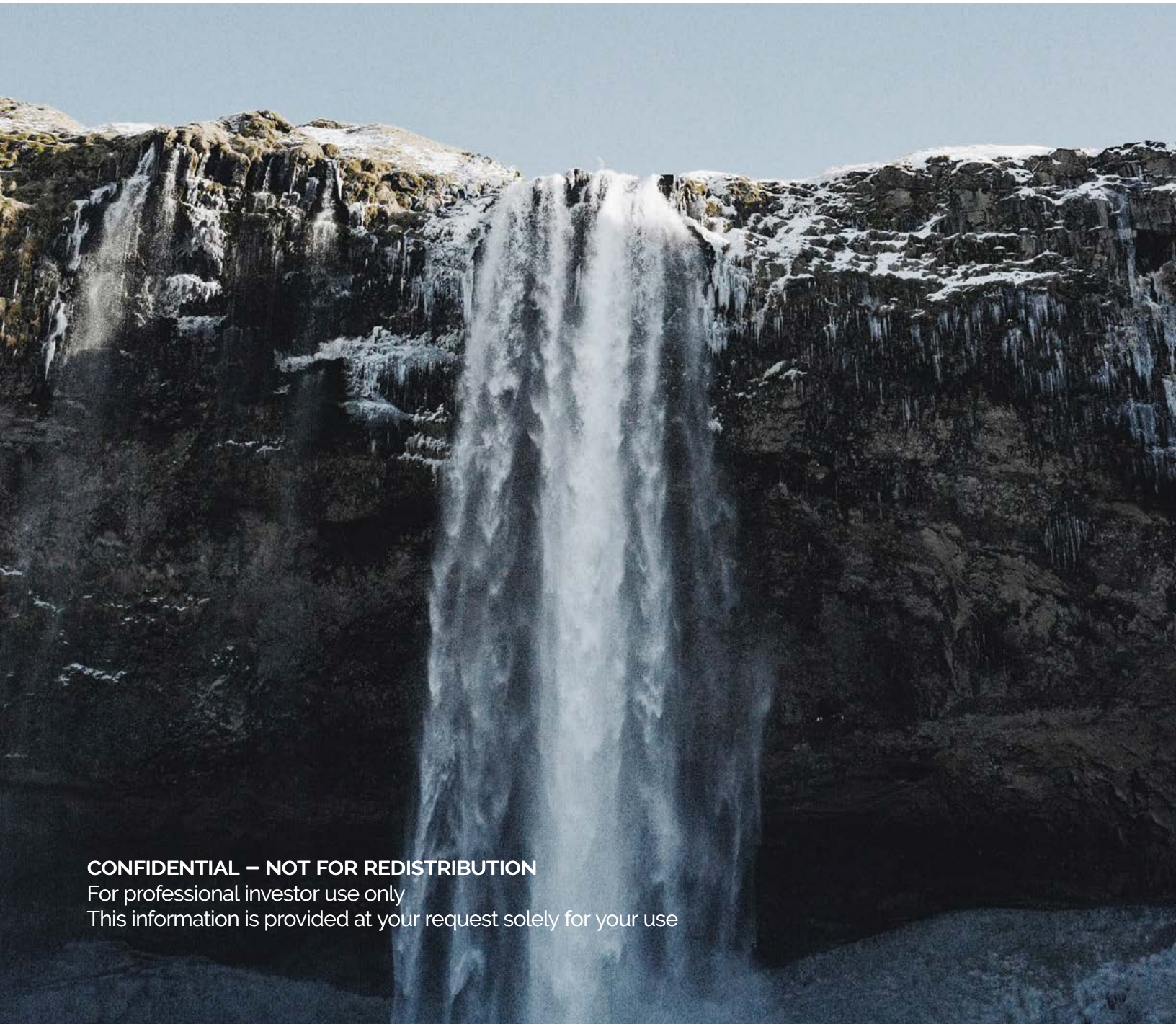


AIM US\$ Liquid Impact Fund LLC

2019 Impact Report



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Management Commitment to Impact

Message from Affirmative Investment Management (AIM)

AIM is proud to release the second annual Impact Report produced for AIM US\$ Liquid Impact Fund. We believe our Impact Reports are among the most comprehensive impact records available in the marketplace for a debt product. In our view, the report again demonstrates how a pure play focus to investing, founded on deep analysis and engagement, can be beneficial to both investors and society.

The report is a culmination of extensive engagement with the underlying issuers invested in during 2019. Every investment within the Fund underwent rigorous verification, and over 99% of 2019 holdings have been included in this report. We are delighted with this coverage outcome, given the increased challenges of collating data and information from underlying issuers, due to the Covid-19 pandemic.

AIM US\$ Liquid Impact Fund invested in 25 different bond frameworks in 2019, which resulted in disbursements in over 100 countries to finance over 700 eligible projects. The fund is not only global in terms of underlying investment exposures, but also in impact on the world.

Each year we endeavour to break new ground to advance the growing impact bond market. To this end, our Impact Reports will continue to be both progressive and pioneering in their depth and quality of reporting. For the 2019 report we include, for the first time, comprehensive portfolio TCFD carbon metrics and physical risk assessment.

Finally, AIM continues to be recognised in the marketplace for our pre-eminent role through the winning of multiple industry awards. Environmental Finance awarded AIM the 2020 'Best sustainability reporting by an asset manager, medium (fixed income.)' These awards, we believe, are in recognition of the leading work and transparency contained in this year's Impact Report.

- AIM wins 'Best ESG Investment Fund: Green Bonds' and runner up for 'Most Innovative ESG Initiative' at the ESG Investing Awards (2020)

- AIM's proprietary SPECTRUM Bond® process wins Environmental Finance Award for 'Best Fixed Income Firm Initiative for ESG Investment Process' (2019)



AIM US\$ Liquid Impact Fund by Numbers

25

Impact bond frameworks

754

Projects/initiatives partially or fully supported by impact bonds held in the portfolio

104

Countries receiving impact bond commitments and disbursements¹

16/17

Sustainable Development Goals supported

5

Environmental sectors supported

5

Social sectors supported

99%

of the 2019 portfolio in impact bonds

99%

of the portfolio by average 2019 weights is covered in this report

40%

of the portfolio subject to TCFD-aligned physical risk scenario testing

>56%

of the portfolio covered in GHG analysis

2.49%

Portfolio absolute 12-month net return as at end-2019

\$37m

Assets under management as at end-2019



¹ Impact bond issuers may report on bond proceeds' commitments and/or disbursements. A project may receive a total commitment from an impact bond in 2019 which was/is disbursed over multiple time periods.
Source: AIM

AIM US\$ Liquid Impact Fund Impact Highlights

In 2019, the AIM US\$ Liquid Impact Fund invested in 25 impact bond frameworks. AIM collected data, engaged and conservatively estimated the impact highlights from the funded activities below, adjusted for 2019 AIM US\$ Liquid Impact Fund holdings. These figures only begin to tell the story around the Fund's impact, as issuers were not always able to provide complete data on all their funded assets but they give some indication as to the types of positive impacts we supported.



4,415

Tonnes of GHG avoided per year¹

Equivalent to charging 563m smartphones for use for a day – more than the combined population of the European Union²



72%

of GHG savings

Compared with a business-as-usual baseline



3.07

Weighted Average Carbon Intensity (tonnes of GHG/USD m Revenue)

TCFD recommended carbon metric based on issuer Scope 1 and 2 GHG emissions



177

Clean energy projects

Across 37 countries



17,142

Estimated³ MWh clean energy generated

Enough electricity to power over 4,750 UK homes for a year⁴



1,227

Daily passenger capacity for low carbon transport

At nearly 450,000 annually, almost the population of Lisbon



103,170

m³ of water treated daily

Equivalent to 41 Olympic-size swimming pools daily



312

Green buildings projects

Across 5 countries



36

Education projects

Educational facilities for a wide range of age groups.



8,127

Children immunised

Across 70 developing countries, contributing to prevention of over 1.7m future deaths in 2018⁵



1,389

Jobs retained/created

Across 8 countries



341

Microfinance and SME loans

Across 19 countries

¹Estimated by following the Carbon Yield® methodology, which was co-developed by AIM, ISS ESG and Lion's Head Global Partners, with funding from the Rockefeller Foundation.

