



Impact Performance Statements

Rally Global Equities Impact Fund
Rally Total Impact Fund

For the year ended December 31, 2023



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October 2024

Only accredited investors are eligible to invest in Rally Global Equities Impact Fund and Rally Total Impact Fund.

Rally Assets

Rally Assets is an impact investment management firm. The firm helps investors generate positive social and environmental impact alongside a financial return. Rally creates impact funds and other portfolios to enable foundations, other institutional investors, family offices and individual accredited investors to invest in alignment with their values. Through its joint venture in Realize Capital Partners, Rally is a fund-of-funds manager for the Government of Canada’s Social Finance Fund.

Rally is a Portfolio Manager and Exempt Market Dealer registered in Alberta, British Columbia, Ontario and Quebec with the respective provincial securities commissions.

Rally is a certified B Corporation. Certified B Corporations meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

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Opening Remarks

Purpose

This report is designed for a technical audience in impact measurement and management (IMM), akin to those reviewing financial statements. It aims to demonstrate how the Impact Performance Reporting Norms (Reporting Norms) and Common Framework can elevate impact reporting as a step closer to the rigor of financial reporting standards. While acknowledging that standards are still developing, we believe early adoption—even with imperfect data—plays a crucial role in advancing transparency and accountability in impact investing.

The Role of Standards in Impact Measurement

Although there is not yet a comprehensive suite of universally accepted impact reporting standards, the release of the Reporting Norms and Common Framework are significant milestones. Both frameworks leverage key accounting concepts adapted for the IMM space, emphasizing decision-useful information—relevance, faithful representation, comparability, verifiability, timeliness and understandability. The Common Framework is a crucial enabler, allowing us to focus on Key Performance Indicators (KPIs) regarding social and environmental impact. The Framework balances the flexibility needed to interpret diverse, intersectional, multi-dimensional data while maintaining boundaries to enhance comparability with other funds.

Our Commitment to Transparency and Accountability

At Rally, we aspire to be early adopters of these evolving standards, not only by using and publishing them early but by taking a step further and applying them within public equities and fund-of-funds models. This challenges us and allows us to share our learnings with the sector. This report highlights both our achievements and the challenges we faced, offering valuable insights into future opportunities for improvement.

2023 Impact Performance: Progress and Challenges

In 2023, our investments achieved significant social and environmental impact, making progress toward Rally's impact themes. However, like others in the sector, we face ongoing data challenges in reporting on investor contribution, negative impacts, and targets and thresholds. We highlight these limitations to caution readers but also as a call for collaboration with fund managers, standard setters, and policymakers to address these challenges collectively. We are proud to have contributed to the Impact Disclosure Taskforce in publishing the Sustainable Development Impact Disclosure, which we believe, if widely adopted, can assist asset managers in obtaining high-quality data on these areas. These efforts will enhance decision-usefulness and help grow the impact investing market.

Looking Forward: Sector Collaboration and Future Commitments

While the Reporting Norms were initially piloted in private markets, we have applied these standards to both public markets and fund-of-funds models. This was both a challenge and a testament to the strength and complementarity of these frameworks. We remain committed to collaborating with the sector to advance these standards and to tackling global challenges, using insights gained from this experience to further improve impact measurement and reporting.

Ryan Clancy, CPA
Head, Impact Management

Funds Overview and Impact Thesis

Funds' Description

Rally Global Equities Impact Fund (RGEIF) was launched on June 15, 2020, and invests exclusively in public equities. Rally Total Impact Fund (RTIF) was launched on June 30, 2020, and provides investors with exposure to both public and private impact investment opportunities. RTIF shares the same public equity holdings as RGEIF. Actively managed, RGEIF and RTIF both have a strategy to deliver attractive risk-adjusted returns for investors while generating measurable, positive impacts across various sectors and regions. Both RGEIF and RTIF have a global focus, with invested public equities predominantly in developed markets and some private investments in emerging markets.

Impact Thesis

RGEIF and RTIF seek to identify and invest in holdings that catalyze systemic changes and positively contribute to the United Nation's Sustainable Development Goals (SDGs). Our four impact themes listed in the table on the next page are connected to the SDGs and are mutually reinforcing at the portfolio level to achieve our impact objectives. Using impact pathways¹, we determine and evaluate how investments connect to real-world impact. The pathway goes from the holdings' inputs and activities, to output, outcome and impact. KPIs enable us to quantify the associated performance at either the output, outcome or impact level, with the aim to measure as far down the pathway as possible.

