

# Examining Impact

Our Impact Check-Up for 2022

**IMAGE:** In 2022, several of our clients invested in Raven Indigenous Capital Partners' second impact fund, invested in Indigenous companies in North America. Raven's portfolio includes OneFeather Mobile Technologies, which develops technology designed to celebrate and empower digital Indigenous sovereign identity.



# Contents

- 3** Introduction from the President
- 4** How Rally Creates Impact
- 6** Impact of Rally Services
  - Asset Management
  - Advisory
- 18** Impact of Rally Operations
- 23** A Letter from the CEO



**IMAGE:** In 2022, several of our clients invested in first-time fund manager BKR Capital's impact fund, a portfolio of Black-led tech companies including Woveo (pictured), whose app aims to improve new immigrants' access to credit.

# Celebrating Diversity

The importance of and urgency to address diversity came up a lot with our team in 2022. Certainly, the diversity of people we work with – their experiences and perspectives, which we value. But also the diversity of impact investments, as we sought new opportunities in the public markets globally and saw continued growth in private investments here at home. We are energized by and celebrate this intersectionality! A diverse sector, with myriad voices supporting a wide variety of products and stakeholders, is needed in order to achieve large-scale positive outcomes. We hope that this year's annual examination of impact helps you see that our services and operations are helping to diversify, and therefore strengthen, ourselves and the impact investing sector.

Kelly Gauthier  
President

Nous célébrons la diversité

Świętujemy różnorodność

Chúng tôi tôn trọng sự đa dạng

Celebramos la diversidad

我們培育多元文化理念

Farklılığı kutluyoruz

हम विविधता को मनाते हैं

ہم ایک دوسرے کے فرق کو مناتے ہیں

**Some of the primary languages spoken by our team**



# Theory of Change

We believe that capital can drive meaningful positive social and environmental impact while also generating a positive financial return. That's why we're impact investors and why we work to grow the impact investing sector. What follows is our theory for how we contribute to changing the world by shifting capital, shifting power and shifting perspectives.

We are confident that:

**IF** If we activate capital towards initiatives that are supporting justice and achieving the SDGs,

**THEN** Then in addition to the positive impact our capital has, we will have signalled to the markets that impact matters in investment decision making. This will help to incentivize companies in the wider investment world to operate in an SDG-aligned manner and will compel investors to value social and environmental factors,

**WHICH** Which will lead to a more equitable and sustainable distribution of capital, bringing greater prosperity and justice for all.

# Guided by the SDGs

**We align impact to the United Nations’ Sustainable Development Goals (SDGs).** The goals were created as a blueprint for people in all sectors of society to use to guide their actions towards ending poverty, protecting the planet and ensuring prosperity for all. They help investors identify areas where capital is needed to address the world’s biggest problems.

Like many in the impact investing sector, we align to the SDGs. To help us identify investments that achieve the SDGs, we mapped all 17 to five investable themes, which we use to screen and evaluate companies and then measure impact.

At Rally, when we examine companies and portfolios through an impact lens, we ask, **Are these investments contributing to the economic shift needed to meet the SDGs?**

## OUR FIVE THEMES





# Services 2022

This section examines the impact of our services in 2022, in line with how we examine the products and services of the companies we invest in. We have two categories of services:

## Asset Management Services

We invest in the full range of private and public assets, as different asset classes offer different opportunities for impact. Together they create impact that is both broad and deep.

- Rally Funds – Rally Total Impact Fund (RTIF) and Rally Global Equities Impact Fund (RGEIF)
- Custom Impact Portfolios

## Advisory Services

A range of services including strategy development, education and market research