²According to the US Department of Energy, the 24-hour energy consumed by a common smartphone battery is 14.17 watt-hours, 2019. UN Population Division, World Population Prospects 2019, 2019.

³Estimate based on portfolio-weighted clean energy installed capacity using IRENA Renewable

Energy Capacity Factors, IRENA, Renewable Power Costs 2019, 2020.

⁴BEIS and DEFRA, Annual Domestic Energy Price Statistics, 2019. On average a UK household consumes 3,600 kWh of electricity per year.

⁵The Vaccine Alliance (GAVI), Progress Report, 2018.

Portfolio Sustainable Development Goals Alignment

AIM US\$ Liquid Impact Fund supported 16 out of 17 Sustainable Development Goals, which aim to eradicate poverty, fight inequality and tackle climate change.

The portfolio-weighted impact bond commitments were most aligned with Goal 7: Affordable and Clean Energy; Goal 9: Industry, Innovation and Infrastructure; Goal 13: Climate Action; and Goal 11: Sustainable Cities and Communities.

AIM is conservative in SDG mapping and we only map projects by their underlying SDG targets. As a climate bond fund, the heaviest concentrations fall, unsurprisingly, within sustainable infrastructure and clean energy but, as many projects often have multiple benefits, the portfolio supports 16 SDGs.

Projects frequently support more than one goal and are equally weighted per goal—for example, a green building project such as the KBN's Ullerud Health Centre, the largest health and care centre in Norway constructed from mass timber, employing only

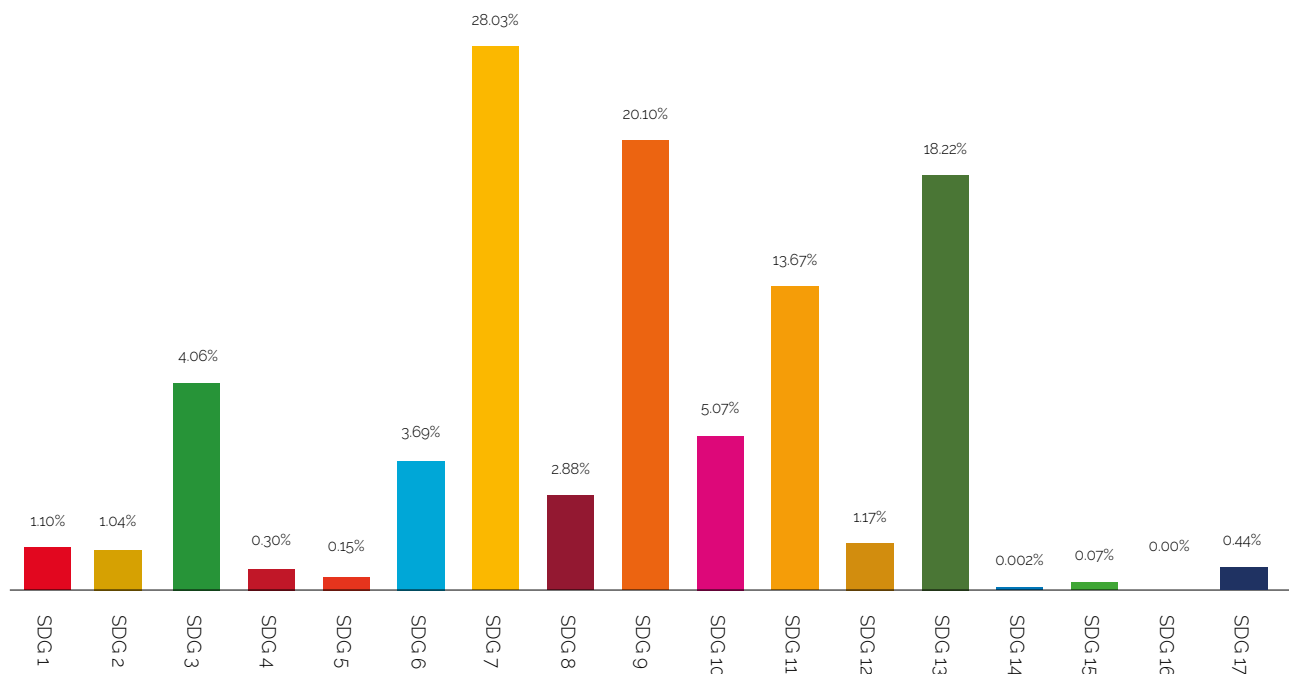
environmentally certified materials (SDG 11). The building, which houses a nursing home and day centre for the elderly (SDG 3), is also heated from geothermal sources and waste heat (SDG 7).

The SDG project case studies (page 24) provide more examples of how projects often support more than one SDG, and illustrate some of the types of projects funded.

Although not included in the chart below, which accounts only for impact bond funded activities, AIM's investment ethos and company DNA is aligned to Goal 17, which includes private sector engagement in sustainable development, particularly in developing countries.



AIM US\$ Liquid Impact Fund 2019 SDG Alignment
(Portfolio-weighted, USD equivalents)¹

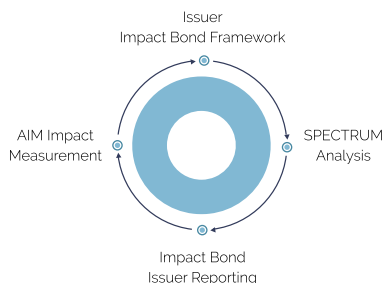


Engaging for Impact

Issuer Engagements

AIM's engagement covered approximately 80% of issuers held in the reporting period—engagement is critical in our SPECTRUM analysis and impact reporting.

We actively engage with potential and current impact bond issuers to promote the development and maintenance of positive impact and environmental, social and governance (ESG) standards—to encourage a high level of transparency, clear ongoing commitment and harmonised impact reporting.

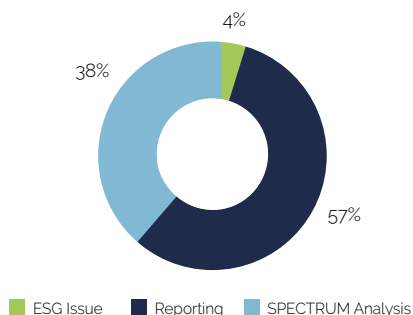


Engagement occurs throughout our investment cycle, from pre-issuance, roadshows, issuer updates on impact bonds and as an integral part of our annual impact reporting.

As a result of our consistent engagement, we were able to collect data representing a high level of portfolio coverage, despite operating in a challenging global environment following the outbreak of the coronavirus pandemic in early 2020.

AIM conducted over 200 engagements throughout 2019 to the first half of 2020, the engagement period covered for this report.

2019 Holdings Engagement by Theme¹



Engaging on ESG Issues

AIM undertakes rigorous due diligence with issuers' green, social and sustainability frameworks. We also seek to give constructive feedback when concerns or issues arise.

One example is that of a leading supranational and regular impact bond issuer. Our SPECTRUM Bond® analysis includes in-depth scrutiny of environmental, social and governance (ESG) performance and, while this issuer has strong accountability, operational mechanisms and ESG protocols, we remained concerned about some high profile environmental and social controversies with respect to its projects in developing countries.

Over the past year, we have had continual dialogue with the issuer relating to these projects and have provided feedback, including receiving confirmation from the issuer that the controversial projects were under review and not funded through impact bonds.

Since then, the issuer has made significant changes to how the organisation manages environmental and social issues. Specifically, it has integrated its ESG department into operations to afford greater ownership of environmental and social issues. A new environment and social risk and policy department has also been created to serve as custodian of its ESG policies and standards, oversee high risk projects, facilitate stakeholder grievance response by project teams and to mobilise a rapid response team when needed. We welcome these developments and will be monitoring them closely with open communication.

This is just one illustration of successful engagement with issuers, and how constructive feedback on impact bond frameworks can deliver positive outcomes both for the issuer and for the investor.

Policy and Industry Engagements

Policy

- Consultation on EU Taxonomy for Sustainable Finance.
- EU Finance and Biodiversity Platform.

Industry groups:

- Principles for Responsible Investment (PRI).
- PRI Working Group on Deforestation in Cattle and Soybean Supply Chains.
- Green Bond Principles Impact Reporting Seminar.
- Responsible Investment Association Australasia (RIAA) Responsible Investment Benchmark Report.
- Climate Bonds Initiative Agriculture Working Group.
- Climate Bonds Initiative Shipping Working Group.
- Climate Bonds Initiative Investor Survey.

