratings start with our impact goals and provide detailed ratings criteria, assessment, and weightings so that each investment generates an expected impact score. We derived the ratings system working with [Impact Frontiers](#). There are three components:

1. impact outcomes which are assessed using the 5 dimensions of impact (What, Who, How Much, Contribution, Risk),
2. impact risks using the Impact Management Project's nine types of impact risk which differentiate between risk of positive impact not happening and negative impact occurring, and
3. impact management practices. This is our first attempt at an impact ratings tool for McConnell's portfolio; our ratings system will be refined over the years to come and we welcome feedback as our approach matures.

## Impact Frontier's 9 Types of Impact Risk

- 1. Evidence risk:** The probability that insufficient high-quality data exists to know what impact is occurring
- 2. External risk:** The probability that external factors disrupt our ability to deliver the impact
- 3. Stakeholder participation risk:** The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
- 4. Drop-off risk:** The probability that positive impact does not endure and/or that negative impact is no longer mitigated
- 5. Efficiency risk:** The probability that the impact could have been achieved with fewer resources or at a lower cost
- 6. Execution risk:** The probability that the activities are not delivered as planned and not result in the desired outcomes
- 7. Alignment risk:** The probability that impact is not locked into the enterprise model
- 8. Endurance risk:** The probability that the required activities are not delivered for a long enough period
- 9. Unexpected impact risk:** The probability that significant unexpected positive and/or negative impact is experienced by people and the planet

Source: Impact Management Project  
<https://impactfrontiers.org/norms/five-dimensions-of-impact/impact-risk/>

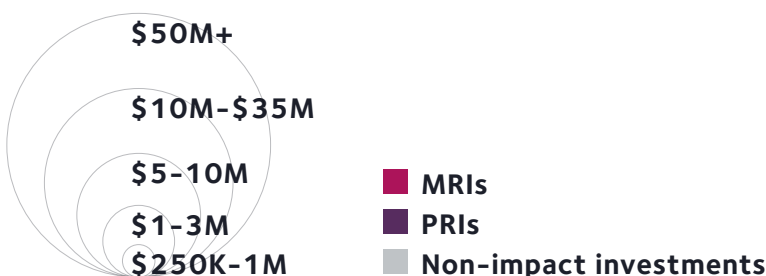
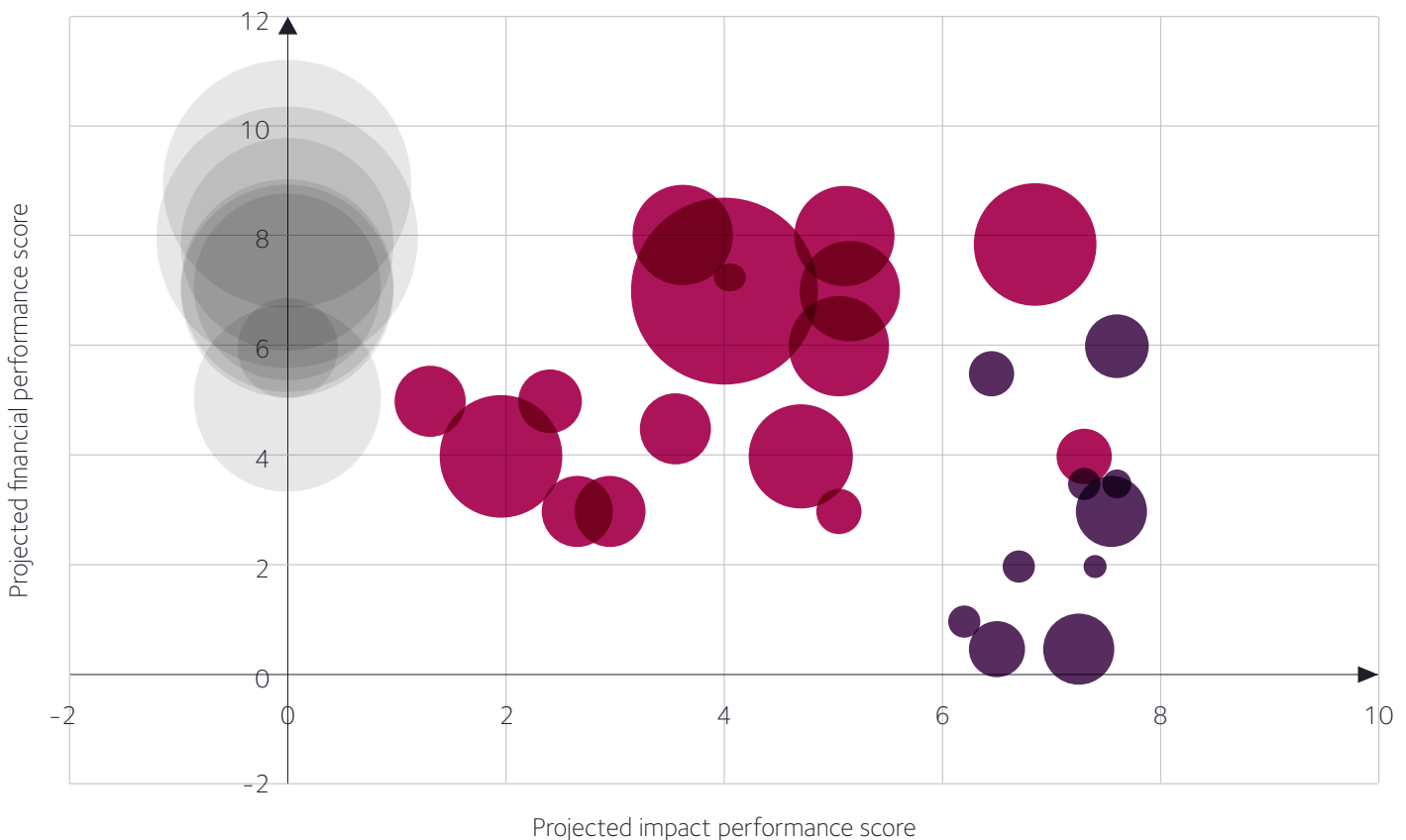
## Plotting our portfolio according to projected impact and financial performance

To visualize our portfolio’s expected performance, we have plotted our investments on a scatterplot. Each investment is placed according to their financial risk and return performance as well as their impact score. The size of the bubbles indicates the size of McConnell’s investment, with purple representing PRIs and berry representing MRIs. We aim to compare expected impact and financial performance with realized performance as investments mature.

This scatterplot could be thought of as an “impact” equivalent of the traditional financial risk-return scatterplot, which shows historical financial returns on the horizontal axis and their standard deviation on the vertical axis. Here, we use projected impact and financial performance ratings.

For 2022, we also plotted our non Impact Portfolio investments in grey, to showcase our overall portfolio. As we move towards aligning 100% of our endowment with impact, we expect the bubbles to move to the right of the scale, through divesting, engaging with managers and making new impact investments.

# McConnell Portfolio — Expected Integrated Performance



### Interpreting the results:

PRIs are where we expect them to be (higher impact, lower financial return than MRIs), but over time we hope to see more, and larger, MRIs in the upper right quadrant (greater impact, higher financial return).

# Aggregating impact KPIs at the portfolio level

## Changes to our approach

Aggregating impact Key Performance Indicators (KPIs) across a diverse range of asset classes and impact themes is challenging.

In previous years, we have reported aggregated KPIs, summarizing the data provided by our fund managers at a portfolio-level. This year, we have refreshed our approach to show how the KPIs we report on align with McConnell's three focus areas of reconciliation, communities, and climate change, alongside our mission-level impact investing thesis.

We started out with the goal of setting portfolio-level targets, recognizing that without a north star in mind, it is difficult to assess whether our impact performance has been satisfactory or not. We are committed to reporting our progress each year against these specific targets. However, we quickly realized when trying to establish targets that as an indirect investor investing primarily in fund managers, our ability to set targets is

largely dependent on our managers doing the same. We discovered that most managers within our portfolio do not yet set fund-level impact targets. This is not unique to our portfolio, but a common challenge across the impact investing ecosystem.

The output below is therefore a first iteration of McConnell's impact targets; we expect to add to and refine these over the coming year, and we will be working with fund managers on setting their own concrete targets so that we, in turn, can more comprehensively do the same.

Areas of focus for future years include moving from output metrics to *outcome* metrics and adding KPIs around biodiversity, water, and circularity within climate focus area targets; affordability, healthcare and education within communities focus area targets; and improved access to services for Indigenous people within reconciliation focus area targets.

Photo provided by Windmill One Planet Living Real Estate Fund



|   | Current  | McConnell Target Contribution (by 2030) |
|---|----------|---|
| <b>Reconciliation</b>   |          |   |
| 1. Investments benefiting Indigenous communities (millions CAD)   | 9.2      | 45                                      |
| 2. Number of companies led by Indigenous entrepreneurs  | 8        | 25                                      |
| <b>Communities</b>  |          |   |
| <b>Affordable homes, inclusive communities</b>  |          |   |
| 1. Number of units (at the fund level)  | 7,880    | 9,867                                   |
| 2. Proportion of affordable units at 80% of Average Median Income or below (at the McConnell portfolio level)   | 64%      | 100%                                    |
| <b>Support for social enterprises and coops</b>   |          |   |
| 1. Number of social enterprises invested in (at the fund level)   | 194      | 350                                     |
| 2. % of organizations that are social enterprises   | 60%      | 60%                                     |
| 3. Fund-level active loans into charities, social enterprises and non-profits (millions CAD)  | 87.6     | 100                                     |
| <b>Climate</b>  |          |   |
| 1. Amount invested in renewable energy (millions CAD)   | 28.2     | 150                                     |
| 2. Emissions Avoided (MMt CO2 eq)<br><i>Emissions avoided is a first step based on data available from fund managers. We hope to report on emissions reductions in the years to come.</i> | 0.8      | Target to be set in 2023                |
| 3. McConnell whole portfolio-level emissions reductions from 2020 baseline (t CO2eq/\$M Assets Under Management (AUM))  | 95       | 38                                      |
| 4. Energy Saving (KWh)  | 10,014   | Target to be set in 2023                |
| <b>Mission: Accelerating the Shift &amp; Building the Market</b>  |          |   |
| 1. % MRI portfolio invested into Canadian Fund Managers   | 25%      | 35%                                     |
| 2. % of PRI portfolio invested into Canadian Fund Managers  | 100%     | 100%                                    |
| 3. Amount of capital invested for impact* in CAD \$   | \$159.9M | \$1B                                    |
| 4. Co-investment match on our investment (PRIs)   | 1:7      | 1:10                                    |
| 5. Number of ecosystem building initiatives in which we participated and/or facilitated**   | 4        | 12                                      |

\*Total invested for impact to date, includes exited investments.