¹ The impact pathway describes the link between organisations' inputs, activities and outputs with their effects on people and the natural environment — outcomes and impact. (source: <https://impactmanagementplatform.org/impact/>)

Rally Themes

| | Addressing Climate Change | Advancing Social Equity | Preserving and Restoring Natural Capital | Sustainably Meeting Basic Needs |
|--|--|---|---|---|
| The Problem | Human activities unequivocally drive global warming and climate change. | Societal biases, systemic barriers, and institutional processes perpetuate inequity. | Our demand for natural resources exceeds the Earth’s regenerative capacity by a wide margin. | Unmet basic human needs for subsistence pose significant implications for economic stability and equity. |
| Targeted Impact | The economy is resilient and low carbon, thereby addressing climate change. | Due to greater social equity, individuals and the society are able to fully contribute to and benefit from economic and social progress. | With natural capital preserved, the earth’s regenerative capacity is restored and maintained. | Everyone’s fundamental requirements, like food, water, shelter, health care and education, are met. |
| How the Underlying Holdings Provide Solutions | <ul style="list-style-type: none"> • Providing technology, services, data-driven insights for energy efficiency, water, and waste management • Investing in real assets and infrastructure that facilitate green energy transition • Generating renewable power • Investing in climate tech companies and sustainable agricultural practices | <ul style="list-style-type: none"> • Utilizing technology to improve healthcare accessibility and outcomes • Creating and finding jobs for marginalized individuals and communities • Equitizing healthcare for women and children in lower income regions • Lowering barriers to capital and economic participation for entrepreneurs from equity-deserving groups | <ul style="list-style-type: none"> • Shifting consumer behavior to sustainable product alternatives • Designing sustainable packaging solutions for the digital economy • Providing sustainable alternatives in manufacturing • Investing in early-stage startups in the circular economy | <ul style="list-style-type: none"> • Providing access to affordable and reliable drinking water and wastewater services • Lowering barriers to healthcare access through interpretation, telemedicine, and virtual services • Delivering infrastructure to lower healthcare costs • Lending to organizations focused on affordable and sustainable community benefits |
| Key Performance Indicators² | <ul style="list-style-type: none"> • Annual GHG emissions avoided (tonnes of CO2e) • Renewable energy capacity addition (MW) | <ul style="list-style-type: none"> • People from equity-deserving groups³ with improved access to employment and entrepreneurship • People from equity-deserving groups with improved healthcare outcomes | <ul style="list-style-type: none"> • share of holdings' offerings that are sustainable (%) • Waste prevented, reused, re-manufactured and recycled (lbs) • Water conserved (m³) | <ul style="list-style-type: none"> • New or preserved affordable housing units • Patient interactions that improve healthcare access • People with access to clean water and sanitation services |

² The current list of KPIs is based on 2023 reported metrics by portfolio holdings. KPIs are reviewed annually. In time, we aim to report more KPIs, connected to the full scope of our impact themes.

³ Equity-deserving groups refer to those who have historically been denied equal access to opportunities, such as (among others) women, Indigenous peoples, Black and other racialized peoples, people on a low income, people with disabilities, members of the LGBTQ2+ community, official language minority communities, recent immigrants and refugees.

Management Commentary

In 2023, RGEIF and RTIF delivered substantial progress across the four themes: Advancing Social Equity, Sustainably Meeting Basic Needs, Preserving and Restoring Natural Capital, and Addressing Climate Change.

In **Addressing Climate Change**, we observed robust progress in reducing greenhouse gas emissions and expanding renewable energy capacity in our portfolio. The total annual greenhouse gas emissions avoided across our portfolio increased by approximately 16.7 million tonnes of CO₂e, driven by the aggressive deployment of low-carbon technologies and the implementation of advanced energy efficiency measures. Furthermore, renewable energy capacity additions more than doubled, with an increase of over 4,700 MW, fuelled by significant expansions into solar and wind projects. These achievements reinforce our dedication to driving the transition to a low-carbon economy and addressing the critical challenge of climate change.

Within **Advancing Social Equity**, our impact was driven by focused investments in recruitment initiatives and economic advancement opportunities for women and other equity-deserving groups. The number of people from equity-deserving groups with improved access to employment and entrepreneurship increased to almost nine million in 2023. However, this progress was partially offset by challenging labour market conditions, which made it more difficult to achieve higher employment outcomes in certain sectors. In terms of healthcare outcomes, we saw nearly 624,000 people from equity-deserving groups experience improved healthcare outcomes, further advancing our goals for social equity.