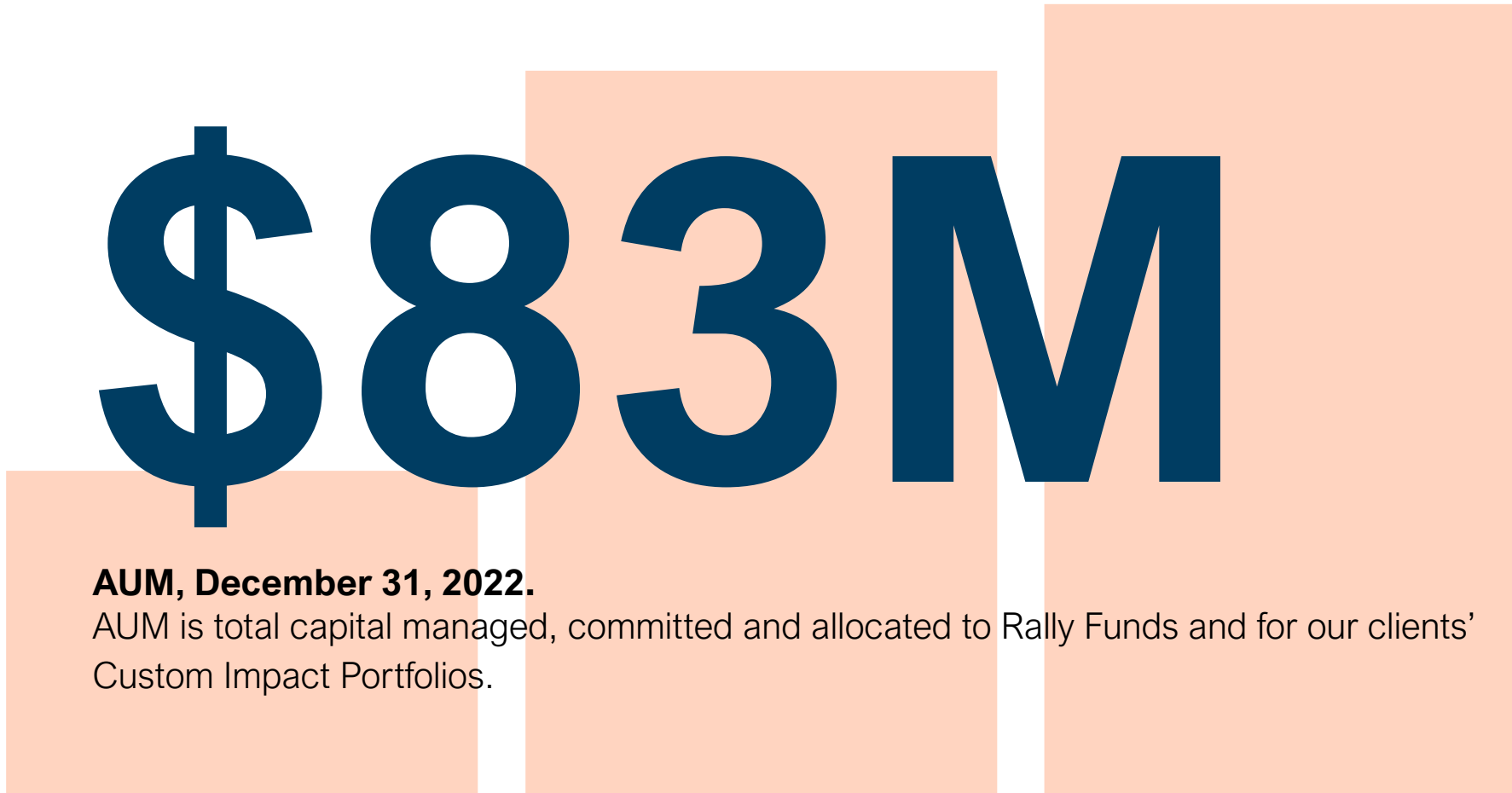
**IMAGE:** In 2022, one of our clients invested in first-time manager Sweef Capital, a women-led impact investment firm anchored in Southeast Asia. Sweef invests in businesses with scalable solutions that meet people's needs and drive value through diversity and inclusion, including Teky, pictured.



# More Capital Shifted into Impact Investing in 2022

In 2022, our third year as an asset manager, we were pleased to welcome new clients and deepen our relationship with others, thereby growing our AUM. 2022 was a challenging year in the public markets. That our AUM grew despite the challenging markets is, we believe, a reflection of growing interest to intentionally invest for positive impact.

The next few pages look at where the AUM was directed.



# \$83M

**AUM, December 31, 2022.**

AUM is total capital managed, committed and allocated to Rally Funds and for our clients' Custom Impact Portfolios.

# Clients Invested in Several Key Positive Areas

We help clients invest in alignment with their values and their mission. In 2022, that meant investments were focused on several key positive areas and several population groups. We're pleased to see more clients taking a cross-thematic population lens to their portfolios, as impact is intersectional.