\*\*Post-Impact Investment strategy launch in December 2022. This figure does not take into account historic impact investing initiatives.

# Embodying impact through Impact Stories



## Impact Stories

# Closing the wage-gap for immigrants with microloans: Windmill Microlending's Community Bond.

Windmill Microlending is a Canadian charity that offers loans of up to \$15,000 to skilled newcomers so that they may restart their careers in Canada. In so-doing, Windmill helps reduce income inequality for immigrants, address labour shortages and offers newcomers a chance to thrive.

Windmill's Community Bond was launched in 2017. Investments were small to start, but increased awareness of impact investing has allowed them to secure larger investments and significantly increase the number of clients they serve. Last year, Windmill approved a record 1434 new loans, an increase of 31% over the previous year.

## Windmill Alumni



Anoopriya, Software Engineer in Toronto



Jerome, physician in Calgary

Photos provided by Windmill Microlending

**“A Windmill loan can have a big impact on our clients, who significantly increase their incomes and are less likely to stay under-employed,” says Sarah Stuewe, Associate Director, Philanthropy at Windmill Microlending. “On average, by the time our clients repay their loans, their incomes have increased by 3.5X.”**

Rising interest rates and cost of living over the past year have had an outsized impact on Windmill's clients, for whom the cost of borrowing was becoming increasingly unaffordable. “We needed to do something to ensure that newcomers were not deterred from applying because the cost of a Windmill loan was too high,” says Stuewe.

Windmill's low cost of capital — the result of investments in their community bonds and donations of loan capital — enabled them to reduce their interest rate at a time when banks were raising theirs. For clients who were struggling financially, they were able to lower their monthly payments by extending the term of their loan. These changes have given many the relief they need in the face of a rising cost of living.

Windmill plans to build on last year's success by reaching at least 4000 new clients per year in the next four years.

In 2020, McConnell invested \$750K in Windmill Microlending's Community Bond.

# New Market Funds: Generating affordable housing through multi-sectorial partnerships

New Market Funds (NMF) is a multi-fund manager that delivers investment opportunities with financial returns and enduring community benefit. With over \$85 million in assets under management, NMF provides innovative capital solutions for impact-focused organizations working on affordable housing and real estate, community lending and co-operative enterprises.

The NMF Affordable Rental Housing Fund model is the first national fund of its kind in Canada, putting affordability and non-profit ownership at the heart of delivering solutions to the affordable housing crisis in Canada. The funds have helped create 682 new units of non-profit and co-op housing and preserve the affordability of an additional 501 housing units by acquiring and converting them to non-profit ownership. The units prioritize renters based on the area's needs, which can include racialized peoples, Indigenous communities, 2SLGBTQIA+ individuals, new Canadians, artists, seniors, and people living with disabilities.

The fund's pioneering model leverages market-based capital to responsibly partner with non-profits, the private sector and government to maintain affordability while generating market-rate risk-adjusted returns, all with an aim to exit to community ownership. **“Big, complex problems like the rental housing crisis are most effectively tackled through hybrid solutions that harness the strength of partnerships,” says Garth Davis, NMF Managing Partner. “We believe that the most effective partnerships join the mission of non-profits and the resources of government and philanthropy with the execution of the private sector to develop solutions that are both tailored to community need and leverage scale.”**

The NMF team is in the process of raising capital for its second affordable rental housing fund, offering investors the potential to contribute to positive social impact while generating competitive returns on their investment.

Photo provided by New Market Funds

In 2016, McConnell provided New Market Funds Society, a registered charity and majority owner of the NMF management firm, with a \$269K sponsorship loan to support the development of new social innovation and social finance products. The Foundation has also invested \$4 million in NMF's Rental Housing Funds I & II.

# Using green bonds to fund climate change mitigation

In 2022, the McConnell Foundation partnered with the Trottier Foundation and seven other co-investors in the Great Canadian ESG Championship. The event showcased investment managers who excel in responsible investment practices and gave asset owners a jumping-off point to help accelerate their ESG investing.

Sixty investment managers submitted proposals. In the end, seven asset management firms were selected to earn investment mandates based on their robust ESG and financial performance. AlphaFixe Capital was awarded \$38M in investment mandates, the largest of the seven winning firms.

AlphaFixe Capital is a leading fixed income investment manager with \$11.7 billion assets under management as of December 31, 2022. Its Green Bond Fund invests in fixed income securities that finance climate change mitigation and adaptation projects.

According to AlphaFixe Capital, the Green Bond Fund and its financed projects have a direct impact on Canadians, cities, corporations and other stakeholders. “A wind farm project in Ontario can help meet the province’s growing electricity demand with clean and affordable energy, thus boosting businesses’ competitiveness and helping alleviate the bill for Canadian citizens. A light-rail project can help reduce the use of internal combustion engine vehicles, thus reducing greenhouse gas emissions, air pollution, traffic deaths and urban sprawl,” says Simon Sénécal, Portfolio Manager.

**Senécal shares: “Over the past 15 years, our journey promoting ESG best practices has led AlphaFixe Capital to reflect on what it means to make a positive change within our community. It also made us realize that being vocal and speaking with conviction can have a big impact down the road, even though we are small in size compared to global asset managers.”**

Photo provided by AlphaFixe Capital

In 2019, McConnell invested \$20M in AlphaFixe Capital’s Green Bond Fund. In 2022, we invested an additional \$15M through our participation in the [Great Canadian ESG Championships](#).



# Impact Learnings

We are introducing an Impact Learnings section to the 2022 impact report to highlight not only the positive impact and success stories but also any learnings over the course of the year. There were two main lessons in 2022: difficulties quantifying contributions to the UN's Sustainable Development Goals (SDGs) and disappointing progress on our approach to racial equity investing.

### **SDGs: Beyond the Labels, Tracking Contribution**

First, we had hoped to be able to show more concretely how our investment managers are contributing to the UN SDGs. The SDGs are a galvanizing force and useful labels to guide impact goals. We often hear that a strategy is 'aligned' with the UN SDGs – our question has been, in what way? It is essential to look beyond the labels to the underlying standards and indicators so that we may transparently report on if, and how much, each investment is contributing to a particular SDG. In past years, we have used manager reporting on SDG contributions to aggregate our portfolio results. We wanted to look deeper beneath the surface this year at how managers are tracking their tangible contributions to their reported SDGs.

Being able to track these contributions more systematically, using the guidance published by the UN's SDG Impact initiative, for example, is essential to ensure that the SDGs are not simply being used as labels. To our surprise, and despite having robust impact management practices, most of our impact fund managers do not look at the underlying SDG targets and indicators, let alone quantify their contribution to these. This is not a challenge unique to our portfolio, but rather a sector-wide challenge. We will work with our fund managers to help improve our approach to tracking our contributions to each SDG going forwards and where we cannot, we will remove the SDG alignment labels.

Those that remain included in the SDG calculations in this report have robust explanations for how their strategies are contributing to each goal. We have summarized the proportion of managers in our portfolio who are quantifying their contributions and will work with our other managers to strengthen their approaches to doing so.

## **Portfolio Summary of SDG Measurement Approaches**

# 30%

of fund managers in our portfolio quantify their contributions to the SDGs

# 67%

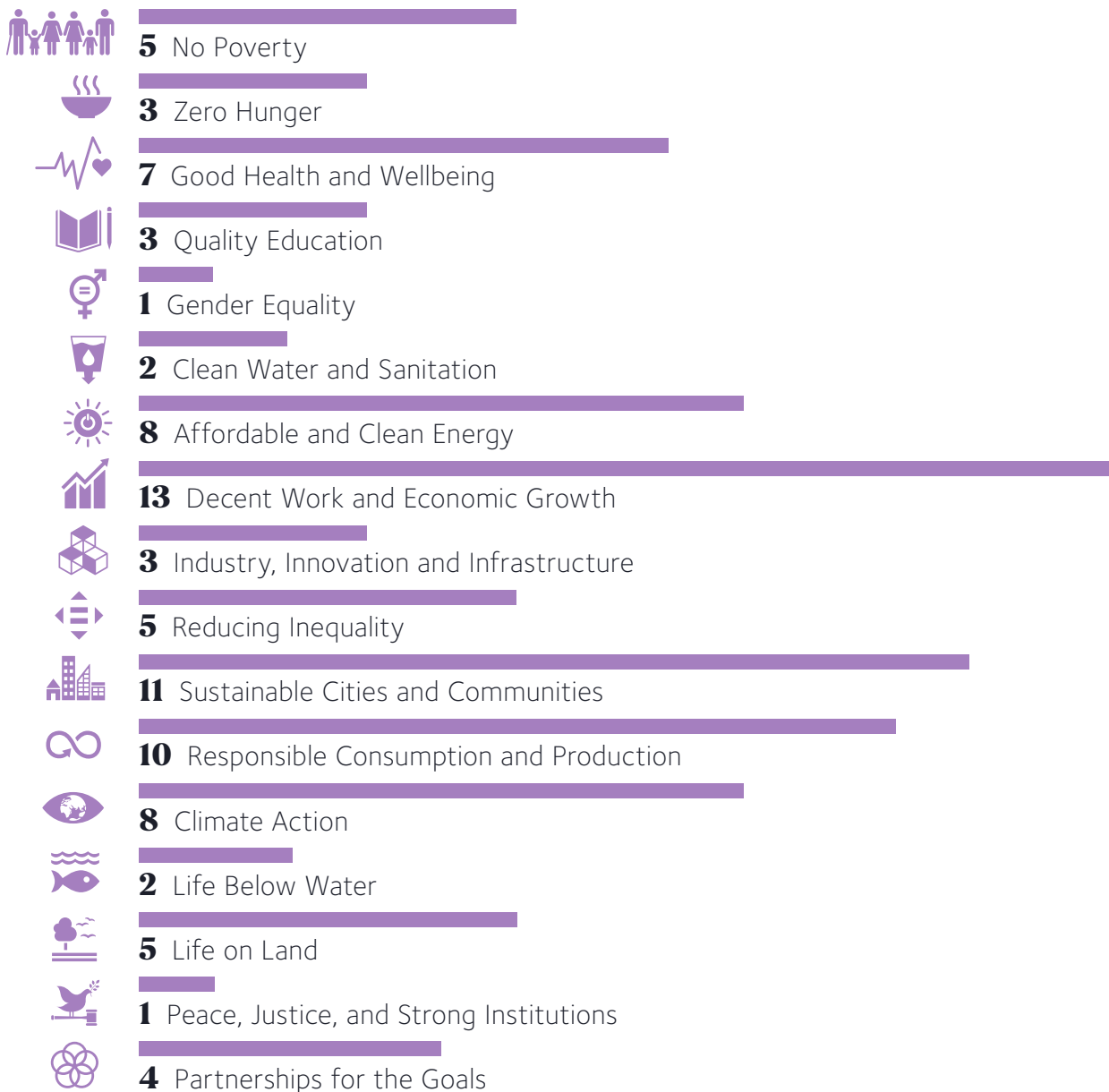
of fund managers in our portfolio have detailed qualitative explanations for how their activities contribute to the SDGs, referencing underlying targets and indicators here

# 33%

of fund managers in our portfolio identify SDGs but do not yet describe or measure their contribution. Where managers were unable to describe their contribution, we have removed their SDGs from the tally below.