Preserving and Restoring Natural Capital presented both opportunities and challenges in 2023. Our underlying holdings preserved nearly five billion cubic meters of water, driven largely by a strategic acquisition that enhanced our portfolio's water management capabilities. This increase in water savings highlights our focus on sustainable resource management. However, waste prevention efforts saw a 16% decline, with nearly 170 million pounds less waste reduced compared to 2022. This decrease was primarily due to supply chain constraints and difficulties in sourcing sustainable materials. Despite these challenges, the portfolio maintained a strong commitment to producing sustainable offerings. This is reflected by the share of holdings' offerings that are sustainable increasing from 61% to 70%.

Sustainably Meeting Basic Needs was an area of strong performance, highlighted by significant improvements in healthcare access and water infrastructure. In 2023, we saw an increase of over six million patient interactions that improved⁴ health care access, reaching 21 million patient interactions in total. This growth was primarily driven by the expansion of interpreter services and enhanced technology, enabling broader access to critical healthcare services. Additionally, access to clean water and sanitation services expanded to reach 1.4 million more people, thanks to strategic partnerships and initiatives that scaled water infrastructure in underserved communities. These outcomes underscore our commitment to invest in holdings that ensures fundamental human needs are met, particularly in areas that have been historically underserved.

Overall, 2023 was a year of meaningful impact performance for RGEIF and RTIF. The substantial improvement across our investment themes reflects our dedication to generating positive social and environmental impact through strategic investments. As we move forward, we remain committed to building on these successes and continuing to deliver impactful results that contribute to a more equitable and sustainable world.

⁴ For KPIs that demonstrate an improved output or outcome, we conduct secondary research to ascertain a reported metric's linkage to the target outcome. We only aggregate metrics when there is a moderate to high degree of confidence in these linkages. If the evidence suggests a causal link but with high uncertainty or limited consensus, we do not aggregate and opt to disclose these metrics instead.

Impact Performance Statements

The following pages constitute the Impact Performance Statements⁵ for RGEIF and RTIF for the year ended December 31, 2023. The notes section that follows the impact performance statements are integral to understanding the impact statements.

To measure aggregated impact, we adopt the Common Framework developed by Common Approach to Impact Measurement, which defines a flexible standard to measure impact based on construct-based equivalence and bounded flexibility. With construct-based equivalence, we aggregate non-identical metrics that measure the same underlying construct into a KPI. In addition, for each KPI, we determine the bounded flexibility to put limits on what is considered equivalent and can be aggregated.

Not all reported metrics by portfolio holdings are considered for aggregation. Excluded from consideration are low-quality impact proxies, such as (1) data focused on activities⁶ or with a risk-mitigation⁷ lens or (2) data with high degrees of estimation uncertainty or limited causal connection to our holdings' targeted impacts.

Within the remaining metrics, we only aggregate those that align with KPIs. As such, non-aggregated metrics may include positive and material results that are key to intended impacts but are unique and/or are beyond a KPI's bounded flexibility. These non-aggregated metrics are monitored and disclosed where relevant, which we believe provide a conservative estimate of the impact of RGEIF and RTIF.

Metrics reported this year allow us to produce statements that contain two or more KPIs for each impact theme. The RTIF Impact Performance Statement features 10 KPIs, aggregating 47 metrics from 67% of portfolio holdings. The RGEIF Impact Performance Statement features nine KPIs, aggregating 22 metrics from 68% of portfolio holdings. In time, we expect to improve the completeness of our report by aggregating more KPIs, connected to the full scope of our impact themes. In addition, KPIs are reviewed annually to ensure representation of portfolio holdings' material outcomes and to enhance the comparability of RGEIF and RTIF with other funds.

⁵ Figures are rounded to the nearest thousandth.

⁶ Activities refer to everything that organisations do, including operations, procurement of inputs, sale and provision of products and/or services, and other supporting activities. Activities-level data showcase what an organization does, which may or may not consequently generate the targeted outcomes.

⁷ Data on the portfolio holdings' environmental, social and governance risk that is focused more on financial materiality than impact materiality.