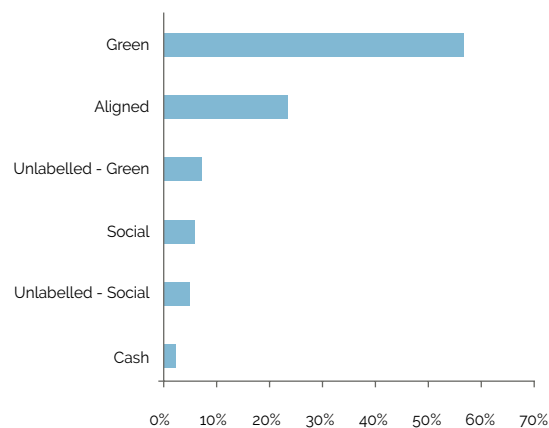
Collaborations:

- Assessing Physical Risk of Green Bonds Case Study with South Pole.
- Intergovernmental Panel on Climate Change (IPCC) Summary for Financial Decision Makers consultation and paper review.
- Creation of the Green Bond Transparency Platform (GBTP)—an innovative digital tool to facilitate greater transparency within the Latin America and Caribbean green bond markets—with the Inter-American Development Bank (IDB).
- Green Bonds Symposium, hosted by Environmental Finance, Treasurer of the State of California and Milken Institute.

2019 Portfolio Composition

In line with our corporate mission for all investments to support the Paris Agreement and Sustainable Development Goals, the AIM US\$ Liquid Impact Fund was 99% invested in impact bonds in 2019.

AIM US\$ Liquid Impact Fund 2019 Holdings by Bond Type



Green	labelled use-of-proceeds bonds permitting investment in environmental sectors
Social	labelled use-of-proceeds bonds permitting investment in social sectors
Sustainability	labelled use-of-proceeds bonds permitting investment in environmental and social sectors
Unlabelled	bonds from issuers with approximately 95% of revenues aligned to the AIM environmental and social taxonomy (see Annex 1)
Aligned	bonds from responsible issuers with over 50% of revenues aligned to the AIM environmental and social taxonomy

99% For this report, we were able to collect use-of-proceeds data for 75% of the 2019 portfolio, and summarise the funded activities of SPECTRUM-aligned holdings (24%) on page 31.

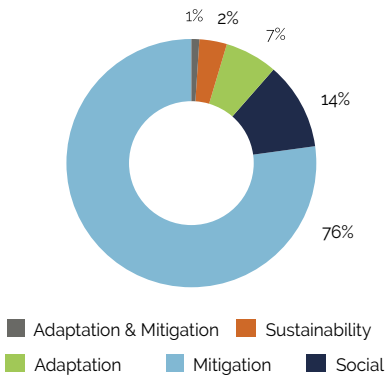
of 2019 Portfolio Reflecting its heavy concentration in green bonds (57%), the 2019 portfolio largely supported climate change mitigation-focused activities (76% of portfolio-weighted proceeds).

AIM actively seeks investments in both climate change mitigation and adaptation, as a combination of the two strategies is necessary to respond to climate threats—however, historically, adaptation-related activities have not been as well represented in the green bond, or in the wider green finance market.

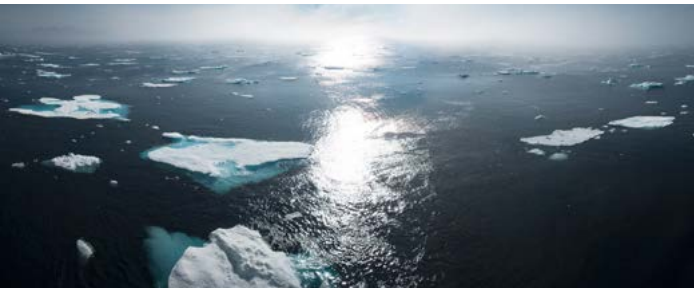
Climate change mitigation and adaptation are both core to the landmark 2015 Paris Agreement, however, to:

"...strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Additionally, the agreement aims to increase the ability of countries to deal with the impacts of climate change, and at making finance flows consistent with a low GHG emissions and climate-resilient pathway." ²

AIM US\$ Liquid Impact Fund 2019 Impact Focus (portfolio-weighted, USD equivalent)¹



In addition to supporting climate-related projects, approximately 8% of portfolio-weighted proceeds were allocated to social and sustainable activities.



¹Coverage ratio of 75% of 2019 average portfolio holdings.
²Paris Agreement Progress Tracker, UNFCCC, 2018.
Source: Fund Holdings, AIM SPECTRUM Bond® universe, Issuer Impact Reports

2019 Geographic Distribution

AIM US\$ Liquid Impact Fund invested in impact bonds supporting activities in 104 countries.

The portfolio has an international footprint, a reflection of our mission to support global sustainable development.

Over 58% of portfolio-weighted impact bond commitments were made within developed markets and 32% within emerging markets. The global category refers to projects/activities across developed and emerging markets combined.

41% of 2019 portfolio-weighted supported projects were in developed Europe, followed by over 20% in East Asia and 8% in Sub-Saharan Africa.

The top three countries, however, by portfolio-weighted use of proceeds were Germany, China and Canada.