# Contribution to the United Nations Sustainable Development Goals (SDGs)

## Total number of fund managers contributing to SDGs



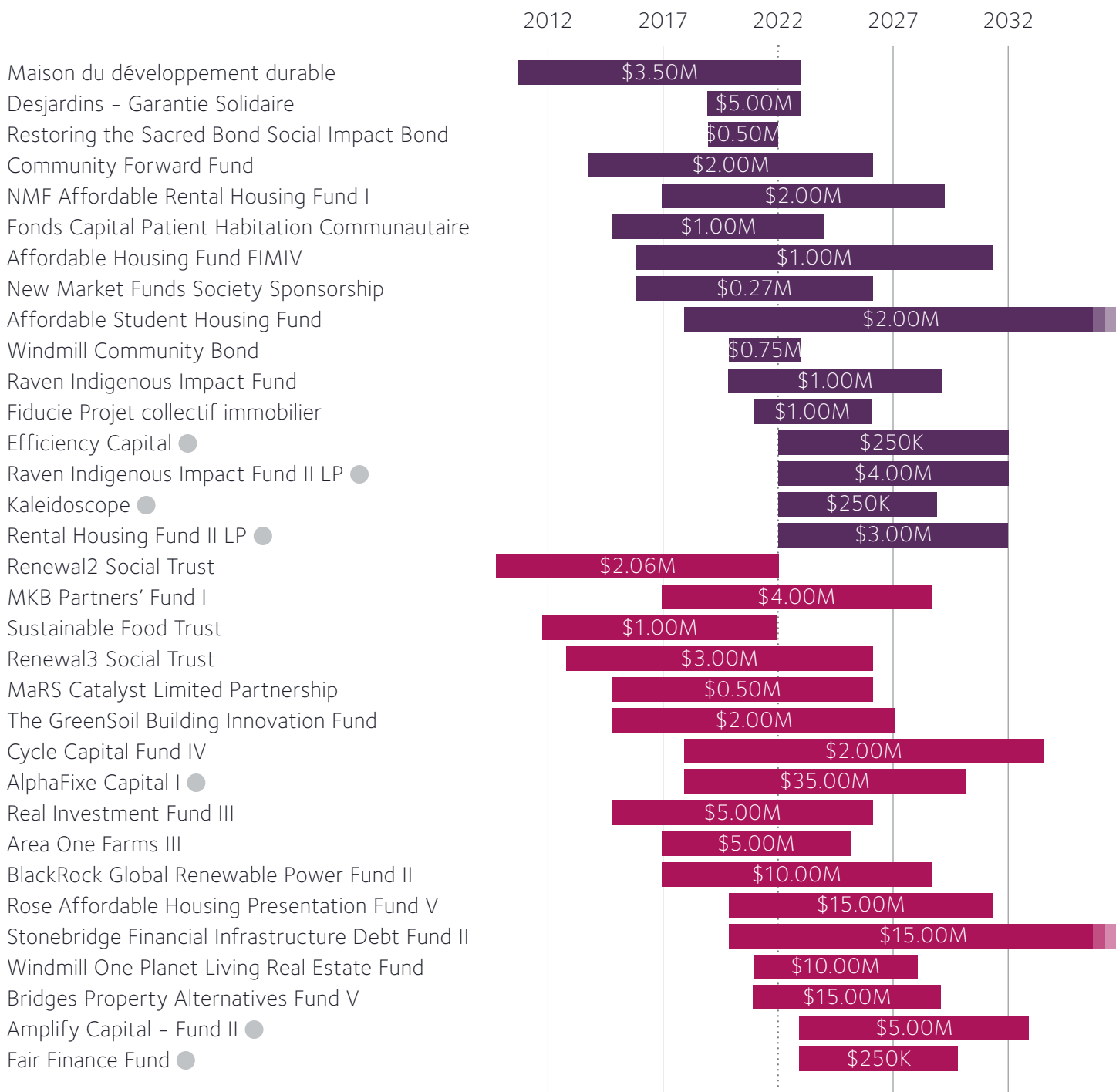
### Racial Equity Investing: Improving our Investment Process

Secondly, we have not made as much progress as hoped on embedding a racial equity lens into our investment approach. Crucially, however, we have a better understanding of our starting point and where we need to make further improvement thanks to

tools like The Racial Equity Asset Lab’s **Racial Equity Assessment Framework**. A key workstream in 2023 has been exploring how to apply a racial equity lens into our investment process and working with ecosystem partners to further initiatives in this area, such as being an active participant in SHARE’s Investors for Racial Equity Community of Practice.

# Portfolio overview and impact investment profiles

# Active Portfolio



## New or additional investments in 2022

### AlphaFixe Capital

Fixed Income  
Additional \$15M  
(\$35M total)  
p. 46

### Amplify Capital - Fund II

Private equity  
\$5M  
p. 48

### Efficiency Capital

Private Debt  
\$250K  
p. 31

### Fair Finance Fund

Private Debt  
\$250K  
p. 33

### Kaleidoscope

Private equity  
\$250K  
p. 37

### New Market Funds Society - Rental Housing Fund II LP

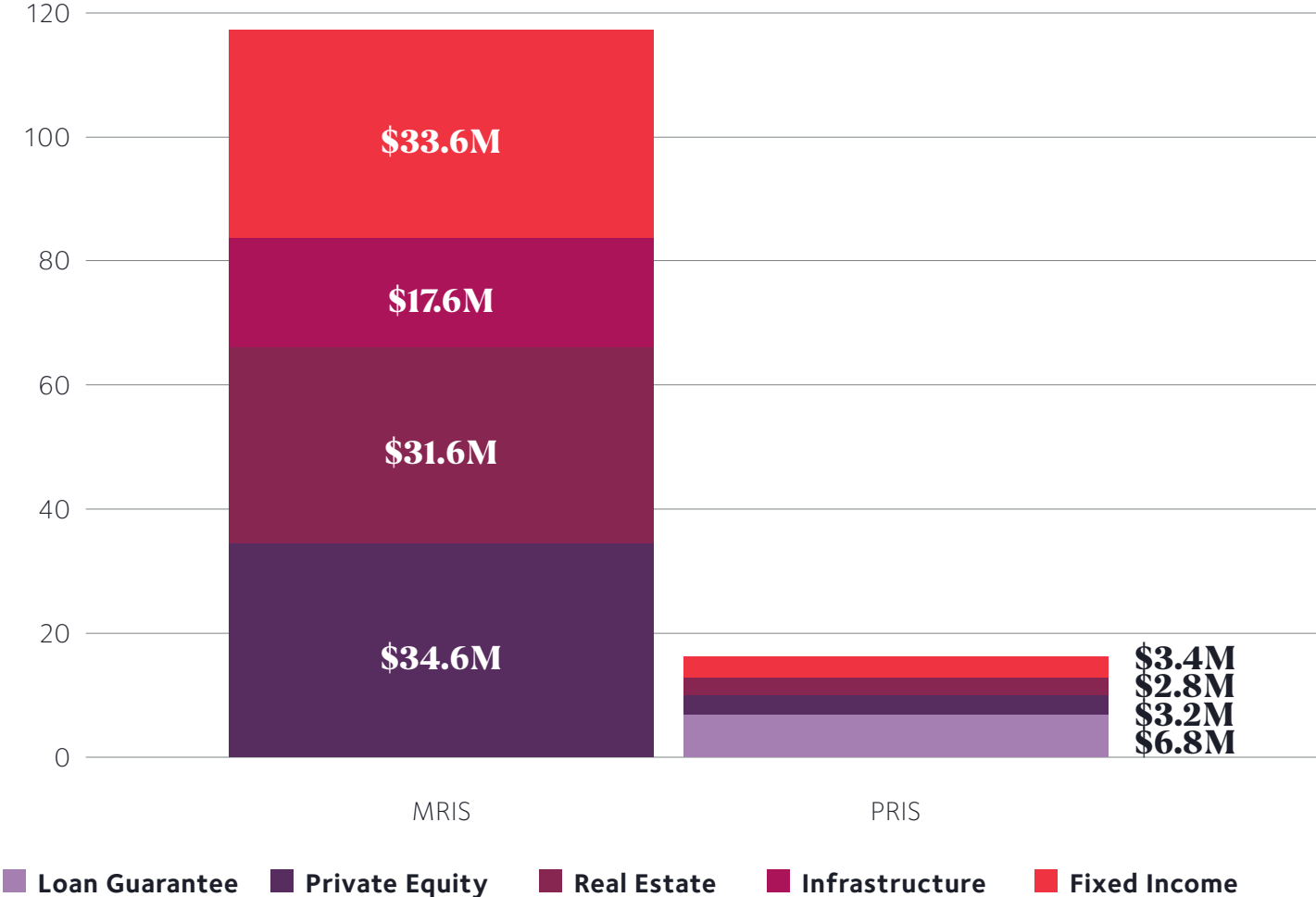
Private equity  
\$3M  
p.40

### Raven Indigenous Capital Partners - Raven Indigenous Impact Fund II LP

Private equity  
\$4M  
p. 42



# McConnell Impact Portfolio by asset class, as of December 31st 2022



How to read our profiles

# Manager – Product name indicated in the title

## McConnell Investing Goals

The McConnell investing goal that the investment relates to.