Rally Global Equities Impact Fund: Associated Portfolio Impact

| Impact Theme | Key Performance Indicators ⁸ | 2023 | 2022 | Material Variance Explanation |
|---|---|-------------------------------|-------------------------------|--|
| Addressing Climate Change | Annual GHG emissions avoided (tonnes of CO ₂ e) ⁹ | 124,149,000 | 107,420,000 | Portfolio holdings aggressively deployed low-carbon technologies and implemented advanced energy efficiency measures. |
| | Renewable energy capacity addition (MW) | 8,000 | 3,000 | One holding significantly expanded into solar and wind projects. |
| Advancing Social Equity | People from equity-deserving groups with improved access to employment and entrepreneurship | 8,619,000 | 8,224,000 | Investments in targeted recruitment initiatives and expanded economic advancement opportunities for women was partially offset by challenging labour market conditions. |
| | People from equity-deserving groups with improved healthcare outcomes ¹⁰ | 579,000 | 571,000 | Increase driven by expansion of integrated virtual healthcare services in historically underserved regions in the US. |
| Preserving and Restoring Natural Capital | Waste reduced (lbs) ¹¹ | 854,288,000 | 1,021,558,000 | The decrease was primarily due to supply chain constraints and difficulties in sourcing sustainable materials. |
| | Water conserved (m ³) ¹² | 4,767,000,000 | 4,379,005,000 | A strategic acquisition led to enhanced water management capabilities and water-saving solutions. |
| | Share of holding's offerings that are sustainable | Range: 42-96% Average: 70% | Range: 26-97% Average: 61% | The average increase and narrowed range were driven by a holding's enhanced supply chain analysis that enabled significant scaling of product customization for customers. |
| Sustainably Meeting Basic Needs | Patient interactions that improve health care access ¹³ | 21,000,000 | 14,900,000 | Growth was driven by a holding's expansion of interpreter services via workforce expansion and enhanced technology accessibility. |
| | People with access to clean water and sanitation services | 17,800,000 | 16,400,000 | Increased access was due to expanded partnerships and initiatives that scaled water infrastructure in underserved communities. |

⁸ See specific criteria for inclusion in each KPI aggregation in the notes section that follow the statements.

⁹ Figures correspond to emissions avoided achieved by customers attributable to usage of portfolio holdings' service and/or products.

¹⁰ Including underserved individuals in the US benefitting from integrated chronic health management.

¹¹ Including waste prevented, reused, re-manufactured or recycled.

¹² Aggregation excludes a 3% water reduction per customer due to water loss prevention efforts. This metric was not aggregated as we lacked data to convert it into cubic metres.

¹³ Excluding 30 million outpatient clinic visitors in the reporting year due to the uncertain linkage between outpatient visits and "improved" access to healthcare. However, the holding is building critical social infrastructure that enables improved access, higher quality of care, and increased convenience.

Rally Total Impact Fund: Associated Portfolio Impact

| Impact Theme | Key Performance Indicators ¹⁴ | 2023 | 2022 | Material Variance Explanation |
|---|---|-------------------------------|--------------------------------|--|
| Addressing Climate Change | Annual GHG emissions avoided (tonnes of CO ₂ e) ¹⁵ | 124,174,000 | 107,489,000 | Portfolio holdings aggressively deployed low-carbon technologies and implemented advanced energy efficiency measures. |
| | Renewable energy capacity addition (MW) | 8,000 | 3,000 | One holding significantly expanded into solar and wind projects. |
| Advancing Social Equity | People from equity-deserving groups with improved access to employment and entrepreneurship | 8,623,000 | 8,227,000 | Investments in targeted recruitment initiatives and expanded economic advancement opportunities for women was partially offset by challenging labour market conditions. |
| | People from equity-deserving groups with improved healthcare outcomes ¹⁶ | 624,000 | 596,000 | Increase driven by expansion of holdings' health innovation in underserved US regions and certain regions in the Global South. |
| Preserving and Restoring Natural Capital | Waste reduced (lbs) ¹⁷ | 854,400,000 | 1,021,641,000 | The decrease was primarily due to supply chain constraints and difficulties in sourcing sustainable materials. |
| | Water conserved (m ³) ¹⁸ | 4,767,000,000 | 4,379,005,000 | A strategic acquisition led to enhanced water management capabilities and water-saving solutions. |
| | Share of holding's offerings that are sustainable | Range: 42-96% Average: 71% | Range: 26- 97% Average: 61% | The average increase and narrowed range were driven by a holding's enhanced supply chain analysis that enabled significant scaling of product customization for customers. |
| Sustainably Meeting Basic Needs | Patient interactions that improve health care access ¹⁹ | 21,203,000 | 15,150,000 | Growth was driven by a holding's expansion of interpreter services via workforce expansion and enhanced technology accessibility. |
| | People with access to clean water and sanitation services | 17,800,000 | 16,400,000 | Increased access was due to expanded partnerships and initiatives that scaled water infrastructure in underserved communities. |
| | New or preserved affordable housing units | 521 | 876 | |

¹⁴ See specific criteria for inclusion in each KPI aggregation in the notes section that follow the statements.