Kommuninvest Green Bond

Sweden

- Large-scale wind farm
- 247 MW renewable energy installed capacity



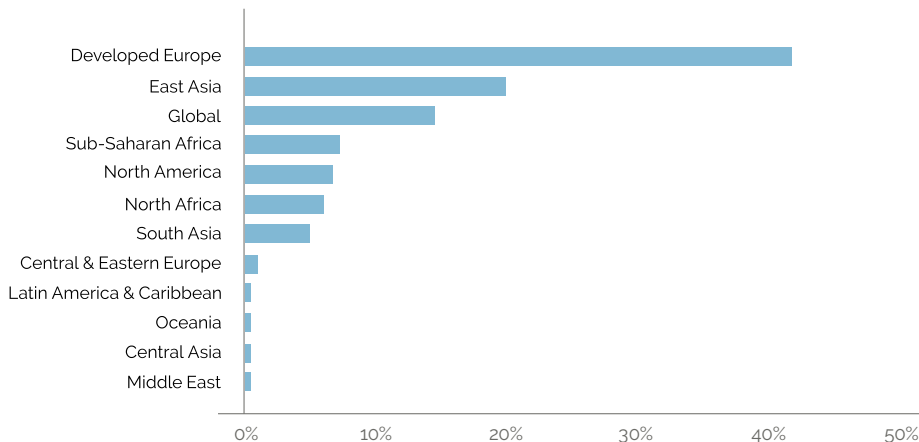
African Development Bank Green Bond

Senegal

- Regional Express Train
- 113,000 passengers per day



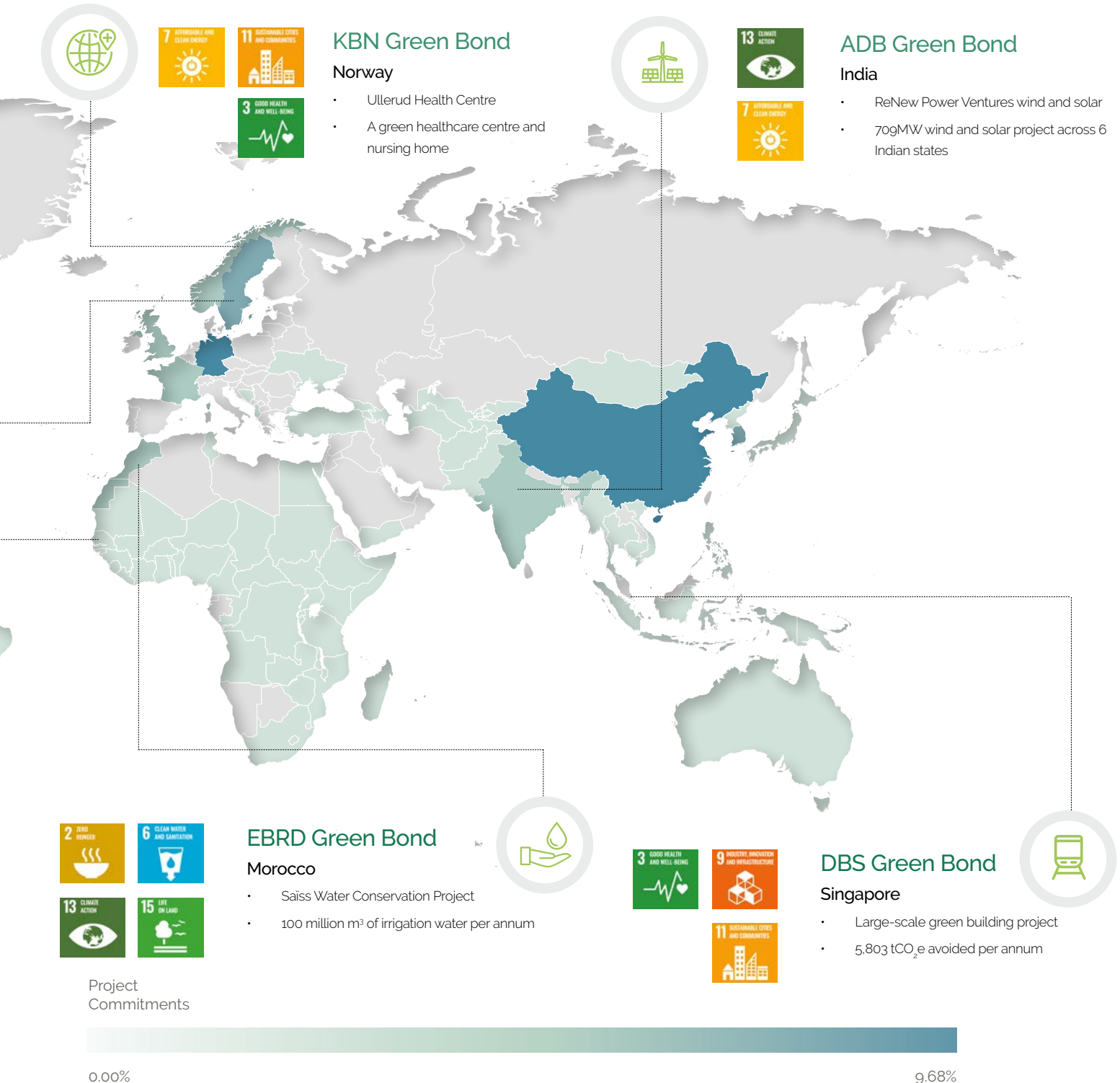
AIM US\$ Liquid Impact Fund 2019 Geographic Distribution
(portfolio-weighted, USD equivalent)



AIM US\$ Liquid Impact Fund 2019 Map of Project Commitments¹

(Portfolio-weighted, USD equivalent)

Example supported projects (see SDG Case Studies for more detail)






¹Coverage ratio of 75% of 2019 average portfolio holdings.

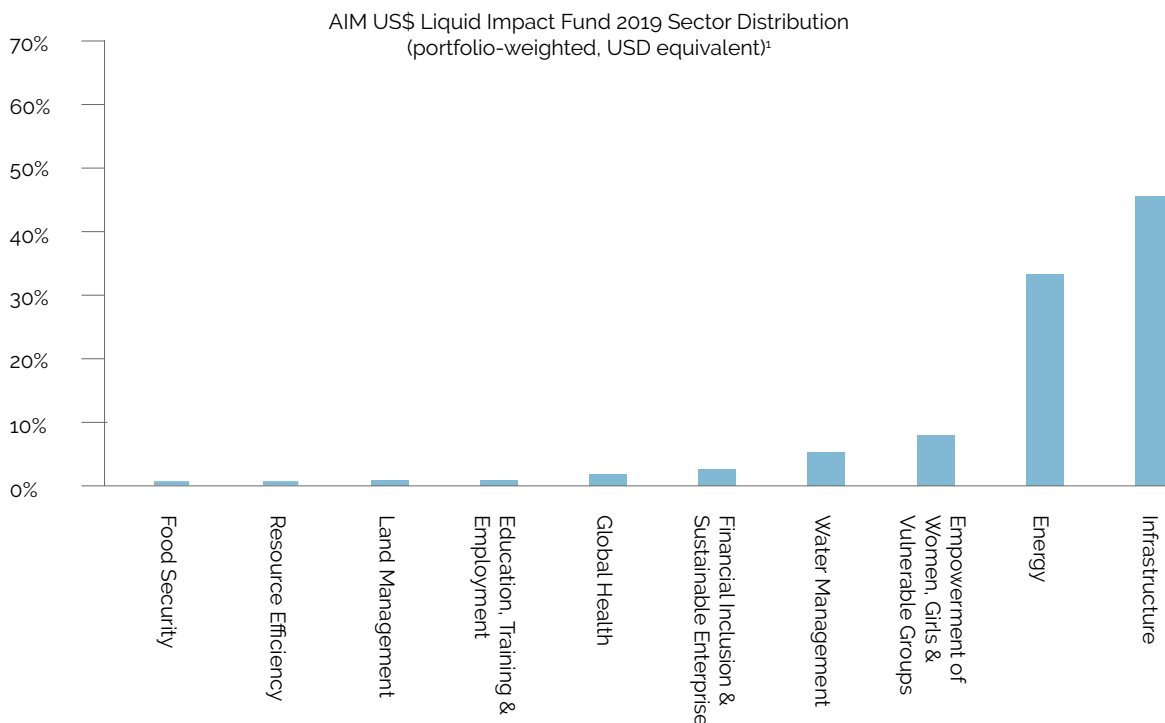
Source: Issuer Impact Reports, AIM Engagement

Portfolio Sector Distribution

AIM US\$ Liquid Impact Fund invests in a range of environmental and social sectors that support the Paris Agreement, climate resilience and the SDGs. (See Annex 1 for examples of AIM-eligible sectors.)

In 2019, the top three sectors that impact bond proceeds in the AIM US\$ Liquid Impact Fund were allocated to were:

 46% in Infrastructure	<p>Hard and soft infrastructure promoting inclusive, climate-resilient, low carbon built environment. For example, clean transport networks, green buildings, resilience measures, information and communication technology.</p>	<p>Over 447,730 annual passenger capacity supported in low carbon transport.</p> <p>Almost 823 m² of buildings (by floor area) constructed/refurbished to higher energy efficiency standards.</p>
 32% in Energy	<p>Renewable energy generation, modern energy access, energy storage and energy efficiency technologies.</p>	<p>177 clean energy projects supported across 37 countries.</p>
 8% in Empowerment of Women, Girls and Vulnerable Groups	<p>Projects providing social and economic support for women, girls and vulnerable groups, such as refugees.</p>	<p>341 SMEs provided with loans, including women-owned enterprises in emerging markets.</p>






Assessing the Carbon Profile of Impact Bonds

In 2019, AIM conducted a best practice carbon assessment of all our 2019 time-weighted portfolio holdings, fully aligned with the recommendations on carbon metrics for asset managers by the Task Force on Climate-related Financial Disclosures (TCFD). It followed the guidance provided by the GHG Protocol for calculating GHG emissions associated with debt investments with known use of proceeds.

The TCFD-aligned GHG emission analysis supplements our climate change mitigation impact analysis, measured under the Carbon Yield® methodology, launched in 2016, which we co-developed with partners, ISS ESG and Lion's Head Global Partners, with funding from The Rockefeller Foundation.

The table below summarises the approach and the relevant disclosure frameworks used by AIM to articulate the AIM US\$ Liquid Impact Fund mitigation impact.