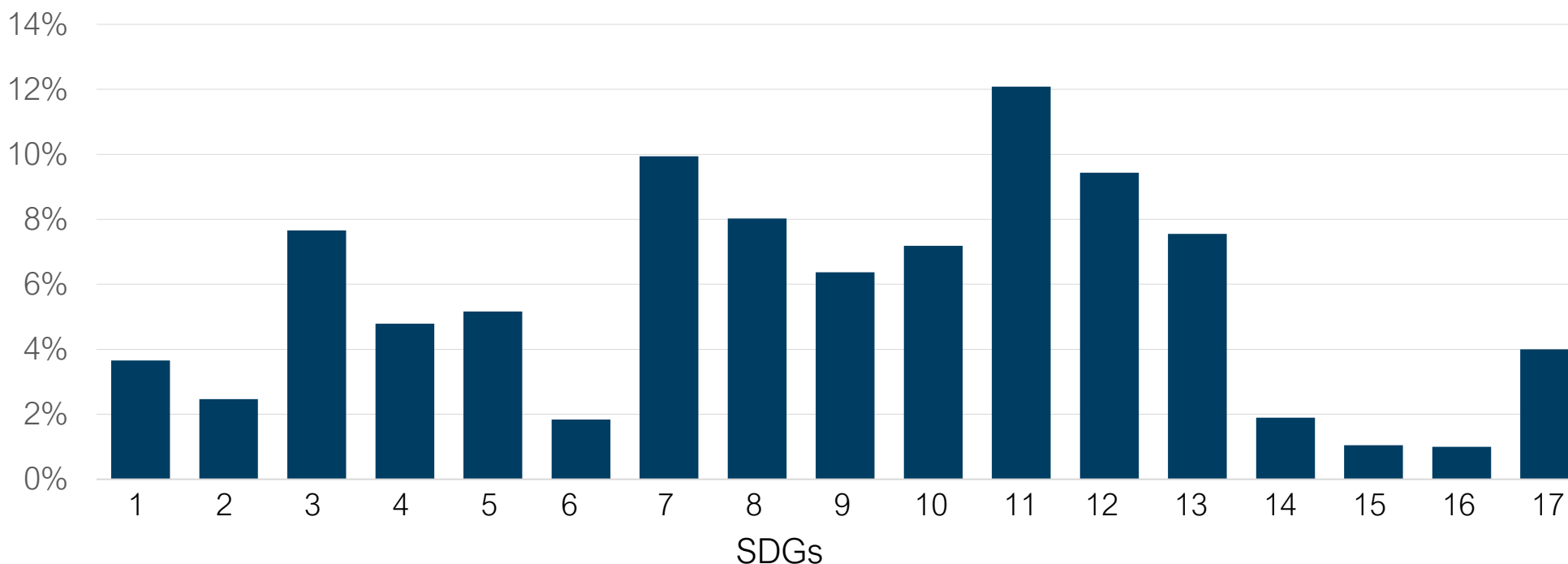
Top Client Impact interests



# Investments Supported Sustainable Development

On an aggregated level, investments by clients and by our two impact funds were made across all SDGs.

SDG alignment was similar to 2021. SDG 11: Sustainable Cities and Communities was the most supported SDG this year and last, reflecting the continued urgency around affordability and sustainability.



**Investment Alignment to the SDGs, Percentage of committed AUM**

Private investment commitments are assumed to have been fully called.

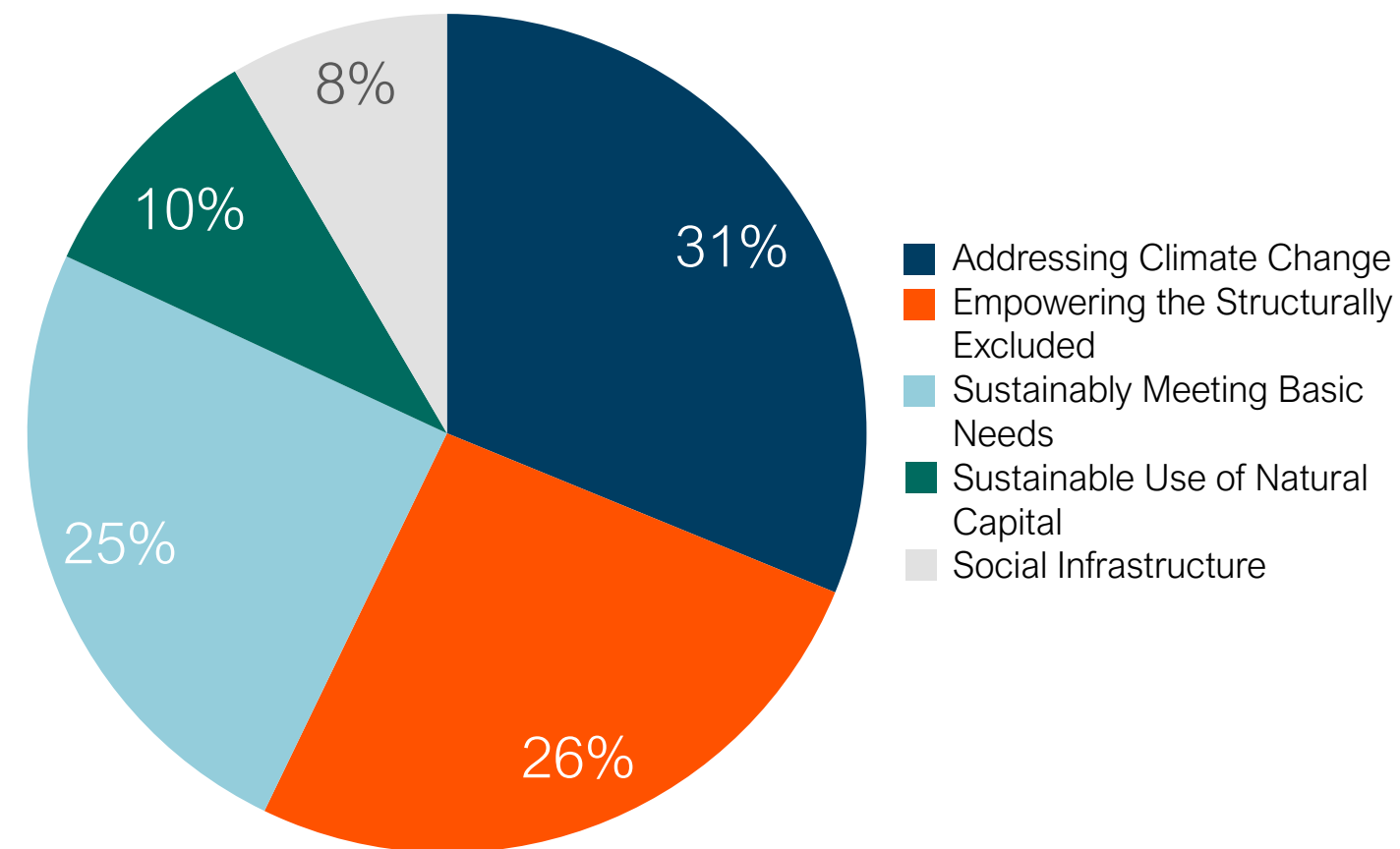


# Investments Were Holistic to Bring about Lasting Change

We work with clients to ensure their investments are aligned to their mission and impact areas of interest. We have mapped their investments to our themes to reflect our systemic investment focus areas.