¹⁵ Figures correspond to emissions avoided achieved by customers attributable to usage of portfolio holdings' service and/or products.

¹⁶ Including underserved individuals in the US benefitting from integrated chronic health management and women and children in the Global South benefitting from timely access to vaccines, medication for tuberculosis, Malaria, and HIV/AIDS, infant incubators, and oncology care.

¹⁷ Including waste prevented, reused, re-manufactured or recycled.

¹⁸ Aggregation excludes a 3% water reduction per customer due to water loss prevention efforts. This metric was not aggregated as we lacked data to convert it into cubic metres.

¹⁹ Excluding 30 million outpatient clinic visitors in the reporting year due to the uncertain linkage between outpatient visits and "improved" access to healthcare. However, the holding is building critical social infrastructure that enables improved access, higher quality of care, and increased convenience.

Notes to the Impact Performance Statements

1. Basis of Preparation

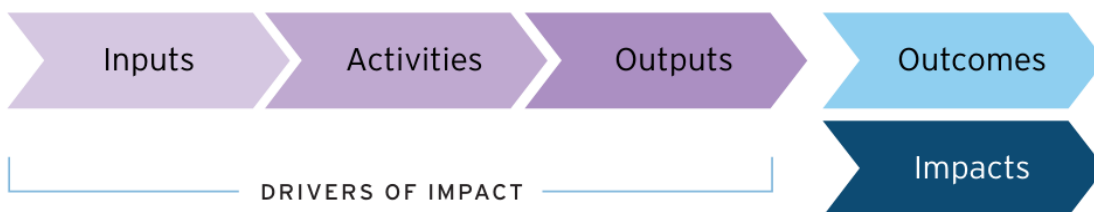
In developing these impact performance statements, we are guided by the Reporting Norms²⁰ and its list of six qualitative characteristics of useful information: relevance, faithful representation, comparability, verifiability, timeliness, and understandability. Professional judgment is required to evaluate the trade-offs between the qualitative characteristics.

Recognizing that impact is realized by the end-users of our underlying holdings' products and services, we report on total associated impact without attempting to estimate the proportionate share of impact directly attributable to RTIF's or RGEIF's invested capital.

Associated impacts are measured through KPIs and may be presented in total amounts (numbers) or in averages (percentages).

2. Material Impact Measurement Policies

Measurement Uncertainty in Aggregated Portfolio Impacts: We strive to measure and disclose the element furthest along on the impact pathway. Our aggregation approach differentiates between impact outputs and outcomes. When underlying holdings report output data, our method involves a critical examination to ascertain its linkages to the specific outcomes being targeted. This process relies on established evidence bases, and we only aggregate metrics into KPIs when there is a moderate to high degree of confidence in these linkages. If the evidence suggests a causal link but with causal uncertainty or limited consensus, we do not aggregate and opt to disclose these metrics instead. Our approach for both public and private holdings' performance evaluation is based on the Global Impact Investing Network's (GIIN) Guidance on Pursuing Impact in Listed Equities. For data already expressed as outcome data, a linkage approach is not needed. Evidence confidence level for each KPI is detailed in the KPI table in Note 3.



"Impact pathway" is the "sequence that links organizations' actions with their effects on people and the natural environment" (Impact Management Platform)

Aggregation often requires assumptions and estimates. According to the Reporting Norms, the use of reasonable assumptions and estimates is essential and does not undermine the utility of the information, provided these assumptions and estimates are described and explained. Where applicable, we use footnotes and note disclosures to explain our methodologies and assumptions to ensure readers understand the basis of our data aggregation and the inherent uncertainties involved.

Accounting for New Investments and Divestments: To provide transparent and responsible reporting, we detail the reasons for material year-over-year variances for each KPI, including disclosures on any new investments and divestments made during the reporting period.

²⁰ The Reporting Norms are currently aimed at private markets, with adaptation for public markets underway. We follow the guidance where applicable and adapt as needed to accommodate our public equities (RGEIF) and multi-asset class (RTIF) portfolios.