## Focus Area impact goal

Impact goals tied to McConnell’s charitable focus areas or overarching mission.

### Fund Level Key Performance Indicators

## KPI 1

Key Performance Indicator related to the investment’s activities in 2022. Data for KPIs is generated at the fund level.

## Description

Summary of the investment manager and their activities.

**Governance:** Whether McConnell participates in a fund’s governance committees.

## Rationale

Summary of why the Foundation decided to pursue the investment and strategic fit with McConnell’s own philanthropic and mission objectives.

## Committed amount

The amount of capital McConnell has agreed to provide to the investee.

## Target financial return

See glossary

## Fund size

The total amount committed from all investors in the fund/product

## Asset class

A category of financial instruments with similar financial structures and similar behaviour in the marketplace.

## Investment type

How McConnell categorizes the investment (PRI or MRI). This categorization has implications for Canada Revenue Agency purposes.

## Year of investment

Year in which McConnell confirmed participation in the investment.

## Term

The length of time for which the investment is contracted to last.

## Investment timeline

Q4 2022

Start year      Q4 2022      End year



# Program-Related Investments (PRIs)

# Bâtir son Quartier – Fonds Investissement Montreal IV



## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**5** loans to non-profit providers

**440** affordable\* units financed

**82.7%** of average market rate for renters

### Description

The Fonds d'investissement de Montréal (FIM) is a limited partnership managed by an independent board of directors. FIM enables non-profit organizations and housing cooperatives to purchase, renovate and improve rental properties in order to create healthy, affordable and safe housing for low- and modest-income households. The four investment phases of FIM are coordinated by Bâtir son quartier, a non-profit social economy enterprise with more than 40 years of experience in creating supportive living environments.

### Rationale

This Fund is the manager's fourth iteration of their successful strategy. It provides an opportunity to improve access to housing, enable non-profit and co-operative building operators to build their equity, and put private capital at the service of local Montreal communities.

\*Considered affordable if cost is less than 30% of a household's before-tax income.

### Committed amount

\$1,000,000

### Target financial return

5%

### Fund size

\$20,000,000

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2016

### Term

15 years

### Investment timeline

Q4 2022

2016

2031



# La Caisse d'économie solidaire Desjardins – Garantie solidaire

## McConnell Investing Goals

- 2 Strengthen community sector capacity
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**\$1.75M** in loan guarantees from McConnell

**\$2.3M** total guaranteed by the 3 partners

**\$87.5M** total financing of projects enabled

**11** organizations with guarantees  
(3 loans have finished in 2022)

## Description

La Caisse d'économie solidaire Desjardins (CES) is the leading financial institution dedicated to non-profits, unions and social enterprises in Quebec. It is part of the Desjardins Group, which is the largest association of credit unions in North America, managing over \$260 billion in assets for its members.

**Governance:** McConnell sits on the Approvals Committee.

## Rationale

This guarantee to the Caisse is committed equally by the McConnell, Chagnon, and Saputo Foundations. Its purpose is to enable community organizations — including charities, non-profits and co-operatives — to access credit that they would otherwise not receive. This investment directly supports the Foundation's mission by creating a new financial product that provides community organizations with access to financing.

## Committed amount

\$5,000,000

## Target financial return

1%

## Fund size

\$15,000,000

## Asset class

Private debt

## Investment type

PRI – Loan Guarantee

## Year of investment

2019

## Term

Open

## Investment timeline

Q4 2022

2019

Open



# CFFAC – Community Forward Fund

## McConnell Investing Goals

- 2 Strengthen community sector capacity
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**16** active loans (58 loans since inception);

**\$24.9M** advanced since inception

**57%** of loans directed to nonprofits (since inception);

**43%** directed to charities (since inception)

## Description

The Community Forward Fund provides loans to Canadian charities and non-profits to advance a more sustainable charitable and non-profit sector. The organization offers educational resources, such as financial workshops, to enhance the financial literacy of its borrowers and enable them to better manage their current and future financial needs.

## Rationale

The Foundation's investment is specifically directed towards non-profit and charitable borrowers that would otherwise not likely have access to loan financing. These loans enable non-profit and charitable organizations to be more independently financially sustainable and to better plan for their long term programs. Fund investors benefit from regular income distribution payments.

## Committed amount

\$2,000,000

## Target financial return

3.5%

## Fund size

\$10,800,000

## Asset class

Private debt

## Investment type

PRI – Conventional

## Year of investment

2014

## Term

Open-ended structure

## Investment timeline

Q4 2022

2014

Open



## McConnell Investing Goals

**3** Build the marketplace through financial innovation

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**774.6** tCo2e GHG reduction from 798 units

### Description

Efficiency Capital (EC) is an investor and developer of energy efficiency projects. EC's approach is a unique financial innovation that was initially developed by The Atmospheric Fund (Taf.ca) in order to increase the flow of capital into energy efficiency and to standardize efficiency as a new asset class.

### Rationale

The Fund aims to support the creation and exchange of new circular solutions between innovative start-ups and large corporations, through innovation, optimization and collaboration within companies.

### Committed amount

\$250,000

### Target financial return

3.5%

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2022

### Term

10 Years

### Investment timeline

Q4 2022

2022

2032



# Équiterre – Maison du développement durable

## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 2 Strengthen community sector capacity

## Focus Area impact goal



### Mission

## Fund Level Key Performance Indicators

**16** social and environmental organizations that have affordable rental space at the MDD.

**43,107** citizens had access to knowledge on sustainable development during the activities organized by the MDD.

Successfully accessed loan financing and constructed the building to LEED Platinum standards

## Description

La Maison du développement durable (MDD) [Centre for Sustainable Development] provides a space for reflection, innovation, education, synergy and collaboration around sustainable development. Eight socially and environmentally focused organizations created the MDD in downtown Montreal as a demonstration green building and a place to house their operating activities.

## Rationale

The Foundation's guarantee enabled financing from banking institutions for the building's initial construction costs. The Foundation's strong balance sheet allowed the bank to offer a more reasonable interest rate on MDD's loan. This guarantee helped enable the creation of one of Quebec's greenest buildings — the first LEED Platinum certified building in the province.

## Committed amount

\$3,095,000

## Target financial return

0%

## Fund size

\$23,400,000

## Asset class

Private debt

## Investment type

PRI – Loan Guarantee

## Year of investment

2010

## Term

13 years

## Investment timeline

Q4 2022

2010

2023





## McConnell Investing Goals

- 2** Strengthen community sector capacity
- 3** Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**859** Local jobs

**\$20,253,528** Local food sales

**1932** Number of Regional Suppliers

**\$5,146,820** Amount spent on regional suppliers

## Description

The Fair Finance Fund is a non-profit social finance fund dedicated to providing loans and mentorship services to local food and farm enterprises that value strong local food systems, local economies, and a healthy planet. The fund is developed and managed by the Local Food and Farm Co-ops and the Rural Agri-Innovation Network. It builds on seed capital to implement an ongoing investment opportunity for community-minded investors individuals who want to invest their capital to build local food systems in Ontario to support food that is grown, raised and processed in their own backyards. The Fund provides also support across Ontario's food webs, from production to waste redirection.

## Rationale

The Fund operates a revolving loan program to enable Ontario's agriculture and food businesses to access fair and accessible capital, creating social, environmental

and economic benefits for the people and organizations involved. In the context of the Foundation's work to support more sustainable food systems and community resilience to the effects of climate change on food systems, this investment represents an opportunity to engage and make an impact in a key area.

### Committed amount

\$250,000

### Target financial return

N/A

### Fund size

\$10,000,000

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2022

### Term

10 years

### Investment timeline

Q4 2022

2022

2032



# Fiducie – Fonds d'aide à la rénovation de l'habitation communautaire

## McConnell Investing Goals

**2** Strengthen community sector capacity

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**16** projects (\$ 8.24 M)

**8** loans paid (\$4.13 M)

**313** Affordable Units\*

**73%** of average market rate for renters

### Description

The principal mission of the Fiducie du Chantier de l'économie sociale has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises. La Fiducie designed this Fund to enable the renovation of non-profit and cooperative housing in a way that would maintain affordability of the rent paid by tenants.

**Governance:** McConnell sits on the Conseil consultatif.

### Rationale

The mission of the Fonds d'aide à la rénovation de l'habitation communautaire (FondsARHC) [Fund to assist community housing renovations] is to enable repairs or renovations to existing affordable rental real estate buildings in a way that preserves the initial rent affordability. Patient loan capital is offered to eligible housing co-operatives and nonprofits to finance major work they would otherwise be unable to afford.

### Committed amount

\$1,000,000

### Target financial return

4%

### Fund size

\$31,500,000

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2015

### Term

10 (+2) years

### Investment timeline

Q4 2022

2015

2027



\*La Fiducie considers rent affordable if it is 73% or less than current median rental price.

# Fiducie – Fonds d’investissement pour logement étudiant (FILE)



## McConnell Investing Goals

**2** Strengthen community sector capacity

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**1** project (\$ 3,56 M)

**144** affordable units\* (144 student rooms)  
in one building

### Description

The principal mission of the Fiducie du Chantier de l'économie sociale Trust has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises.

**Governance:** McConnell sits on the Conseil consultatif and the Conseil consultatif d'investissement.

### Rationale

The Fund provides debt to build and operate affordable student housing projects led by cooperatives and not-for-profits. Its objective is to build 500 units for students near university campuses in Montreal and across Quebec. This fund is an opportunity to create a new offering in Quebec's student housing market that aligns with the principles of the social economy. Furthermore, the investment aligns with the Foundation's Communities focus area.

### Committed amount

\$2,000,000

### Target financial return

6%

### Fund size

\$11,000,000

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2018

### Term

20 years

### Investment timeline

Q4 2022

2018

2038



\*La Fiducie considers rent affordable if it is 73% or less than current median rental price.