We believe that the SDGs, and therefore our SDG-encompassing themes, are intertwined and interdependent and investment is needed in all areas for there to be real and lasting systems change. For example, trying to address climate change without also considering how to sustainably meet people’s basic needs will not bring about lasting improvement.

Thematic distribution for all client portfolios this year was similar to last, with growth in the theme of Addressing Climate Change.



**Investments as Assigned to the Rally Themes**

Private investment commitments are assumed to have been fully called.



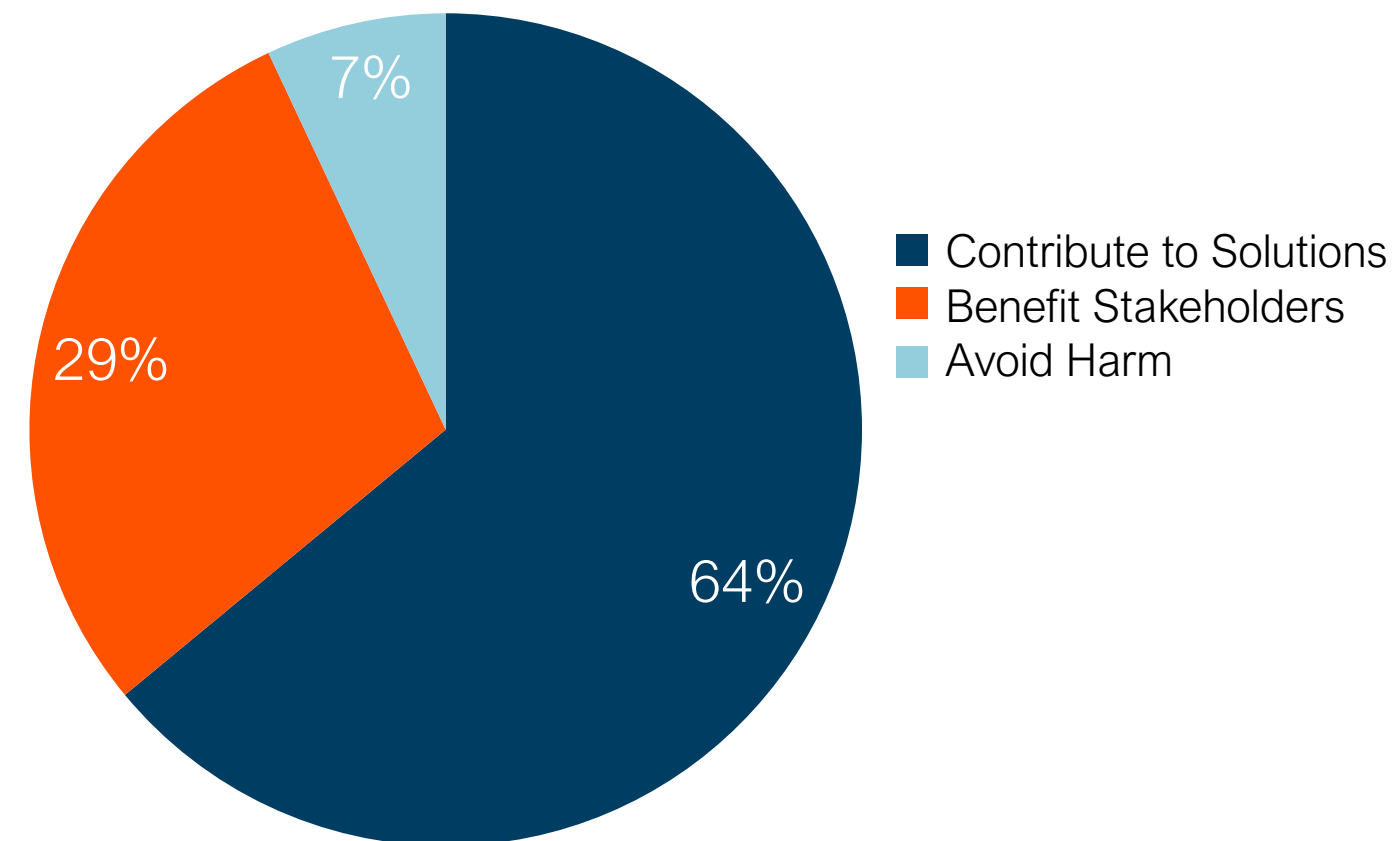


# Investments Contributed to Solutions

Our impact measurement framework embeds the globally used impact dimensions created by the Impact Management Project (IMP). We use the IMP framework to classify the impact intention of companies:

- **A: Avoid Harm** – mitigate or minimize negative impacts of activities
- **B: Benefit Stakeholders** – create positive outcomes for society
- **C: Contribute to Solutions** – create positive outcomes for stakeholders considered underserved, such as smallholder farmers or the environment

In comparison to 2021, a smaller portion of investments were classified as C. This is because client investments this year included a more significant portion in the public markets, where we find that positively impactful equities commonly rate a B classification.