Data Sources: Aggregating portfolio holdings' reported impact metrics into KPIs combines data from public corporate disclosures, private funds' reports on their portfolio companies and secondary research.

3. Key Performance Indicators

Annually, we review other impact products to identify comparable KPIs to enhance the decision-usefulness of our impact performance statements. When comparable KPIs focus on activities and outputs, we strive to improve their relevance by measuring further down the impact pathway and reporting on outcomes and impacts to enhance readers' ability to assess our impact performance.

Where there is a low degree of evidence to establish a causal link between the reported outputs and targeted outcomes, our KPIs would reflect output-level performance, which represent a more conservative measure of our portfolio's impact. In general, our KPIs strive to measure at the outcome and impact level and rely on extensive secondary research to establish the evidence.

| Key Performance Indicator | Impact Dimensions ²¹ | Impact Pathway Classification | Criteria for Metrics Inclusion | Confidence Level of Evidence (note 2) |
|---|--|--------------------------------------|--|---|
| Annual GHG Emissions Reduced or Avoided (tonnes of CO ₂ e) | What, How Much | Impact | Quantifiable greenhouse gas emissions avoided by users of portfolio holdings' product and service. Portfolio holdings' services and products contribute to green energy transition infrastructure. | High |
| Renewable Energy Capacity Addition (MW) | What, How Much | Outcome | Quantifiable net capacity addition of renewable energy in the reporting year, including solar, wind and hydro. | High |
| People from equity-deserving groups with improved access to employment and entrepreneurship | Who, What, How Much | Outcome | Demonstrate evidence of improved access to employment and/or entrepreneurship for persons from equity-deserving groups. Aggregation accounts for contextual barriers to employment and entrepreneurship. | High |
| People from equity-deserving groups with improved healthcare | Who, What, How Much | Impact | Demonstrate evidence of improved healthcare outcomes for persons from equity-deserving groups. Aggregation accounts for contextual barriers to healthcare. | High |
| Waste Reduced (lbs) | What, How Much | Output | Quantifiable amount of materials that have been avoided, recycled, upcycled from waste products or replaced with more sustainable alternatives throughout the supply chain. Used as a proxy for raw materials conserved. | High |
| Water Conserved (m ³) | What, How Much | Outcome | Demonstrate efforts focused on water usage reduction, efficiency improvement and loss reduction to preserve the supply of freshwater. | High |
| Share of holdings' offerings that are sustainable (%) | What, How Much | Output | Demonstrate evidence that the products are made from sustainable materials, designed for longer life spans and/or minimize waste after end of life. | Medium |
| Patient Interactions that improve healthcare access | Who, What, How Much | Outcome | Demonstrate evidence of improved accessibility, affordability, quality and reach of health care services. | High |
| People with access to clean water and sanitation services | Who, What, How Much | Output | Demonstrate evidence of reliable access to clean water and sanitation services. Stakeholders may include historically underserved communities or the general | High |
| New or Preserved Affordable Housing Units | What, How Much | Output | Demonstrate efforts in increasing or preserving the supply of affordable housing. | High |

²¹ The Five Dimensions of Impact: Who, What, How Much, Contribution, and Risks (source: <https://impactfrontiers.org/norms/five-dimensions-of-impact/>)

Impact Management Approach

Process, Standards and Frameworks

Impact considerations are embedded through the whole investment process.

| Investment Process | RIIM Involvement |
|--|--|
| 1. Articulate desired systemic impact | We aim to have systemic impact by transforming the conditions that maintain undesirable systems: policies, practices, resources, relationships, power dynamics and mental models. And so we start by asking questions that enable us to articulate the desired impact for a portfolio, to which we craft answers using evidence-based analysis. |
| 2. Define the investment universe and identify opportunities | The investment universe is defined by traditional aspects such as asset class or region alongside RIIM components like SDG contribution and thematic areas as per the funds' mandates. We utilize our understanding of systems levers to identify investment opportunities. |
| 3. Undertake preliminary research and initial screening | We assess products' alignment with our desired material outcomes through public investments' ESG data, private fund managers' impact strategy and products' impact goals. We then develop an impact thesis for each potential investment, laying the groundwork for comprehensive impact assessment. |
| 4. Undertake due diligence | RIIM guides a deep dive into the impact intentions, performance and risks of each investment. Both our qualitative and quantitative analysis focuses on the impact significance as well as the investee's commitment to sustainable and inclusive practices. |
| 5. Build the portfolio | Investment decisions are based on the detailed understanding gained from the earlier stages. RIIM helps clarify each investment product's specific area of impact, SDG contribution, targeted stakeholders and intended impacts. |
| 6. Monitor, engage, report | Post-investment, RIIM utilizes impact chains and performance scores for ongoing monitoring, engagement, measurement and reporting. We employ proprietary analytical techniques and scorecards developed through our extensive experience and research in impact investing. These tools are designed to adapt to evolving practices and perspectives within the sector. |
| 7. Exit | RIIM process includes a post-exit impact analysis |