Impact Bonds GHG Emissions – Boundary	Main Disclosure Framework	Underlying GHG Emissions Data & Derived Carbon Metrics
<p>Scope 1—Direct emissions from owned or controlled sources (eg facilities, vehicles)</p> <p>Scope 2—Indirect emissions from purchased electricity, steam, heating or cooling for own use</p>	TCFD, Supplemental Guidance for Asset Managers, Metrics & Targets ¹	<p>Impact Bond Issuer Scope 1&2 GHG Emissions</p>  <p>TCFD-aligned Issuer-level AIM US\$ Liquid Impact Fund Carbon Metrics</p>
Scope 3 —Other emissions that occur in the value chain (eg project operation, construction and material use)	GHG Protocol, Guidance for Scope 3, Category 15: Investments—applicable to Debt Investments with known Use of Proceeds ²	<p>Impact Bond Funded Project Scope 1&2 (operational) and Scope 3 GHG Emissions (from construction and material use)</p>  <p>Funded Projects - AIM US\$ Liquid Impact Fund Carbon Footprint</p>
Avoided Emissions —Avoided/reduced emissions due to a funded project being implemented vs a reasonable business-as-usual baseline	Avoided Emissions and Carbon Yield® Methodology ³	<p>Impact Bond-Funded Project Avoided GHG Emissions</p>  <p>Funded Projects - AIM US\$ Liquid Impact Fund Avoided GHG Emissions</p>

¹TCFD, Implementing the Recommendations of the TCFD (<https://www.fsb-tcfd.org/wp-content/uploads/2017/12/FINAL-TCFD-Annex-Amended-121517.pdf>).

²GHG Protocol, Technical Guidance for Calculating Scope 3 Emissions (https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf).

³The Carbon Yield® was co-developed by AIM, ISS ESG and Lion's Head Global Partners, with funding from The Rockefeller Foundation. Please refer to Annex 2 for the full methodology (<http://carbonyield.org/>).

TCFD Issuer-level Carbon Metrics

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) with the aim of developing voluntary, consistent climate-related financial disclosures that would assist the financial industry in assessing material risks. The TCFD has developed eleven recommendations around four thematic areas—governance, strategy, risk management, and metrics and targets—that are applicable to organisations across sectors and jurisdictions. The TCFD has also published supplemental guidance for specific sectors, including asset management. As shown in the table below, AIM calculated the carbon metrics for its investments in line with the TCFD recommendations on metrics and targets for asset managers, including the weighted average carbon intensity (WACI).

Carbon Metric	TCFD Definition	Description
Total Carbon Emissions (tCO₂e)	The absolute GHG emissions associated with AIM US\$ Liquid Impact Fund	Traditional carbon footprint of a portfolio where a given issuer's Scope 1&2 GHG emissions are allocated to AIM US\$ Liquid Impact Fund based on an ownership approach—eg if AIM US\$ Liquid Impact Fund's investment in a given issuer accounts for 0.1% of the issuer's adjusted enterprise value, then 0.1% of the issuer's Scope 1&2 GHG emissions are allocated to the fund/portfolio.
Carbon Footprint (tCO₂e / USD m invested)	Total carbon emissions for a portfolio normalised by the market value of AIM US\$ Liquid Impact Fund	AIM US\$ Liquid Impact Fund's total carbon emissions are normalised by the market value of AIM US\$ Liquid Impact Fund. This metric, also known as relative carbon footprint, expresses the amount of GHG emissions associated with an investment of 1 million (of the relevant currency) into AIM US\$ Liquid Impact Fund. It allows for comparisons across portfolios, and with benchmarks, and facilitates portfolio decomposition and attribution analysis.
Weighted Average Carbon Intensity [WACI] (tCO₂e / USD m revenue)	AIM US\$ Liquid Impact Fund's exposure to carbon-intensive companies	The WACI is the carbon metric explicitly recommended by the TCFD. It is not a carbon footprint as, unlike the two metrics described above, which are based on the issuer's absolute Scope 1&2 emissions and the ownership approach, it is based on the issuer's Scope 1&2 emission intensity (by revenue) and portfolio weights. The WACI is, therefore, a carbon intensity metric that can be more easily applied across asset classes and allows for portfolio decomposition and attribution analysis.

The table below shows the results of the issuer-level GHG emission analysis of AIM US\$ Liquid Impact Fund for 2019. The assessment, which relies on GHG emissions data provided by ISS ESG, covers 78% of AIM US\$ Liquid Impact Fund. For the full methodology, please refer to the GHG Analysis appendix.

It is important to stress that the issuer-level carbon metrics are heavily dependent on the coverage and should be solely regarded as an assessment of the carbon profile for the share of the portfolio covered by the GHG analysis. Inter alia, this also means that the WACI was calculated by maintaining original portfolio weights.

AIM US\$ Liquid Impact Fund – Issuer-level Carbon Metrics	
Coverage	78%
Disclosed GHG Emissions (% of covered weight)	54%
Total Carbon Emissions (tCO ₂ e)	43
Carbon Footprint (tCO ₂ e / USD m invested)	1.78
Weighted Average Carbon Intensity (tCO ₂ e / USD m revenue)	3.07

Funded Projects Carbon Footprint and Avoided Emissions

In line with the TCFD recommendation to disclose any other relevant metric, besides the carbon metrics detailed in the previous section, we believe, as a dedicated impact bond investment manager, that a bottom-up assessment of the carbon abatement impact of the projects funded by the bond proceeds is crucial. This includes accounting for the GHG emissions arising from the funded projects, as per the guidance provided by the GHG Protocol—one of the most widely recognised GHG emissions frameworks—for debt investments with known use of proceeds. In particular, for funded projects, we partnered with ISS ESG to estimate both Scope 1&2 emissions (ie from project operations) and Scope 3 emissions (ie from project construction and material use), and then allocated GHG emissions to the AIM US\$ Liquid Impact Fund based on the share of the total project cost held in the fund.

Moreover, we estimated the climate change mitigation impact of our portfolios in the form of the GHG emissions that have been avoided/reduced by the implementation of funded projects in comparison to a reasonable business-as-usual baseline. The avoided GHG emissions are allocated to the portfolio based on the share of the total project cost held in the AIM US\$ Liquid Impact Fund. The calculation of GHG emissions avoided only considers the operation/use of the project and not the full value chain. For example, for a wind farm project, avoided GHG emissions are calculated based on the energy generated from the operation of the wind farm, excluding construction emissions, compared to the region/country's electricity grid emissions.



On average, for 2019, we were able to estimate the carbon footprint and avoided emissions of the funded projects for 56% of the AIM US\$ Liquid Impact Fund, covering about 78% of issuer disbursements per analysed framework (compared to an overall impact data coverage of approximately 99% on total issuer disbursements). When compared to a reasonable business-as-usual baseline, in 2019 the AIM US\$ Liquid Impact Fund was estimated to generate 72% GHG emissions savings.

72%
GHG
emissions
savings

The tables below display the results of the carbon footprint and avoided GHG emissions analysis of the funded projects.

AIM US\$ Liquid Impact Fund Supported Projects Carbon Footprint	
Funded Projects Scope 1&2 (operational emissions) (tCO ₂ e)	1,718
Funded Projects Scope 1&2 and Scope 3 (operational, construction and material use emissions) (tCO ₂ e)	2,421

AIM US\$ Liquid Impact Fund Supported Projects Avoided GHG Emissions	
Funded Projects Lifetime GHG Emissions Avoided (tCO ₂ e)	85,144
Funded Projects GHG Emissions Avoided Per Annum (tCO ₂ e / year)	4,415

AIM US\$ Liquid Impact Fund Carbon Yield®	
0.14 tonnes of CO ₂ e avoided per US\$1,000 per annum	
Calculated based on a 56% coverage ratio of the portfolio ⁶	
Equivalent to 558km driven by an average passenger vehicle in the US ⁷	
Equivalent to the average daily electricity consumption of 56 households in the UK ⁸	

⁶Issuer frameworks were not included in the GHG analysis if they did not significantly fund climate mitigation assets (eg focused on social benefits, such as vaccination programmes), or if issuers had not reported in time for AIM's annual impact data collection.

⁷The average passenger vehicle in the US emits about 404 grams of CO₂ per mile (Source: EPA, Green Vehicle Guide).

⁸On average a UK household consumes 3,600 kWh of electricity per year (Source: UK Government, BEIS, Annual Domestic Energy Price Statistics). GHG emissions from electricity usage are based on the 2019 conversion factor for electricity provided by BEIS and DEFRA (Greenhouse gas reporting: conversion factors 2019).

TCFD–Aligned Physical Risk Assessment Results

Future climate change brings risks for investors all around the world. While investments in bonds that deliver positive environmental or social externalities can help to mitigate the impacts of climate change, this does not mean that they are immune from the risks posed by climate change. Typically, the information that impact bond issuers provide sheds little light on the exposure, vulnerability and resilience of bond proceeds to climate change events. Last year, in conjunction with South Pole, we undertook a case study to assess physical risks to green bonds. This year we have expanded that to apply South Pole's physical risk assessment methodology across our own holdings (where data availability permits). See Annex 2 for details on the methodology.