**The Impact Classification of 2022 Investments**

Private investment commitments are assumed to have been fully called.



# Like Us, Fund Managers are Building Equity

Part of our impact assessment includes surveying fund managers and product issuers that clients invest in. Survey responses in 2022 confirmed that the vast majority of investments we and our clients invested in are pro-actively working to support a more just world.

2022 saw a big increase in equity commitments. Managers reporting a commitment to:

- Address racism rose from 79% to 96%
- Address gender inequalities jumped from 65% to 84%

# 96%

**of Managers have Made a Specific Commitment to Address Racism**

# 84%

**of Managers have Made a Specific Commitment to Address Gender Inequalities**



# Fund Manager Equity Actions | In their Own Words

We support the advocacy for the LGBTQ2S+ community through our investment activities and reporting. We have invested in and partnered with members of the LGBTQ2S+ community

...a non-discrimination, equal employment and pay parity policy to address racism, and target deploying 50% of investment capital in companies that have senior leadership who are women and/or people of colour

... committed to antiracism both in our investment processes and in our company culture. A huge opportunity as VC fund managers is to actively include groups who have been historically marginalized and/or subject to violence by the financial system. We work to correct this systematic violence against BIPOC individuals

Our investment process considers racial diversity as a driver of investment

**We report gender balance internally and across the portfolio as part of our annual reporting process.**

**Inclusive practices are promoted throughout the organization. Internal programs benefit from the support of a DEI specialist**

Our impact framework speaks to the need to address structural and systemic racism

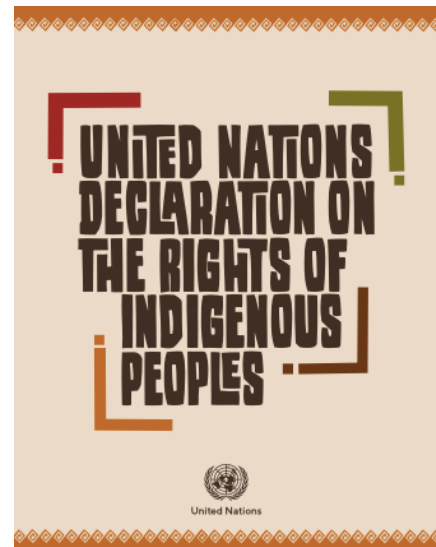
We track the racial diversity in our team and portfolio against industry benchmarks, as well as our own internal goals on an annual basis

We have signed on to the Government of Canada's 50-30 Challenge that aims to have signatories achieve gender parity on all boards



# Fund Managers Aligned to the SDGs

Aligning impact intention and impact reporting to the SDGs makes it easier for curious investors to compare different impact products, using the SDGs as common language. This year, just one manager said they do not align to the SDGs. Like many, they find the SDGs do not



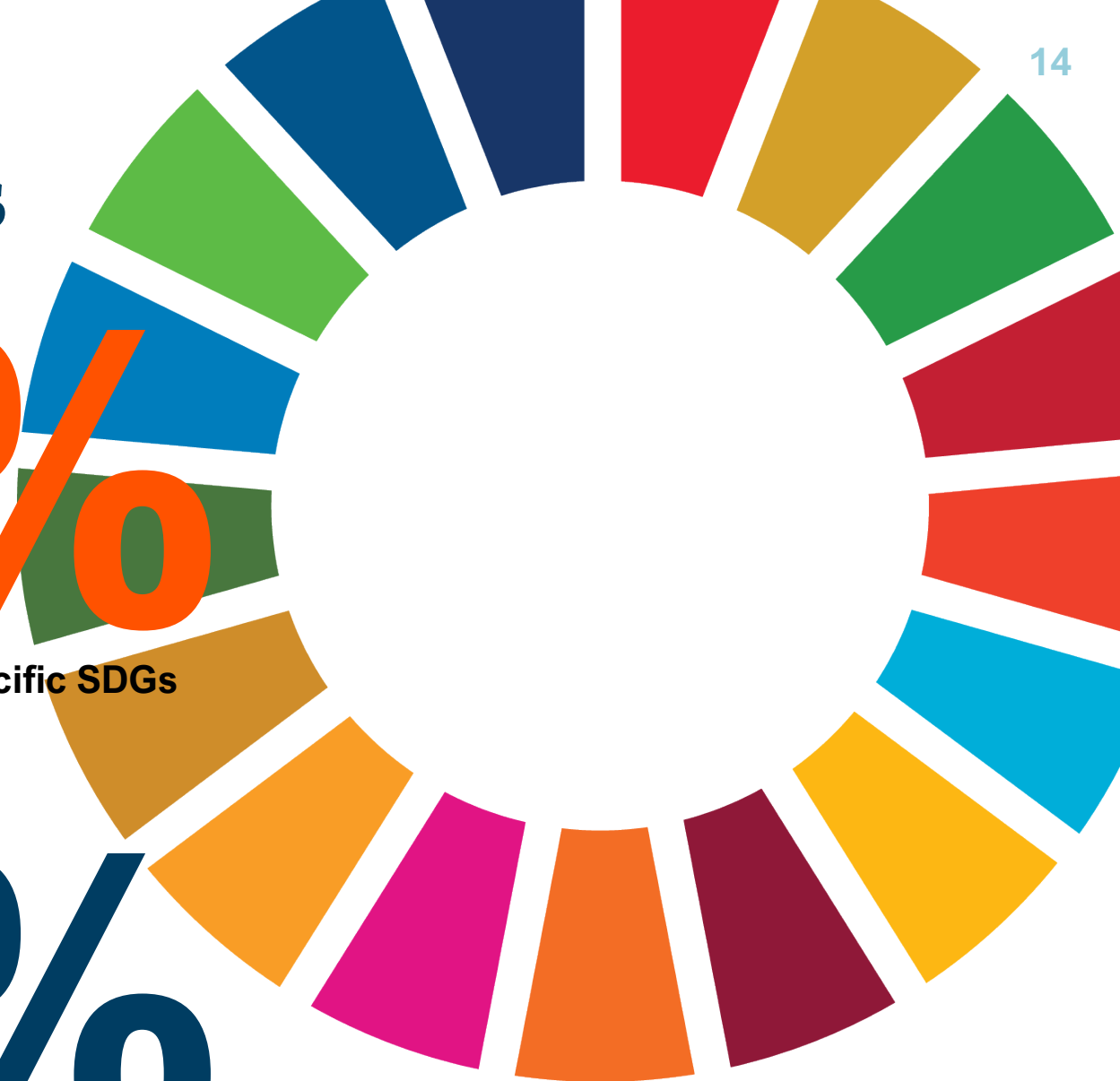
sufficiently account for Indigenous reconciliation and so they align to the UN Declaration on the Rights of Indigenous Peoples.