# Fiducie – Projet collectif immobilier

## McConnell Investing Goals

**2** Strengthen community sector capacity

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**\$6.52M** authorized loans (\$16.5k) repaid

**46** non-profits benefited from office space

### Description

A blended funding initiative consisting of three complementary funds, to enable community sector organizations and non-profits to acquire real estate assets or invest in real estate projects at affordable prices in the Greater Montreal area. The fund aims to address the problem of obtaining affordable and appropriate real estate, which has become a significant challenge for community organizations.

### Rationale

This investment is closely aligned with the Foundation's impact investing goals of supporting the capacity development of the community sector and developing the market through financial innovation. It addresses an important gap in the market to meet the demand from non-profit organizations for commercial real estate. The Foundation's capital will enable investors with lower risk tolerance to participate in later stages of the investment, enabling long-term, multi-stage support for borrower organizations.

### Committed amount

\$1,000,000

### Target financial return

5%

### Fund size

\$16,000,000

### Asset class

Private equity

### Investment type

PRI – Conventional

### Year of investment

2021

### Term

5 years

### Investment timeline

Q4 2022

2021

2026



## McConnell Investing Goals

**2** Strengthen community sector capacity

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**17** active loans

**328** loans since inception

**\$1,046,667.07**

Value of financing approved in reporting period

**\$2,075,000**

Value of financing approved since inception

**56** affordable units developed and 192 preserved

### Description

Kaleidoscope (founded in 2000 as the Saint John Community Loan Fund) invests in social real-estate, offers loans for start-ups and business expansion, and offers other types of financing for individuals wishing to return to school or work, or those seeking to acquire affordable housing. Since its inception, Kaleidoscope has shown positive results with 300 loans that have helped 260 micro-businesses launch, supported training of over 6,500 people, and created 10 social enterprises.

### Rationale

The Fund is in alignment with McConnell's mission as it aims to build a more resilient and inclusive society by providing financing to organizations and individuals who would otherwise not receive any via conventional methods.

### Committed amount

\$250,000

### Target financial return

2%

### Fund size

\$10,000,000

### Asset class

Private equity

### Investment type

PRI – Conventional

### Year of investment

2022

### Term

7 years

### Investment timeline

Q4 2022

2022

2029



# New Market Funds Society – Sponsorship Loan

## McConnell Investing Goals

**3** Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**\$87M** assets under management in impact investment products across Canada.

**9750** partner and staff hours contributed to developing social finance ecosystem

## Description

New Market Funds Society (NMFS) is a charity that supports the development of Canada's social finance ecosystem. Together with New Market Funds Inc. (a B Corp), it achieves this through structuring and fundraising new impact investing products, engaging in policy discussions and supporting the development of other organizations. NMFS's mandate is strongly aligned with the Foundation's goal of addressing Canada's complex social, environmental and economic challenges.

**Governance:** McConnell sits on the Board.

## Rationale

In 2013, NMFS raised its first round of sponsorship funds from five impact investing organizations from across Canada: Vancity, Trico Foundation, Bealight Foundation, RISQ (QC) and Makeway (formerly Tides Canada). The Foundation's participation supports the development of new social innovation and social finance products. As a Board member, the Foundation has the opportunity to collaborate and participate in the organization's priorities.

## Committed amount

\$269,000

## Target financial return

N/A

## Fund size

\$1,178,000

## Asset class

Recoverable grant

## Investment type

PRI – Conventional

## Year of investment

2016

## Term

11 years

## Investment timeline

Q4 2022

2016

2027



# New Market Funds Society – Rental Housing Fund I LP

## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 2 Strengthen community sector capacity
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**9** properties with investment totalling \$17m

**670** affordable\* units financed

Rents are, on average, affordable to households earning 55% of area median income in their respective locations.

## Description

New Market Funds (NMF) is a pan-Canadian manager that structures impact investing products, engages in policy discussions and supports the development of other organizations. The NMF Rental Housing Fund I LP supports non-profits and co-operatives that own and operate affordable multi-family rental properties across Canada.

## Rationale

The Fund provides equity financing which is gradually transferred back to the local housing operator. This investment facilitates community ownership of affordable real-estate projects and maintains long-term housing affordability. NMF's mandate is strongly aligned with the Foundation's mission of addressing Canada's complex social, environmental and economic challenges.

## Committed amount

\$2,000,000

## Target financial return

6%

## Fund size

\$24,720,000

## Asset class

Private equity

## Investment type

PRI – Conventional

## Year of investment

2017

## Term

10 (+2) years

## Investment timeline

Q4 2022

2017

2029



\*In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income.

# New Market Funds Society – Rental Housing Fund II LP

## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 2 Strengthen community sector capacity
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**2** properties with investment totalling \$2m

**107** affordable\* units financed

Rents are, on average, affordable to households earning 42% of area median income in their respective locations.

## Description

New Market Funds (NMF) is a pan-Canadian manager that structures impact investing products, engages in policy discussions and supports the development of other organizations. The NMF Rental Housing Fund I LP supports non-profits and co-operatives that own and operate affordable multi-family rental properties across Canada.

## Rationale

Similar to Fund I, Fund II provides equity financing which is gradually transferred back to the local housing operator. This investment facilitates community ownership of affordable real-estate projects and maintains long-term housing affordability. NMF's mandate is strongly aligned with the Foundation's mission of addressing Canada's complex social, environmental and economic challenges.

## Committed amount

\$3,000,000

## Target financial return

7%

## Fund size

\$20,000,000

## Asset class

Private equity

## Investment type

PRI – Conventional

## Year of investment

2022

## Term

10 (+3) years

## Investment timeline

Q4 2022

2022

2035



\*In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income.



# Raven Indigenous Capital Partners – Raven Indigenous Impact Fund I LP



## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Reconciliation:** Supporting the advancement of a reconciliation economy through Indigenous-led financial innovations.

## Fund Level Key Performance Indicators

**11** enterprises financed since inception

**71%** Indigenous ownership (across portfolio)

**8\*** companies led by Indigenous entrepreneurs

**127** Indigenous employees and 181 Indigenous contractors hired by portfolio companies

## Description

Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages funds that support the development of Indigenous communities and entrepreneurs, and serves as a bridge between private capital and Indigenous values.

## Rationale

The Fund seeks to revitalize the Indigenous economy in Canada by investing venture capital in early- and growth-stage Indigenous-led enterprises. The manager supports its investees — the entrepreneurs — with partnerships, business guidance, and network connections in addition to financial capital. The Fund presents a sustainable, values-driven approach to community resilience and economic empowerment.

## Committed amount

\$1,000,000

## Target financial return

6%

## Fund size

\$25,000,000

## Asset class

Private equity

## Investment type

PRI – Conventional

## Year of investment

2020

## Term

9 (+2) years

## Investment timeline

Q4 2022

2020

2031



\*100% of companies passed Raven's Indigenous Impact Screen (which includes ownership, management, governance, beneficiaries, etc)

# Raven Indigenous Capital Partners – Raven Indigenous Impact Fund II LP



## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Reconciliation:** Supporting the advancement of a reconciliation economy through Indigenous-led financial innovations.

## Fund Level Key Performance Indicators

No investments have been made yet

## Description

Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages funds that support the development of Indigenous communities and entrepreneurs, and serves as a bridge between private capital and Indigenous values.

## Rationale

Similar to Fund I, Fund II aims to revive the Indigenous economy in Canada by investing venture capital in late seed, early and growth-stage Indigenous-led enterprises. The manager supports its investees – the entrepreneurs – with partnerships, business guidance, and network connections in addition to financial capital. The fund presents a sustainable, values-driven approach to community resilience and economic empowerment.

## Committed amount

\$4,000,000

## Target financial return

10-12%

## Fund size

\$100,000,000

## Asset class

Private equity

## Investment type

PRI – Conventional

## Year of investment

2022

## Term

10 (+2) years

## Investment timeline

Q4 2022

2022

2034



# SFNNC – Restoring the Sacred Bond



## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Reconciliation:** Supporting the advancement of a reconciliation economy through Indigenous-led financial innovations.

### Cohort 1 results

Children spent 29 fewer days in care, for one year after birth, as well as 24.5% children being apprehended within the first year of their life versus the control group which had 35.1% of children being apprehended within the first year of life.

### Cohort 2 results

Children spent 39.7 fewer days in care among the program group than control group. 25% of children in the program group were taken into care in the first year of life, compared to 33% of children among control group members.

## Description

Southern First Nations Network of Care (SFNNC), an integral part of Manitoba's Child and Family Services since 2003, delivers culturally appropriate child & family services to First Nation citizens across the province of Manitoba. The organization acts as the investment manager in this product, working with Wijiidiwag Ikwewag to deliver doula birth assistance services to Indigenous mothers who are at risk of having their child apprehended.

**Governance:** McConnell appointed Diane Roussin to the Project Board.

## Rationale

Child apprehension often creates long-term damage to a child's future prospects. This \$2.6M prevention-based program is an opportunity to achieve positive health

and social outcomes, demonstrate the effectiveness of a culturally appropriate birth helper to at-risk mothers, reduce systemic biases in the health care system and incent the Province to finance and scale the program over the long-term.

### Committed amount

\$500,000

### Target financial return

4.1%

### Fund size

\$2,612,300

### Asset class

Private debt

### Investment type

PRI – Conventional

### Year of investment

2019

### Term

3.5 years

### Investment timeline

Q4 2022

2019

2023



# Windmill Microlending – Community Bond

## McConnell Investing Goals

- 1 Scale impact across domains and sectors
- 3 Build the marketplace through financial innovation

## Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

## Fund Level Key Performance Indicators

**5334** approved loans to newcomers

**\$54.4M** in approved loans

**40% to 8%** drop in unemployment

**3x** average income growth

## Description

Windmill Microlending is a registered charity serving newcomers since 2005. Windmill offers microloans of up to \$15,000 to help skilled immigrants and refugees continue their careers in Canada, empowering them to achieve economic prosperity. Windmill supports clients to obtain the Canadian licensing or training required to work in their field, or to secure a position which matches their level of education, skills and experience. Funded by the public and private sector, Windmill is Canada's largest microlending program for immigrants and refugees.