Step 1: Forward-looking Risk Screening Results

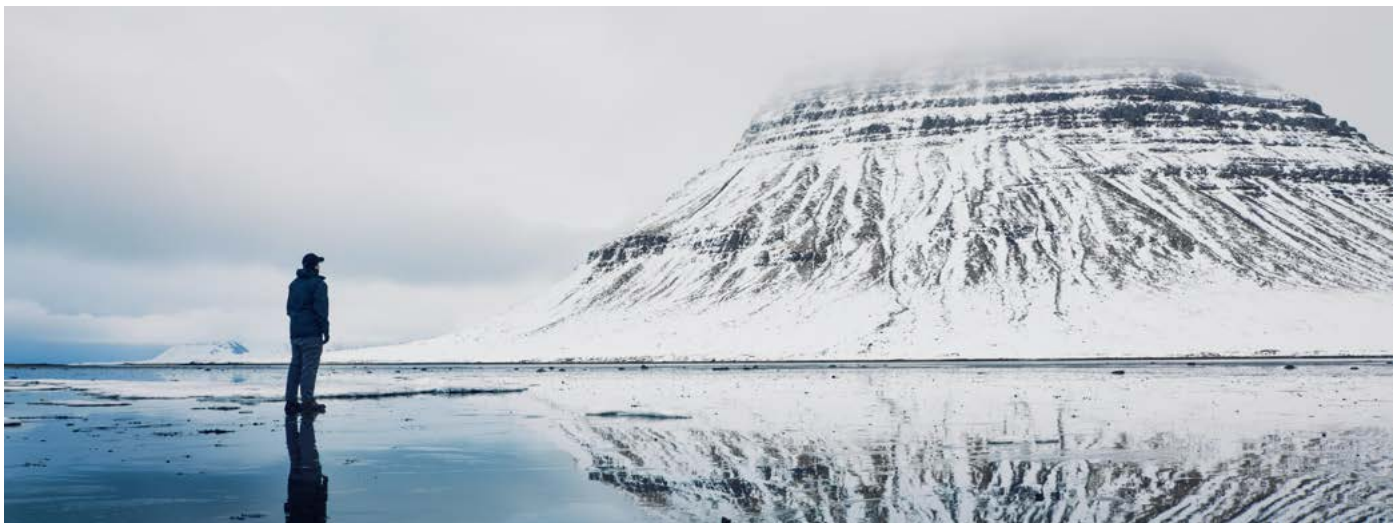
The first part of the three-step process is a forward-looking climate-related risk assessment. The assessment analyses the location and sector of each asset, and provides a measure of physical risk as a negative percentage change in output:

A risk score of 50% equates to a negative impact on output of 50%

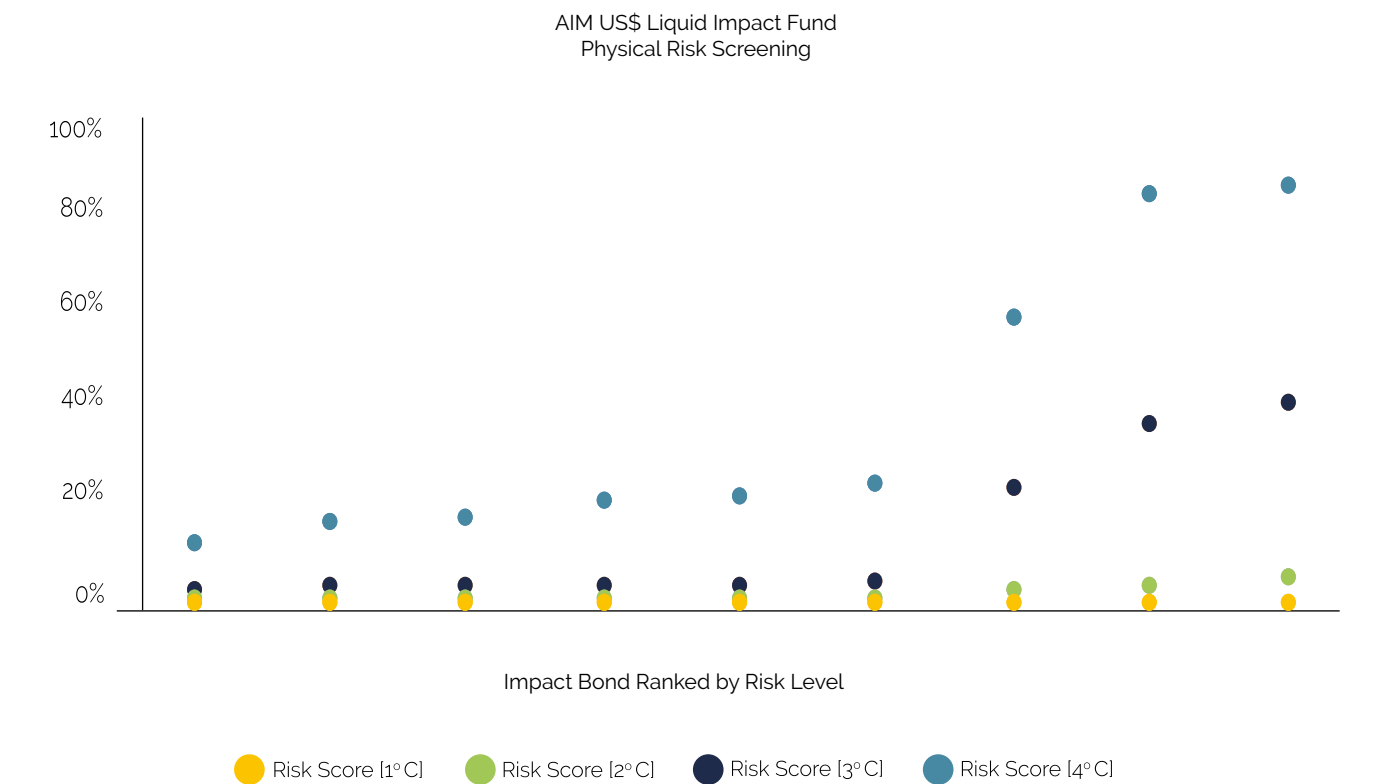
The long-term impacts of climate change will, of course, differ depending on the pathway the world follows. To assess a range of possible climate pathways, as defined by the IPCC, South Pole assessed the funded underlying projects mapped by geography and sector of our holdings against four global warming scenarios: 1°C, 2°C, 3°C and 4°C, on a 2040 time horizon.

Percentage of AIM US\$ Liquid Impact Fund covered by analysis (%)	Portfolio Risk Score at 1°C	Portfolio Risk Score at 2°C	Portfolio Risk Score at 3°C	Portfolio Risk Score at 4°C
40%	0.30%	2.63%	18.19%	45.64%

As the table above demonstrates, portfolio-level risk scores are relatively stable in the 1°C and 2°C scenarios, compared with steep increases occurring in the 3°C and 4°C scenarios. In the 4°C scenario, some impact bonds show substantially higher levels of vulnerability—with the highest level at 87%. This would reflect significant loss in both financial performance and impact.



Portfolio Physical Risk Assessment Results



The above chart shows the spread of risk for a large number of bonds under each warming scenario, with each data point representing the risk score for a single bond at the temperature indicated. As the figures show, between the 1°C and 4°C scenarios, the overall level of risk across all bonds rises significantly, as does the number of bonds approaching a potentially catastrophic decline in output. These results, envisaged on a global scale, underscore the profound urgency of meeting the targets set out in the Paris Agreement, and limiting warming to below 2°C.

The assessment also enables us to estimate the point at which an asset, or a bond, begins to experience the greatest increase in risk. This is achieved by identifying the temperature at which the peak rate of change—the most rapid increase in risk—occurs.

Percentage of AIM US\$ Liquid Impact Fund covered by analysis (%) *	Temperature pathway in which portfolio experiences peak increase in risk	Current projected temperature pathway
40%	4.0°C	2.8–3.2°C ¹
	Above current trajectory	Dependent on current announced policies and behaviour change

Aggregated across the holdings covered, AIM US\$ Liquid Impact Fund experiences the peak rate of change in risk at 4.0°C. This means that portfolio holdings are estimated to experience the largest step up in negative impact on output at 4.0°C of global warming.