97%

of Managers have Identified Specific SDGs most Relevant to Them

82%

of Managers have Developed Specific Outcome Indicators to Measure their Fund's Positive Contributions to the SDGs





# We Leveraged the Power of Collective Action

With a growing group of clients, we are able to act as an aggregator of impact capital. Doing so opens up opportunities for smaller investors to invest. As well, it enables investment managers, clients and Rally to move capital faster while still allowing clients to explore their individual interests.

In 2022, 56% of the investments we placed were aggregated investments, similar to 2021's 50%.

# 56%

**Percentage of Investments Where More than One Client Invested**  
in terms of the number of investments, not the value of investments.

# Rally Funds Maintained High Impact

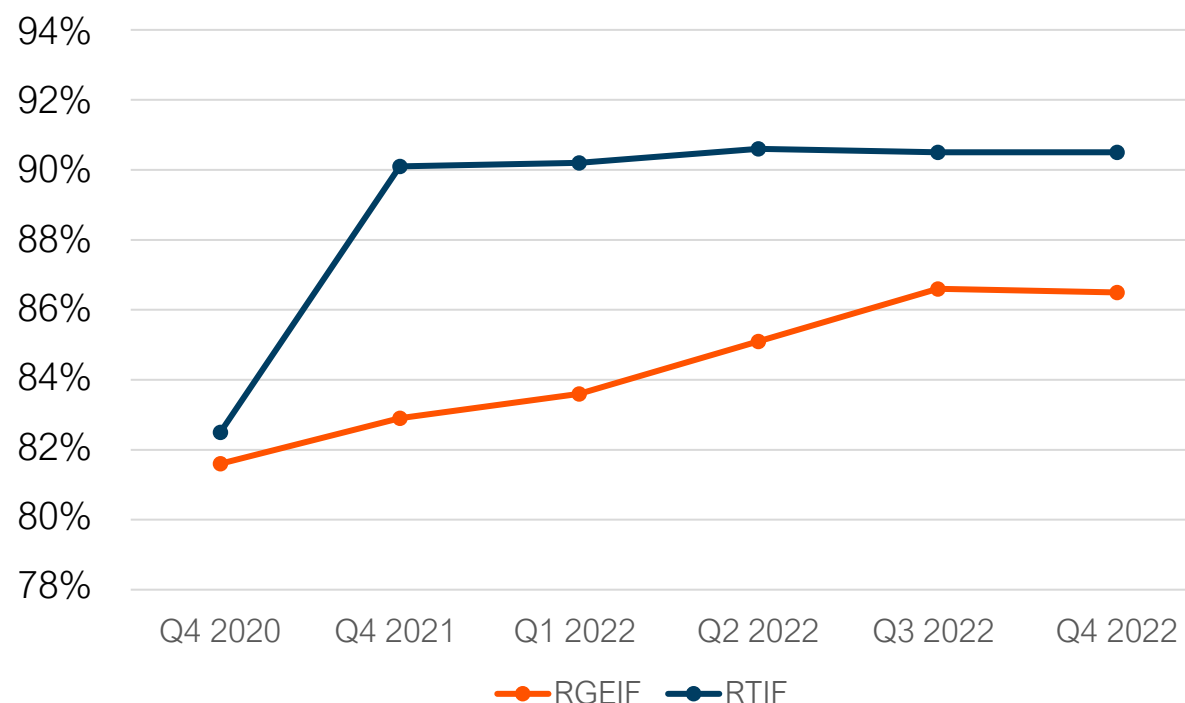
## Increased Interest

Since launching in 2020, our two impact funds have continued to gain new investors and greater interest. This year was no exception. RTIF won the Audience Choice Award at the inaugural Great Canadian ESG Championship.