## Rationale

This Community Bond finances Windmill's loan capital, enabling the organization to provide additional loans to new clients. Canada welcomes over 180,000 skilled immigrants each year, but reaccreditation in Canada can be costly and slow. This Community Bond is aligned with the Foundation's mission of supporting a more inclusive, resilient Canada.

## Committed amount

\$750,000

## Target financial return

1.5%

## Fund size

\$7,500,000

## Asset class

Private debt

## Investment type

PRI – Conventional

## Year of investment

2020

## Term

3 years

## Investment timeline

Q4 2022

2020

2023



# Mission-Related Investments (MRIs)

# AlphaFixe Capital – Green Bond Fund

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**173** tCO<sub>2</sub> eq/\$M Emissions avoided in 2022

**0.16** MtCO<sub>2</sub> eq Total emissions avoided

**10** kwh/\$M Energy Savings

### Description

Founded in 2008, AlphaFixe Capital Inc. is a leading fixed income investment manager. The Firm's investment philosophy includes a rigorous risk management process and prioritizes flexibility and capital preservation. AlphaFixe has been a UNPRI signatory since 2009 and applies ESG factors to investment decision-making across portfolios. AlphaFixe launched the first Green Bond Fund in Canada in 2017.

### Rationale

Green bonds are debt instruments that finance 'green' projects – those which directly contribute to a low carbon economy. Through this Green Bond Fund, the Foundation supports green infrastructure and efficiency projects led by companies, regional and federal governments or supranational organizations.

### Committed amount

\$35,000,000

### Target financial return

18%

### Fund size

\$450,000,000

### Asset class

Public debt

### Investment type

MRI – Institutional Grade

### Year of investment

2019

### Term

Open-ended structure

### Investment timeline

Q4 2022

2019 Open

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**10** companies financed since inception

**\$449K** invested per company on average  
(including follow on investments)

**60** ecosystem events across Amplify Funds I  
and II (+7 in 2022)

### Description

The MaRS Centre for Impact Investing (MCII) was a social finance hub and project incubator that was designed to increase the awareness and effectiveness of social finance. It catalyzes new capital, talent and collaborative initiatives to mobilize private capital for public good and deliver innovative market-based solutions to Canada's social and environmental challenges.

**Governance:** McConnell sits on the Limited Partners Advisory Committee.

### Rationale

The Fund targets promising seed-stage ventures with high growth potential and core social purpose aims. This investment could prove beneficial for demonstrating the growing opportunities in impact investing.

### Committed amount

\$500,000

### Target financial return

15%

### Fund size

\$5,800,000

### Asset class

Private equity

### Investment type

MRI - Market Building

### Year of investment

2016

### Term

10 (+2) years

### Investment timeline

Q4 2022

2016

2026



## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**11** companies financed since inception

**\$1M** invested per company on average  
(including follow on investments)

**60** ecosystem events across Amplify Funds I  
and II (+7 in 2022)

### Description

Amplify Capital Fund II aims to provide early stage companies with long term equity solutions and strategic and operational support as they develop their business to solve challenges affecting our future.

### Rationale

The Fund targets promising seed-stage ventures with high growth potential and core social purpose aims. This investment could prove beneficial for demonstrating the growing opportunities in impact investing.

### Committed amount

\$5,000,000

### Target financial return

20%

### Fund size

\$36,000,000

### Asset class

Private equity

### Investment type

MRI - Market Building

### Year of investment

2022

### Term

10 (+1) years

### Investment timeline

Q4 2022

2022

2033





# Area One Farms – Fund III

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**22,885** acres farmed with no-till farming\*  
(No-till farming is an agricultural technique for growing crops or pasture without disturbing the soil through tillage)

**19** incentivized families (and 29 employees, each paid a living-wage salary)

### Description

Area One Farms operates four private equity funds in the Canadian farmland sector, with activity mainly in Alberta and Ontario. The Fund partners with established farm operators to acquire and increase the productivity of off-market farmland, creating value through stable long-term capital growth and annual crop-based income.

**Governance:** McConnell is a member of the Limited Partners Advisory Committee.

### Rationale

The Fund enables the sustainable expansion of family-owned farms while encouraging innovative farmland practices to improve farmers' financial returns and environmental sustainability. In the context of the Foundation's work in supporting more sustainable food systems, investing in farmland represents an opportunity to engage and have impact in a key area.

### Committed amount

\$5,000,000

### Target financial return

10-12%

### Fund size

\$135,000,000

### Asset class

Private equity

### Investment type

MRI – Institutional Grade

### Year of investment

2019

### Term

Open

### Investment timeline

Q4 2022

2019

Open



# BlackRock – Global Renewable Power Fund II

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**10.7M** MWh of clean energy produced

**3.7M** MtCO<sub>2</sub> eq emissions avoided

**8.3M** meter<sup>3</sup> of Water reduction

### Description

BlackRock, Inc. is the world's largest asset manager with over \$6 trillion in assets under management. They have substantial industry experience, insight, and technical expertise across market sectors, and have the largest global private markets renewables platform with \$6 billion AUM.

### Rationale

The BlackRock Global Renewable Power Fund II seeks attractive risk-adjusted returns through a diversified portfolio. The Fund focuses on wind and solar renewable power assets in OECD countries. This Fund is an opportunity to leverage the Foundation's endowment in the transition to a lower-carbon global future.

### Committed amount

\$7,500,000 USD

### Target financial return

7.5%

### Fund size

\$1,650,000,000 USD

### Asset class

Infrastructure

### Investment type

MRI – Institutional Grade

### Year of investment

2017

### Term

10 (+2) years

### Investment timeline

Q4 2022

2017

2029



# Bridges Property Alternatives Fund V

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**2195** lower cost, affordable\* living units

**120** green logistics units on 10 sites

**45%** more efficient buildings than new build standards

### Description

The fund invests in the real estate sector, focusing on niche markets with high development potential through direct management of corporate assets or joint venture partnerships, primarily in the United Kingdom and in alternative investment sectors in high-growth locations. The objective of these investments is to support the creation of regeneration areas and exemplary sustainable environmental projects, including healthcare, education and other investments that can generate social benefits.

### Rationale

Managed by a sustainability and impact fund manager with a social and environmental mission, this fund contributes to McConnell's impact investing goal of increasing impact in a range of sectors consistent with our mission and programs. The fund is relevant to our climate change and community resilience focus areas through investments in alternative, needs-based sectors such as low-cost housing in underserved areas, environmentally friendly logistics and industrial developments in growth areas, and healthcare-related assets.

### Committed amount

\$15,000,000

### Target financial return

15%

### Fund size

\$300,000,000

### Asset class

Private equity

### Investment type

MRI – Market Building

### Year of investment

2021

### Term

7 years

### Investment timeline

Q4 2022

2020

2027



\*The Bridges Property Alternative Fund V operates in the UK, where housing is considered affordable if it is at least 20% below market value (rentals and sales).

# Cycle Capital – Cycle Capital Fund IV

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**7** companies in portfolio  
(invested in a total of 8 companies)

**\$5.5M** invested per company on average

**0.22** MtCO<sub>2</sub> eq estimated amount  
of Greenhouse gas reduction

### Description

Cycle Capital was founded in 2009. It is a cleantech venture capital firm based in Montreal with a presence in Toronto, Qingdao China, New York and Seattle. The Firm focuses on early commercialization-stage businesses across sectors such as sustainable agriculture, green IoT, green chemistry, renewable energy and energy efficiency, sustainable transportation and smart cities.

**Governance:** McConnell is a member of the Impact Committee.

### Rationale

This Fund enables the Foundation to participate in scaling-proven clean technologies across North America while supporting the growth and development of Canadian entrepreneurs. The technologies financed through this investment aim to facilitate the transition to a more sustainable, lower-carbon economy.

### Committed amount

\$5,000,000

### Target financial return

15%

### Fund size

\$144,696,970

### Asset class

Private equity

### Investment type

MRI – Market Building

### Year of investment

2019

### Term

12 (+2) years

### Investment timeline

Q4 2022

2019

2031



# Greensoil – Building Innovation Fund

## McConnell Investing Goals

**1** Scale impact across domains and sectors

## Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

## Fund Level Key Performance Indicators

**12** companies financed since inception

**\$3.9M** invested per company on average

**6** cleantech companies in portfolio

## Description

Greensoil PropTech Ventures operates a private equity fund that invests in North American products that enhance the operation or resource efficiency of real estate infrastructure. The manager takes strategic minority positions in companies that create efficiency value through products, services and technologies.

## Rationale

Through this Fund, the Foundation is able to support the development and scaling of energy efficient innovations in the real estate sector while yielding an above-market-rate target return. Given the high emission intensity of real estate and infrastructure, the technologies this Fund supports are key to transitioning to a lower carbon economy.

## Committed amount

\$1,500,000 USD

## Target financial return

20%

## Fund size

\$59,000,000 USD

## Asset class

Private equity

## Investment type

MRI – Market Building

## Year of investment

2016

## Term

9 (+3) years

## Investment timeline

Q4 2022

2016

2028

# InvestEco - Sustainable Food Fund Trust

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**6** social enterprises financed since inception

**\$1.65M** invested per company on average

**100%** of investees are social enterprises

**47.9%** of produce purchased (\$) that was Ontario organic produce

**\$38.9M** of Ontario organic produce purchased

### Description

InvestEco Capital Corp (2003) recognized that environmentalism provided a business opportunity that wasn't yet tapped by the mainstream investment industry. The Fund invests in small to medium-sized growth-stage private companies that provide sustainable food and agriculture solutions.

### Rationale

The Fund finances social enterprises across North America that offer sustainable consumer grocery products and use innovative, responsible production methods. The Fund targets an above-market financial return while enabling the Foundation to support innovative companies that provide healthy and sustainable food alternatives.

### Committed amount

\$1,000,000

### Target financial return

15%

### Fund size

\$11,460,000

### Asset class

Private equity

### Investment type

MRI - Market Building

### Year of investment

2012

### Term

10 (+2) years

### Investment timeline

Q4 2022

2012

2024



# Jonathan Rose – Rose Affordable Housing Preservation Fund V

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Communities:** Supporting community resilience and communities facing systemic barriers to economic and social justice.