Identification of Stakeholders, Outcomes and Impacts

Stakeholder Engagement: As a minority shareholder and a fund-of-funds manager in the case of RTIF's private investments, our direct interaction with end stakeholders is often limited. As such, we rely on extensive secondary research for evidence on the outcomes' materiality and importance to stakeholders. Additionally, we collect data on how the underlying funds and their portfolio companies engage with stakeholders to better understand stakeholder views and ensure alignment with our impact objectives.

Unintended and/or Negative Impacts: Within impact investing, it is essential to recognize that while we strive for positive outcomes, almost all products and services inherently bear some negative impacts. Our strategy for identifying and managing negative impacts covers the entire investment process and varies across asset classes, as outlined in the following table.

| Asset Class | Approach to identify and manage negative impacts |
|---------------------|--|
| Public investments | <p>Negative Screening: We conduct research to identify any controversies and/or unintended consequences resulting from the company's products, services or operations.</p> <p>Materiality Frameworks: During due diligence, we consult the materiality map from the Sustainability Accounting Standards Board (SASB) to identify likely material sustainability issues on an industry basis.</p> <p>ESG Performance Comparison: We use Bloomberg's ESG scores to review how prospective public equities perform on environmental, social and governance metrics relative to their peers.</p> <p>Qualitative Due Diligence: We assess negative impacts qualitatively and avoid investments where the negative consequences are deemed significant.</p> <p>Proactive Monitoring and Divestment: We continuously monitor for negative impacts through various channels and have divested under exceptional circumstances to mitigate negative impacts.</p> |
| Private investments | <p>Fundamental Assessment: Given the limited availability of negative impact data in the Canadian private markets, we rely on fundamental assessments during due diligence to identify potential negative impacts and risks.</p> <p>Systems Approach: We incorporate a systems lens to evaluate broader system impacts and ensure comprehensive risk management.</p> |

Usage of Data

Data Collection: During pre- and post-investment, we collect impact data that demonstrate our underlying holdings' contribution to their impact theses as well as our targeted impacts. Post-investment impact data collection differs across asset classes and is completed quarterly and annually. For private investments, we obtain portfolio companies' data directly from fund managers and product issuers. For public holdings, we utilize publicly available data sources, including mandatory and voluntary disclosures, sustainability reports, annual reports and others. When needed, secondary research is consulted to evaluate the contribution of the collected impact data to our targeted impacts.

Data Usage: The collected data enable us to monitor, measure and assess the impact performance of our investments. The data also inform our investment decision-making, helping to identify potential risks and opportunities across current and potential investees.

Data Ownership, Privacy and Ethical Considerations: We are committed to maintaining the highest standards of data privacy and ethical data management. Ownership of the data resides with the entities that produce it.

Impact Governance

Our impact approach is integrated throughout our investment process, underpinned by a collaborative framework that ensures impact is a core consideration at every stage. The Impact Management team plays a critical role in developing and refining the impact methodology, embedded within the investment identification, diligence and decision-making processes. This methodology is implemented in close partnership with all research, portfolio management, reporting and compliance team members, ensuring that both financial and impact diligence are conducted in unison to maximize alignment between financial and impact performance. We are updating our procedures for impact governance and are committed to disclosing the processes as well as accountable body(s) or individual(s) in further details in future reports, as per the guidance in the Reporting Norms.

Case Study 1

American Water

Selection Process and Purpose

To provide a deeper dive into a material reported metric corresponding to our intended impact in preserving fresh water supply. The company is making remarkable progress towards its water loss reduction target through improving infrastructure’s integrity and efficiency.

Investee Overview and Impact Thesis

American Water is a water and wastewater utility service provider in the United States, serving over 14 million people. Population growth and greater demand for water has led to increased strains on water supplies. By continually investing in its distribution infrastructure, American Water is contributing to safe, affordable, efficient, reliable and resilient drinking water and wastewater services.