## Volatile Markets, Steady Impact

As was the case for many impact-focused investment strategies, 2022 was a difficult year for financial returns, but both RGEIF and RTIF finished the year with positive returns in Q4. In contrast to volatile returns, the impact of our fund holdings held steady.



## SDG Revenue Scores

Alignment to the SDGs of holdings' products and services within RGEIF and RTIF.





# We Built Client Understanding and Enabled Action

The objective of our advisory practice is to empower investors to invest for impact. That might take the form of designing an investor's strategy and investment policy statement, it might be broad impact education or it might be targeted on impact measurement, for example. In each case, we aim to help investors clear barriers (like capacity, governance and expertise) to unlock capital for impact investing. One key piece of advisory work this year was Impact Frontiers, which wrapped up in Canada at the end of 2022. The program helps asset owners and managers build capacity to manage and integrate impact into financial decision-making.

*“Rally Assets has been a valued partner through our journey to impact investing, assisting us in developing our investment strategy and framework that we are implementing today. Through their guidance, we are on a path to gaining better alignment between our endowment holdings and our values.”*

Ken Fetherstonhaugh  
Chair, Audit & Investment Committee, Glenbow Alberta Institute



**\$117M**

**Capital Unlocked for Impact Investing in 2022,**  
due to new investment strategies we helped several clients to create.

rally  
assets

# Operations 2022

This section examines the impact of our operations, in line with how we examine the operations of companies we invest in.

**IMAGE:** In 2022, several clients invested in Windmill Microlending Community Bonds. Windmill Microlending (pictured) offers affordable microloans to help skilled immigrants and refugees achieve career success in Canada.

# Operations Overview

In addition to considering the impact of revenue (the **‘what’** of a company), we examine the impact of **how** a company operates to generate that revenue so that we can determine whether a company is operating in a way that supports sustainability and equity.

Our proprietary operational assessment can be broadly grouped into four categories – categories that are similar to B Corp assessments and ESG tools. We look at operational impact in terms of:

- **Workforce** For example, actions to address racial inequalities or fair employment terms
- **Governance** For example, board composition or director independence
- **Environment** For example, energy conservation, water conservation or supply chain management
- **Community** For example, community engagement policies

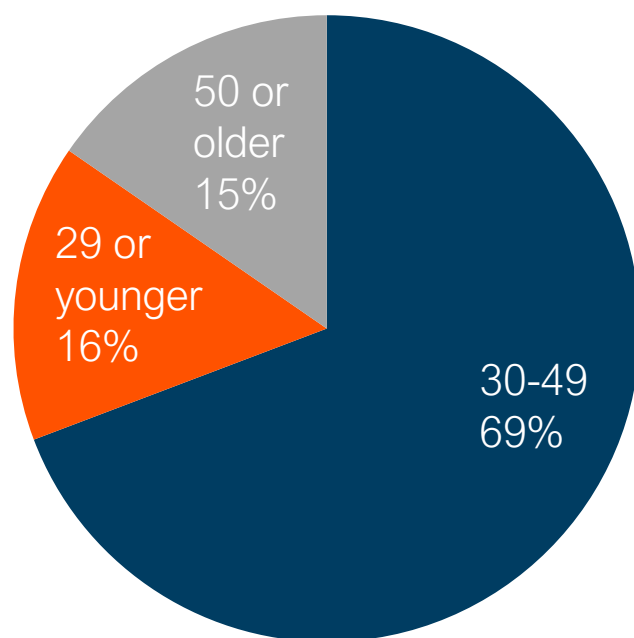




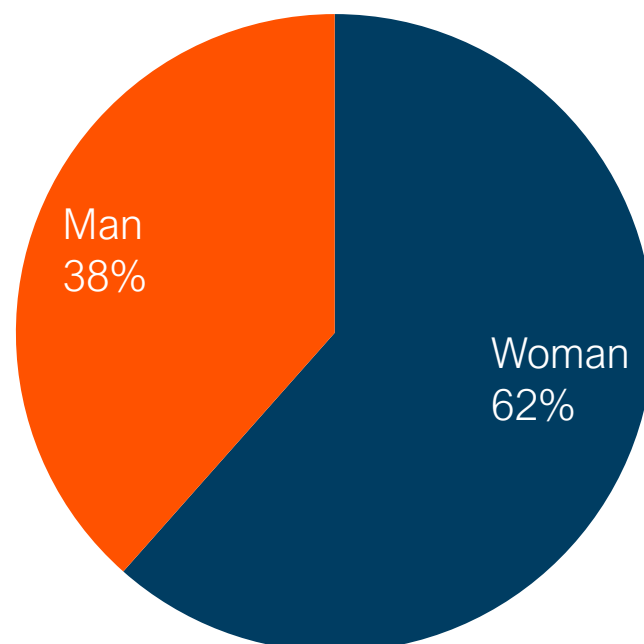
# Workforce Demographics

One way we ‘walk the talk’ on diversifying the sector is to bring a diversity lens to employment of staff.