### Fund Level Key Performance Indicators

**15** properties invested in

**3867** affordable\* units financed

**732** Mt CO<sub>2</sub>eq emissions avoided to date

**-4%** emissions reduction from baseline

**-20%** water use reduction from baseline

### Description

Jonathan Rose Companies specializes in impact real estate investing. The Firm has a track record in the affordable housing sector, having invested approximately \$2.3 billion in development, investment and project management work. Since the Firm's inception, they've acquired over 15,000 affordable and mixed-income multi-family housing units.

**Governance:** McConnell is a member of the Impact Committee.

### Rationale

The Fund intends to acquire, transform, actively asset manage and opportunistically dispose of affordable, mixed-income and workforce multi-family housing in high-demand, transit-oriented locations in the United States. This real estate investment with strong environmental and social objectives aligns with the Foundation's mission and priority to advance community wellbeing in cities.

\*Rent limited to 30% of resident's income

### Committed amount

\$15,000,000 USD

### Target financial return

Net 9 – 12%

### Fund size

\$525,000,000 USD

### Asset class

Private equity

### Investment type

MRI – Institutional Grade

### Year of investment

2020

### Term

10 (+2) years

### Investment timeline

Q4 2022

2020

2032



# MacKinnon, Bennett & Co. – MKB Partners Fund II

## McConnell Investing Goals

**1** Scale impact across domains and sectors

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**7** companies financed

**\$6.3M** invested per company on average;  
\$44.3m invested in total

**1.05M** Mt CO<sub>2</sub>eq emissions avoided to date

### Description

MacKinnon, Bennett & Co. is a specialized Montreal-based private equity firm that provides growth capital to companies at the forefront of innovation in next-generation energy and transportation sectors. They structure and manage investments with the mission of accelerating the energy and transportation transformation while making a sustainable impact and generating attractive returns.

### Rationale

By investing in products and services contributing to a low-carbon economy, the MKB Partners Fund directly aligns with the Foundation's low carbon economy objectives. The fund addresses a significant funding gap in the Canadian cleantech ecosystem for growth and commercialization-stage companies. Furthermore, this investment is an opportunity to leverage current market trends to deploy environmentally sustainable solutions while yielding strong expected returns.

### Committed amount

\$4,000,000

### Target financial return

20%

### Fund size

\$52,410,000

### Asset class

Private equity

### Investment type

MRI – Market Building

### Year of investment

2018

### Term

10 (+2) years

### Investment timeline

Q4 2022

2018

2030





# Real Ventures – Investment Fund III



## McConnell Investing Goals

**3** Build the marketplace through financial innovation

## Focus Area impact goal



Mission

### Fund Level Key Performance Indicators

**106** Enterprises supported

**45** partner hours at events /month

**45** ecosystem building events

## Description

Real Ventures is an entrepreneur-centric investment platform of seed and early stage venture funds that builds the early stage startup ecosystem in Montreal with hopes of expanding across Canada. They invest in entrepreneurs that are behind emerging tech ecosystems, disrupting existing industries and business models.

**Governance:** McConnell is a member of the Limited Partners Advisory Committee.

## Rationale

Given Real Ventures' contribution to stimulating the Canadian venture capital industry and their values-driven approach to investment selection, there is clear alignment from both the target return and ecosystem-building perspective. The Foundation's investment relationship and strategic partnership with Real Ventures facilitates knowledge transfer and collaboration for further developing social innovation and social finance activity in Montreal and across Canada.

### Committed amount

\$5,000,000

### Target financial return

20%

### Fund size

\$88,250,000

### Asset class

Private equity

### Investment type

MRI – Institutional Grade

### Year of investment

2015

### Term

10 (+2) years

### Investment timeline

Q4 2022

2015

2027



# Renewal Funds – Renewal2 Social Investment Fund

## McConnell Investing Goals

**1** Scale impact across domains and sectors

## Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

## Fund Level Key Performance Indicators

**11** social enterprises financed since inception

**\$2.9M** invested per company on average

**\$31.9M** total invested

**5** successful exits to date

**100%** of investees are social enterprises

## Description

Renewal Funds invest in scalable, early-stage companies across North America that build a triple-bottom-line economy. Renewal finances retail companies offering more sustainable alternatives to consumers across food, well-being and technology. Having been in operation since 2008, Renewal Funds is a market leader in structuring this type of impact investment.

## Rationale

The Fund finances social enterprises across North America that apply innovative, responsible production methods. The Fund targets an above-market financial return while enabling the Foundation to support scalable companies that provide sustainable products to consumers. The Fund focuses on responsible consumption but also invests in related clean technologies.

## Committed amount

\$2,062,280

## Target financial return

Market-rate

## Fund size

\$35,000,000

## Asset class

Private equity

## Investment type

MRI – Market Building

## Year of investment

2010

## Term

10 (+2) years

## Investment timeline

Q4 2022

2010

2023

# Renewal Funds – Renewal3 Trust

## McConnell Investing Goals

**1** Scale impact across domains and sectors

## Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

## Fund Level Key Performance Indicators

**14** companies financed since inception

**\$4.3M** invested per company on average

**\$60.2M** total invested

**4** successful exits to date

**100%** of investees are social enterprises

## Description

Renewal Funds invest in scalable, early-stage companies across North America that build a triple bottom line economy. Renewal finances retail companies offering more sustainable alternatives to consumers across food, well-being and technology. Having been in operation since 2008, Renewal Funds is a market leader in structuring this type of impact investment.

## Rationale

The Fund finances social enterprises across North America that apply innovative, responsible production methods. The Fund offers an above-market financial return while enabling the Foundation to support scalable companies that provide sustainable products to consumers. The Fund focuses on responsible consumption but also invests in related clean technologies.

## Committed amount

\$3,000,000

## Target financial return

Market-rate

## Fund size

\$63,000,000

## Asset class

Private equity

## Investment type

MRI – Market Building

## Year of investment

2013

## Term

10 (+2) years

## Investment timeline

Q4 2022

2013

2025



# Stonebridge Financial – Infrastructure Debt Fund II

## McConnell Investing Goals

**1** Scale impact across domains and sectors

## Focus Area impact goal



### Fund Level Key Performance Indicators

**\$343M** in 24 renewable energy projects since inception

**\$209M** in 14 renewable energy projects benefiting First Nations

**0.90M** MWh clean energy produced annually

**0.41M** MtCO<sub>2</sub> greenhouse gas reductions annually

## Description

Stonebridge was founded in 1998. The Firm originates private debt financing for Canadian infrastructure projects ranging from \$10M to \$200M. Stonebridge is a signatory of the UNPRI and adheres to the Equator Principles. Fund II provides fixed rate, senior construction and take-out debt. The Fund invests in energy and social infrastructure projects across Canada, across diverse sub-categories including hospitals, transit, and all types of renewable energy.

**Governance:** McConnell is an observer (non-voting) on the Partners Advisory Committee.

## Rationale

By developing renewable energy projects and infrastructure across Canada, often investing in partnership with Indigenous communities, Stonebridge's investments support more resilient and lower-carbon

communities. As the project syndicator, Stonebridge develops and finances these projects. The Firm plays two key roles as an arranger and debt provider. Through this investment, the Foundation supports low-carbon infrastructure across the country.

### Committed amount

\$15,000,000

### Target financial return

Bloomberg Barclays  
Canada Aggregate -  
Corporate TR Index  
Unhedged CAD

### Fund size

\$563,656,419

### Asset class

Private debt

### Investment type

MRI - Institutional Grade

### Year of investment

2020

### Term

Open-ended structure

### Investment timeline

Q4 2022



# Windmill One Planet Living Real Estate Impact Fund LP1



## McConnell Investing Goals

**2** Strengthen community sector capacity

### Focus Area impact goal



**Climate:** Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

### Fund Level Key Performance Indicators

**968** metric tonnes of waste prevented from entering landfills

**56.6K** cubic metres in water savings, equalling \$202K in savings

**14.4M** KWh saved in energy to powering 1175 homes for a year

### Description

The OPL fund invests in both retrofit and new construction assets, the majority in partnership with impact-oriented, urban landowners. The real estate sectors targeted include deep building retrofits as well as community and large-scale mixed-use developments that are targeting carbon neutral and socially progressive outcomes. The fund is committed to clear and transparent reporting of impact outcomes, incorporating clear social and sustainable impact metrics into its investment criteria, ranging from community engagement to sustainable water and mineral use, to the implementation of carbon-free production strategies in urban food chains.

### Rationale

The fund's investments align with the foundation's mission on two dimensions, firstly in the fight against climate change through the reduction of energy and water consumption, targeted to be at least 50% lower than the traditional development model, and secondly,

through the creation of more inclusive communities through the design of healthy green buildings that regenerate natural ecosystems thereby improving the quality of life of local communities.

### Committed amount

\$10,000,000

### Target financial return

18%

### Fund size

\$100,000,000

### Asset class

Private equity

### Investment type

MRI – Market Building

### Year of investment

2021

### Term

5 (+3) years

### Investment timeline

Q4 2022

2021

2029



# Exited investments

## Closed Investments

| Product                        | Term      | Domain                   | Instrument                             | Invested Amount | Exit Value   |
|--------------------------------|-----------|--------------------------|--|-----------------|--------------|
| 1 Mission-related investment   | 2011-2016 | Multiple Sectors         | Fixed Income - Secured deposit         | \$1,000,000     | \$1,102,000  |
| 2 Mission-related investment   | 2017-2019 | Multiple Sectors         | Cash                                   | \$1,000,000     | \$1,002,562  |
| 3 Mission-related investment   | 2015-2020 | Multiple Sectors         | Public Equity - Canada                 | \$10,000,000    | \$10,546,329 |
| 4 Program-related investment   | 2010-2013 | Health & Health services | Private Equity (direct)                | \$250,000       | \$1          |
| 5 Program-related investment   | 2012-2014 | Environment              | Fixed Income - Loan guarantee          | \$2,000,000*    | n/a          |
| 6 Program-related investment   | 2012-2013 | Arts & Culture           | Fixed Income - Loan (direct)           | \$500,000       | \$12,500     |
| 7 Program-related investment   | 2015-2019 | Entrepreneurship         | Fixed Income - Community Bond (direct) | \$500,000       | \$613,382    |
| 8 Program-related investment** | 2015-2019 | Reconciliation           | Real Estate - Loan                     | \$350,000       | \$28,783**   |
| 9 Program-related investment   | 2016-2019 | Energy                   | Fixed Income - Loan                    | \$1,000,000     | \$1,065,721  |
| 10 Program-related investment  | 2007-2009 | Education                | Fixed Income - Loan (direct)           | \$10,000,000    | \$11,052,625 |
| 11 Program-related investment  | 2016-2021 | Health                   | Fixed Income - Social Impact Bond      | \$500,000       | \$677,268    |
| 12 Program-related investment  | 2018-2022 | Reconciliation           | Recoverable grant                      | \$250,000       | \$270,000    |
| 13 Program-related investment  | 2015-2022 | Entrepreneurship         | Private Equity (direct)                | \$160,000       | \$160,000    |

\*With this guarantee, no dollar amount was disbursed. The guarantee agreement came to term without any default on the part of the investee.