Even though the portfolio's estimated peak rate of risk change is above the current global warming trajectory, we are still on a pathway that will bring significant negative impacts across asset classes and geographies. The aim is to invest in the shift to a lower warming trajectory, but we should also be cognizant of the risks to our portfolios based on the current pathway.

Asset-level Hotspot Analysis and Adaptive Capacity Results

Step 2: Hotspot Analysis

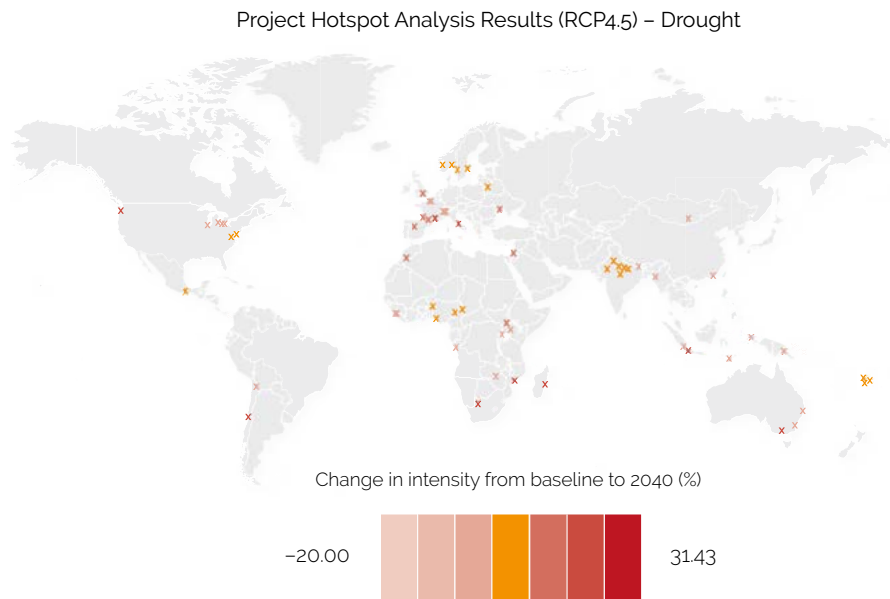
The biggest driver of risk in South Pole's physical risk screening is geographic location, rather than underlying characteristics of assets and sectors. Following the initial physical risk screening of the portfolio, we selected specific projects to go through hotspot analysis for further investigation.

Hotspot analysis focuses on the effect of climate change on the probability and intensity of specific hazards, such as heavy precipitation and drought, at a specific location, therefore highlighting projects that may become increasingly vulnerable to these hazards in the future. The effect of climate change is calculated by comparing current climate conditions against future expected conditions, based on 18 climate models and IPCC climate scenarios. A positive score indicates that climate models project an increase in the probability and/or intensity of the hazard at the given asset's location. The higher the positive score the greater the change expected.

The maps below show the results of the hotspot analysis for selected projects, highlighting changes in the intensity of drought and heavy precipitation under RCP4.5. In both maps, project locations are marked by an X. The analysis was also run for RCP2.6 and RCP8.5, to provide us with a range of results to consider. However, we have chosen to present the results of RCP4.5 to demonstrate how even an intermediate emissions pathway will have significant consequences for which investors need to plan.

The Representative Concentration Pathways (RCPs) describe different future pathways of greenhouse gas (GHG) emissions and atmospheric concentrations. They represent a range of possible futures and are used in climate model simulations to project consequences for the climate system. IPCC has used four RCPs to represent the range of scenarios. These include an ambitious mitigation scenario (RCP2.6), two intermediate scenarios (RCP4.5 and RCP6.0), and one "business as usual" scenario with very high emissions and little mitigation (RCP8.5).

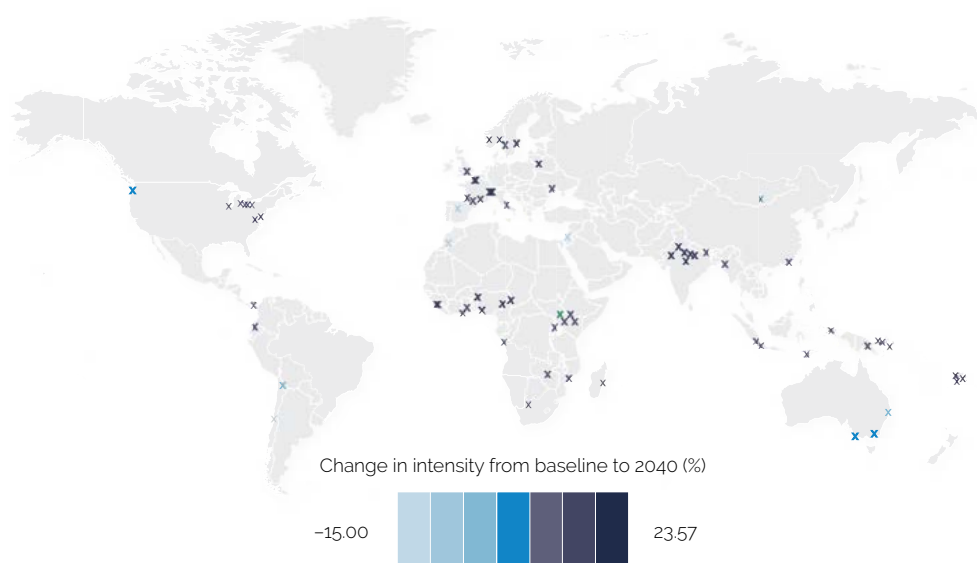
The first map shows the projected change in drought intensity for selected projects by 2040. The colour of the X indicates the hotspot analysis score. A darker shade of red indicates a higher score, meaning that the asset location is likely to experience an increase in the frequency and/or intensity of drought. Some locations score negatively, meaning they are likely to experience a decline in the frequency and/or intensity of drought; these are marked with a lighter shade of red.



Similarly, the second map shows the projected change in heavy precipitation for selected projects by 2040. In this case, a darker shade of blue indicates locations likely to see an increase in the frequency and/or intensity of heavy precipitation, and a lighter shade of blue indicates locations likely to experience a decrease.

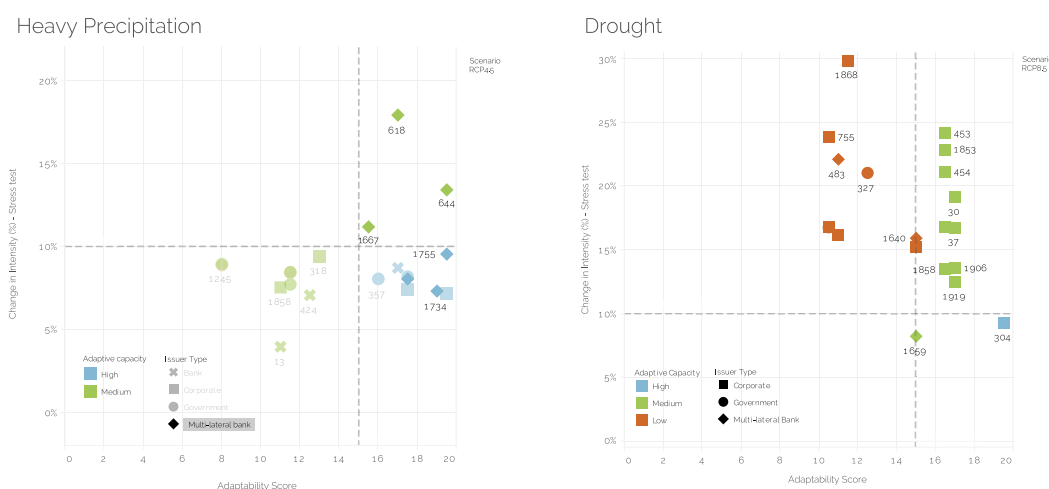
These maps help to identify the types of physical risks issuers should expect and plan for, in designing projects and investments. Such information can help to inform and structure decision making for project developers and investors alike, and allows us to make more informed decisions about whether issuers are implementing appropriate adaptation measures.