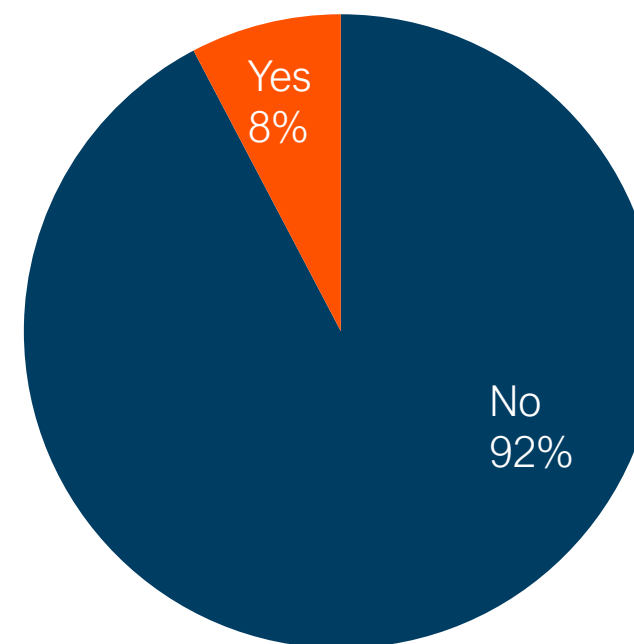
Staff numbers in 2022 remained steady. Minimal staff changes over the year resulted in minor changes to diversity stats.



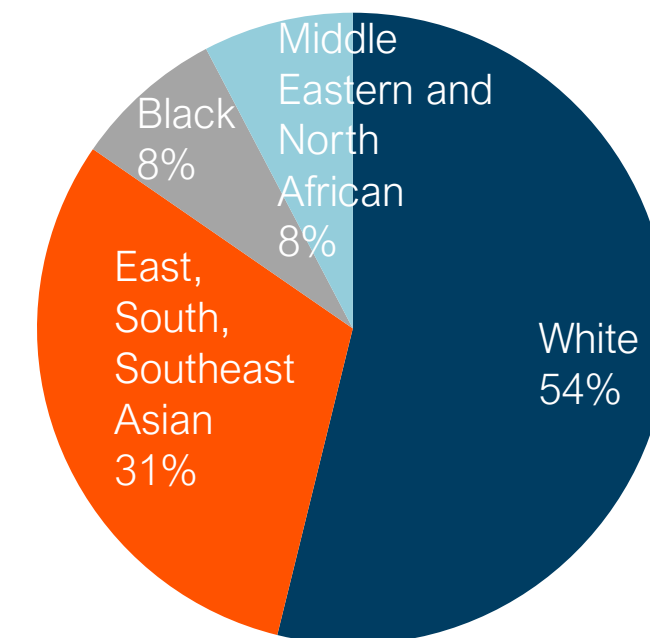
**Age Group**



**Gender**



**Newcomer to Canada**



**Race, Ethnicity**

Results from Staff Self-Identification Questionnaire



# Strengthening, and Strengthened by, Others

**INTERNS:** As we've done for many years, we welcomed summer interns to our team – three in 2022 helping with public and private research and impact reporting. Known affectionately as **impact disrupters**, our interns bring fresh views and ideas. Interns are often from non-traditional backgrounds. We aim to give work experience to 'the non-obvious' candidates in order to help increase workforce diversity in the investment sector.

**ADVISORS:** While we give help, we also take it. We are grateful for our committee of advisors. With a small board, we rely heavily on our advisors, who deepen our abilities with their wide range of skills, experiences and backgrounds. We were able to secure two new advisors this year to our already strong committee.



# Supporting Truth and Reconciliation

In 2022 we formally adopted the Truth and Reconciliation Commission of Canada's Recommendation 94. We've acted in support of reconciliation since our beginning but adopting the recommendation was a way to recommit ourselves. We have used our commitment to this recommendation to spur further internal learning, enhance our due diligence process and guide client engagement.



We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

- i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- ii. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
- iii. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism.





# An Eye to the Future

We have looked back at what we have done in 2022 in order to reflect, learn and improve. We have some rather ambitious goals in our theory of change that propel us forward and keep us focused on the future. We want to tackle these with greater insight, understanding and wisdom from our examination of our 2022 activities.

The urgent systemic challenges we are trying to address through our advisory and asset management work – such as social inequity and climate change – are complex and interconnected, with many contributing factors. To be addressed, they require multi-stakeholder efforts between diverse groups such as investors, grantors, social purpose organizations, research institutes and policy organizations. We are proud to play a role in bringing these players together to shift systems and support justice. And are grateful for the support we've had from so many to be as impactful as we have been.

Today, as always, we keep our eye firmly focused on the future with optimism. With new clients, new partners, new ways to use capital and greater opportunities for collaboration, we look forward with excitement, confidence and humility to the next chapter!

Upkar Arora  
CEO

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Our office is located on the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We are grateful to have the opportunity to work on this land.

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