\*\*This loan has a patient repayment schedule. Full capital repayment, including a 2% return, is scheduled for 2033.

# Appendix

# Key terms

**In order to make this report accessible to a wider audience we would like to offer our definitions of a few of the key terms used in this report and in the investment profiles.**

**Asset class** is a category of financial instruments which have similar financial structures and behave similarly in the marketplace. McConnell invests across asset classes and holds impact investments in private debt, public equities, and private equities, among others.

**As of Q4 2022**, is to say that the data in this report is from the year before December 31, 2022.

**Commitment amount** is the amount of capital that McConnell has agreed to provide to the investee.

**Successful exits** are exits that have yielded the expected financial return while also achieving the intended impact outcomes. For private equity funds investments, for example, successful exits would be those that demonstrated a growing scale, depth and/or duration of impact between the time of investment and exit.

**Target financial return** is the Foundation's expectation of the financial performance of its investments. The portfolio-level target return is 6.5% net of fees, over the long term, which is expected to cover charitable and operational costs.

**Flexible Capital** is a category of McConnell's target return. Investments indicated as flexible capital may yield a financial return that is in line with risk adjusted market-rates or may display certain concessionary elements.

**Mission-Related Investments (MRI)** are financial investments made in either for-profit or non-profit funds with the intent of achieving mission-related objectives and normally earning market-rate financial returns. We distinguish between two types of MRIs: Institutional MRIs and Market-Building MRIs.

**Institutional MRIs** exhibit the following characteristics:

- Have an established track record in terms of financial performance.
- Have a deep, knowledgeable and experienced team.
- Clear, repeatable and proven investment process.
- Attracts institutional financial players (pension funds, endowments, etc). -Are of a significant size.

**Market-building MRIs** exhibit some or all of the following characteristics:

- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital.
- The Foundation's participation could be considered catalytic.

**Program-Related Investments (PRI)** are investments that are made in not-for-profit organizations and impact funds to further the Foundation's programmatic objectives and to generate financial returns, with a tolerance for below-market rates of return. We distinguish between two types of PRIs: loan guarantees and conventional PRIs.

**Loan guarantees** exhibit some or all of the following characteristics:

- In addition to fees that may be charged, commitments made under the form of guarantees are still productive towards the endowment's financial return.

**Conventional PRIs** exhibit some or all of the following characteristics:

- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital. The Foundation's participation could be considered catalytic.



# McConnell Impact Rating — Assessment Tool

Fund name: \_\_\_\_\_

Time Horizon: \_\_\_\_\_

| Dimension of Impact | Performance Data & Assumptions   | Performance Rating Criteria  | Assessment | Weight*    |
|---------------------|--|--|------------|------------|
| <b>What</b>         | <b>Outcomes:</b> All things being equal we prefer fund managers whose investments result in measurable, additional social and environmental impact alongside financial returns, helping to accelerate the shift to an impact first economy where all investments contribute to the betterment of society and the environment.  | <b>1-3:</b> Increase in amount of capital flowing towards positive social and environmental impact<br><b>4-6:</b> Attracting new investors or differentiated mix of capital into impact investing<br><b>7-10:</b> Market leading impact management approach/actively shaping impact management best practice   | <b>6</b>   | <b>20%</b> |
| <b>Who</b>          | <b>Targeting:</b> All things being equal we prefer investments that enable new forms of financing for charities and nonprofits and/or benefit equity-deserving groups that experience significant collective barriers to economic and social justice. These barriers could include attitudinal, historic, social and economic barriers based on age, ethnicity, disability, economic status, gender, nationality, race, sexual orientation and transgender status. | <b>1-3:</b> Capital flowing to mix of impact and non-impact private companies, products, or assets – majority by \$ must be impact-oriented.<br><b>4-6:</b> 100% capital invested in impactful for-profit companies, products, or assets or mix of for profit and not-for-profit. DEI and racial equity considerations explicit focus of strategy.<br><b>7-10:</b> Capital invested in not-for-profit charities, social enterprises or businesses benefitting equity-deserving groups who would otherwise not have access to similar sources of capital. | <b>10</b>  | <b>20%</b> |

\*An impact rating is a weighted sum of indicators that collectively cover multiple dimensions of impact, such as the number of people reached, how underserved those people are, and how much each individual is affected. Weights reflect two factors:

- Importance of impacts to stakeholders that experience them;
- Investors' impact priorities.

| Dimension of Impact | Performance Data & Assumptions  | Performance Rating Criteria   | Assessment | Weight*    |
|---------------------|---|---|------------|------------|
| <b>How Much</b>     | <p><b>Scale:</b> All things being equal we prefer investments that shift philanthropic, corporate and institutional behaviour towards impact investment opportunities, building the Canadian impact investing market</p>  | <p><b>1-3:</b> Investors experienced with impact investing seeding a new or differentiated strategy</p> <p><b>4-6:</b> New mix of philanthropic, institutional and/or public capital into tried &amp; tested strategies that would otherwise be invested in traditional assets or approaches</p> <p><b>7-10:</b> Cross-sector collaboration seeding new strategies or approaches and/or building confidence in the impact marketplace</p>                                       | <b>9</b>   | <b>10%</b> |
|                     | <p><b>Depth:</b> All things being equal we prefer investments that achieve measurable, additional social and environmental impact for equity-deserving groups that experience significant collective barriers to economic and social justice, with solutions designed and led by these groups</p> | <p><b>1-3:</b> Fund manager has DEI process in place, which is reflected both in leadership team, operations, and underlying investments.</p> <p><b>4-6:</b> Manager assesses prospective and/or present portfolio companies through an equity lens and actively shares learnings with peers</p> <p><b>7-10:</b> BME, female, and Indigenous-led fund managers with growing AUM focused on racial equity and/or building reconciliation economy.</p>                            | <b>3</b>   | <b>10%</b> |
|                     | <p><b>Duration:</b> All things being equal we prefer investment managers who are investing to achieve longer-term positive impact, where a systems-level view of impact is understood and articulated, and where impact is reliably and sustainably measured</p>                                  | <p><b>Performance rating guidelines:</b></p> <p><b>1-3:</b> &gt;10-year duration, uncertain or ill-defined impact on exit</p> <p><b>4-6:</b> Clearly articulated impact on exit (10+ years) with plan for longer term measurement, monitoring and reporting, including upon exit</p> <p><b>7-10:</b> Clearly articulated impact on exit (10+ years) with plan for longer term measurement, monitoring and reporting. Systems-level impact view is articulated and measured.</p> | <b>3</b>   | <b>10%</b> |

| Dimension of Impact  | Performance Data & Assumptions   | Performance Rating Criteria  | Assessment   | Weight*    |
|--|--|--|--|------------|
| <p style="text-align: center;"><b>Fund Contribution to investees</b></p>   | <p><b>Outcome counterfactual:</b> All things being equal we prefer investment managers who have already shown material and lasting positive outcomes</p> | <p><b>0.</b> No difference in outcomes stakeholders experience as a result of the investment.<br/> <b>1-3:</b> Uncertain difference in outcomes experienced as a result of investment<br/> <b>4-6:</b> Material difference in outcomes stakeholders are experiencing as a result of the investment in the short term<br/> <b>7-10:</b> Material difference in outcomes stakeholders are experiencing as a result of the investment in the short and longer terms</p> | <b>8</b>   | <b>5%</b>  |
|  | <p style="text-align: center;"><b>McConnell Contribution to fund manager</b></p>   | <p><b>Engage actively:</b> All things being equal we prefer investment managers for whom we can bring the most additionality and value</p>   | <p><b>1-3:</b> Does this investment contribute to a signaling effect that impact matters?<br/> <b>4-6:</b> Are there opportunities for McConnell to engage actively in the impact of the investment?<br/> <b>7-10:</b> Initiative wouldn't have occurred without our participation/ McConnell has contributed flexible capital to enhance impact</p> | <b>10</b>  |
| <p><b>Grow new and/or unersupplied capital markets:</b> All things being equal we prefer investment managers who would contribute to the Canadian impact investing ecosystem</p> |  | <p><b>1-5:</b> Does the investment, if international, enable us to transfer learnings to the Canadian market?<br/> <b>5-10:</b> Does the investment fill an unmet need in the Canadian impact investing market?</p>  | <b>10</b>  | <b>10%</b> |

| Dimension of Impact | Performance Data & Assumptions   | Performance Rating Criteria  | Assessment  | Weight*     |
|---------------------|--|--|-------------|-------------|
| <b>Impact Risk</b>  | <p><b>Positive Impact Risk:</b> All things being equal we prefer investments that have lower risk of positive impacts not occurring</p>  | <p>Referring to the 9 types of impact risks and selecting the most relevant risks for each investment, consider:</p> <p><b>0:</b> Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is high</p> <p><b>2:</b> Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is low</p> <p><b>4:</b> Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is high</p> <p><b>6:</b> Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is low</p> <p><b>8:</b> Likelihood of desired impact not occurring is low, severity of consequences is high</p> <p><b>10:</b> Likelihood of desired impact not occurring is low, severity of consequences is low</p> <p>And multiply by two.</p> | <b>8</b>    | <b>5%</b>   |
|                     | <p><b>Negative Impact Risk:</b> All things being equal we prefer investments that have lower risks of any negative impacts occurring</p> | <p><b>1:</b> High risk of many material negative impacts occurring</p> <p><b>10:</b> Low risk of any negative externalities occurring</p>  | <b>5</b>    | <b>5%</b>   |
|                     |  | <b>Final Impact Rating /10</b>   | <b>7,25</b> | <b>100%</b> |



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