Project Hotspot Analysis Results (RCP4.5) – Heavy Precipitation



Step 3: Adaptive Capacity Analysis

To understand how well an issuer has prepared for the risks identified in the forward-looking risk assessment and hotspot analysis, South Pole performed an adaptive capacity screening based on publicly available documents. This final step helps to determine whether an issuer has anticipated and planned for the climate risks likely to impact their projects or assets. The resulting score (shown in the figures below for the RCP4.5 scenario) allows us to understand the adaptive capacity of the issuer, and to identify those issuers in need of follow-up and engagement.



Integrating the Results of Physical Risk Analysis

There are three key benefits to running physical risk screening on our holdings:

First, it helps us understand the risks that climate change poses to our current investments.

Secondly, it provides us with better information about what types of projects and which locations are likely to be most at risk from climate change. This does not necessarily mean that we will avoid these projects or locations in future, but it strengthens and informs our analysis to ensure that appropriate resilience and adaptation planning measures are in place.

Finally, it provides us with a starting point for engagement with issuers about the risks they face, whether they are cognizant of those risks and what they are doing to minimise and adapt to them.

SDG 3 Project Case Studies

Ensure healthy lives and promote wellbeing for all at all ages



Sector

Global Health



Global vaccine coverage is stagnating. Vaccination is core to preventive care—when a significant proportion of the population is not protected by vaccination, the opportunity for other diseases to spread also increases. Fragility of, and challenges linked to, the delivery of quality primary healthcare, vaccine hesitancy, logistics and health worker practices are some of the root causes of this under-immunisation. Affected children, often found in urban slum areas, rural locations or conflict settings, are highly susceptible to contracting vaccine-preventable diseases.

Project

The International Finance Facility for Immunisation (IFFIm) – Vaccine Bond

IFFIm is a public/private partnership designed to raise capital for the Vaccine Alliance (Gavi), which is dedicated to immunisation programmes in over 70 of the poorest countries. In early 2020, IFFIm raised money for CEPI, the Coalition for Epidemic Preparedness Innovations. The CEPI initiative accelerates development of vaccines against emerging infectious diseases and enables equitable access to these vaccines during outbreaks.

Gavi has played a key role in increasing immunisation coverage across the continent by introducing nine vaccines: human papillomavirus (HPV), inactivated polio vaccine (IPV), measles, measles-rubella (MR), meningitis A, Pentavalent, pneumococcal, rotavirus, and yellow fever—providing protection against 13 vaccine-preventable diseases. In partnership with African member states, more than 300 vaccine introductions and campaigns have taken place on the continent. Gavi estimates that, every minute, 50 African children are vaccinated with the third dose of the diphtheria-tetanus-pertussis vaccine (DTP3) throughout the 40 Gavi-supported countries in Africa.

Impact Context

Location – >70 Developing Countries

- WHO estimates that 1.5 million people die every year from vaccine-preventable diseases.
- Estimated 19.4 million children worldwide are under-immunised, 78% of whom live in Gavi-supported countries, including almost 8.5 million in Africa.
- 89% of children under 12 months old do not receive the full dose of the 11 antigens recommended by the WHO.

Output (Issuer KPIs)

- 76% DTP3 coverage in 40 Gavi-supported African countries (as of 2018).
- 134 million unique children in Africa immunised with Gavi support (as of 2018).
- 3.1 million girls in Africa immunised with the human papillomavirus vaccine (HPV) over the past 20 years.

Related SDGs



Project

The International Finance Corporation (IFC) – Social Bond

Ariel Foods FZE Ltd

Ariel Foods works closely with—and is a top supplier of—nutritional products to UNICEF and WHO programmes. The company plays a major role in developing products to combat malnutrition in children, which can lead to poor cognitive development and learning capacity, as well as an increased risk of mortality. The Ariel Foods project supported construction of a plant in Lagos, Nigeria that produces a ready-to-use therapeutic food (RUTF) and ready-to-use supplementary food (RUSF) for people suffering acute malnutrition in conflict-affected areas and other emergency zones. The RUTF is a mixture of peanut paste, sugar, vegetable oil and milk powder, fortified with 23 vitamins and minerals and sealed in long-life foil packets for easy storage and transport. Products are ready to eat directly from the sachet and have a 24-month shelf life at 30 degrees Celsius. Reducing the administrative burden and time taken to get ready-to-use foods to Nigeria will also help, in emergency situations, to deliver faster treatment to children with acute malnutrition in the West and Central Africa Region.

Impact Context

Location – Nigeria

- Second highest burden of stunted children in the world, with a national prevalence rate of 32% of children under five.
- Of the 2 million children suffering from severe acute malnutrition nationally, only two out of ten are reached with treatment. The reign of Boko Haram in the north has exacerbated this crisis.
- Nigeria has one of the largest UNICEF-supported treatment programmes in the world for severe acute malnutrition.

Output (Issuer KPIs)

- 6-10m metric tonnes of ready-to-use therapeutic sealed foil food packets per year.
- Enhance resilience of the existing ready-to-use foods market in the West and Central African region, by increasing the ability of the market to respond to crises.
- Target to reach 1.6m malnourished children.

Related SDGs



SDG 7 Project Case Studies

Ensure access to affordable, reliable, sustainable and modern energy for all



Sector

Energy



Renewable energy has a crucial role to play in meeting the Paris Agreement targets. Globally, energy remains the single biggest source of GHG emissions by sector¹ and, while the installed capacity of renewable energy shows encouraging growth, its share of global electricity generation remains around 28%.² Rapid scaling up of renewable energy capacity is essential to meet the world's growing energy demands while reducing overall GHG emissions.

As of 2018, 860 million people around the world lacked access to electricity³, hampering economic development and leading to severe impacts on people's health and wellbeing. As developing countries push forward with efforts to build universal access to safe, reliable energy, investments in renewables are more important than ever, to improve lives, stimulate economic growth and avoid locking in GHG-intensive infrastructure. With rapid improvements in technology and growing attention from investors, renewable energy increasingly looks like a 'win-win' solution to achieve Paris Agreement goals and improve the lives of people around the world.

Project

Context

Impact

Project

Context

Impact

Asian Development Bank (ADB) – Green Bond

ReNew Power Ventures Wind and Solar Development Project

This project will support the development of solar and wind power across the Indian states of Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh and Telangana, with a total installed capacity of 709 MW when the project has been completed. The new energy facilities will contribute to the achievement of India's overall stated target of 175 GW of renewable capacity by 2022. While the country has decreased the energy intensity of its GDP by around 20% over the past decade, current IEA projections indicate that energy demand could double by 2040.⁵ India has a rapidly growing economy and has made significant progress in expanding household access to electricity. Scaling up renewable energy production will serve the dual objectives of reducing GHG emissions and contributing to the country's economic growth.

Location – India

- Fourth highest GHG emitting country.
- Approximately 700 million people gained access to electricity between 2000-18.
- National goal to install 175 GW of renewable energy capacity by 2022, 450 GW by 2030, vs 86 GW of renewables out of 369 total installed capacity in 2019.⁴

Output (Issuer KPIs)

- 398 MW of solar capacity installed.
- 311 MW of wind capacity installed.
- 1,400 GWh of renewable energy generated annually.
- 1.2 million tCO₂ avoided annually.
- Over 200 jobs provided at full operational capacity.

Related SDGs



Kommuninvest - Green Bond

Blaiken Wind Farm

The Blaiken wind farm, situated in the north of Sweden, consists of 99 turbines and is the largest land-based wind farm in Europe. While non-fossil fuel energy sources already make up the majority of Sweden's electricity supply—with the country having reduced the share of fossil fuels in its overall energy supply from 81% in 1970 to 27% in 2017,⁶ investment in new sources of renewable energy is fundamental to the country's long-term climate strategy. Sweden has high energy consumption per capita, but comparatively low GHG emissions per capita versus the EU average and rest of the world, due to its relatively clean energy systems.

Location – Sweden

- National goal to have net-zero GHG emissions by 2045.
- 55% of total energy consumption in Sweden from renewables in 2018, the highest in the EU.
- Goal to reach 100% renewable electricity production by 2040.⁷

Output (Issuer KPIs)

- 247 MW renewable energy installed capacity.
- 129,724 tCO₂ avoided per year.
- 700 GWh of energy generation per year.
- Sufficient electricity to power 161,500 apartments annually.

Related SDGs



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