Impact Performance, Analysis and Commentary

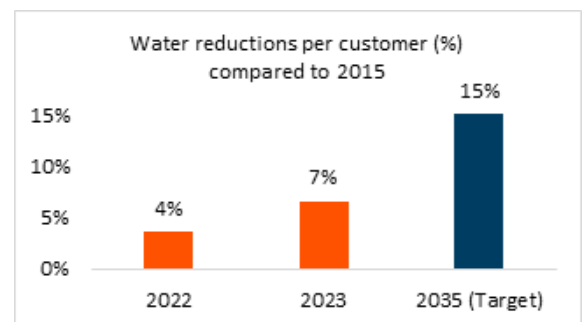
| | |
|------------------------------------|---|
| Metric, as Reported by the Holding | Water reductions per customer (%) compared to 2015 — a measure of water efficiency progress |
| KPI | Not aggregated |
| Outcome | Higher efficiency and resilience to lower end demand on natural capital |
| Rally Impact Theme | Preserving Natural Capital |
| Relevant Impact Dimensions | What, How Much (depth) |
| Impact Pathway Classification | Outcome |

2023 Results²² and Commentary

By 2035, American Water aims to meet customer needs while saving 15% in water delivered per customer compared to a 2014-15 average baseline. This metric was developed to capture both progress in the supply side (water loss management) and demand side (customer conservation) of water efficiency efforts undertaken by the holding. Due to its unit of measure (%), this metric was excluded from aggregation into the “water conserved (m³)” KPI. With undisclosed water consumption amount prior to 2023, we could not calculate the incremental water savings per customer year-over-year. However, this metric is key to American Water’s strategic goal of reducing water loss throughout the distribution system to conserve water and is highly relevant to our “Preserving Natural Capital” theme.

Notably, in 2023, the company achieved almost 50% of its water reduction per customer target while maintaining a stable customer base. The company continues to invest in existing conservation programs and innovative technologies for infrastructure and system monitoring, enhancing leak detection capabilities.

American Water’s water-loss reduction progress not only demonstrates its commitment to environmental stewardship but also its contribution towards enhancing affordability and accessibility of water services.



²² Information is based on American Water’s 2023 Sustainability Report.

Case Study 2

Cross-Border Impact Ventures — Women’s and Children’s Health Technology Fund I

Selection Process and Purpose

This case study highlights a material impact realized by RTIF’s underlying fund manager Cross-Border Impact Ventures. In 2023, the portfolio companies’ healthcare innovations helped save 1,041 women, children and/or adolescents in low- and middle-income countries. While the metric is key to our “Advancing Social Equity” theme, it was not aggregated into the RTIF impact performance statement, as this metric’s depth going beyond the bounded flexibility of the most relevant KPI. Thus, this realized positive impact is best demonstrated in a qualitative case study.

Investee Overview and Impact Thesis

In many societies, women and children have poor health outcomes due to low investment in health innovations, compounded by socioeconomic and biased determinants of receiving care and education. By investing in tech companies focused on maternal, reproductive and newborn health, this fund is improving the health outcomes of women, children and adolescents in low- and middle-income countries.

Cross-Border Impact Ventures is a woman-led venture capital fund. The fund typically leads or co-leads Series A or Series B rounds with initial cheques of about \$2.5-3 million and investing up to \$10 million per company, including follow-on capital. In addition, the fund provides hands-on support to portfolio companies.

Impact Performance, Analysis and Commentary

| | |
|------------------------------------|--|
| Metric, as Reported by the Holding | Number of women, children, and/or adolescents who have their lives saved because of portfolio companies’ innovations in low- and middle-income countries |
| KPI | Not aggregated |
| Outcome | Reduced health disparities |
| Rally Impact Theme | Advancing Social Equity |
| Relevant Impact Dimensions | Who, What, How Much (scale and depth) |
| Impact Pathway Classification | Impact |

2023 Results²³ and Commentary

Three early growth-stage portfolio companies contributed to 1,041 women, children, and/or adolescent lives saved in low- and middle-income countries.

One portfolio company helped save 39 newborn children with their innovative, affordable, high-quality, and mobile incubators that provides a safe thermoregulated environment for newborns. Preterm birth is a global issue but is significantly more prevalent in lower income countries, with neonatal hypothermia being a major cause leading to preventable morbidity and mortality. This early-stage company has successfully completed a post-market follow-up study, in which each incubator supported between 2 to 15 babies monthly with no malfunction incidents reported. These innovative incubators are forecasted to save over 25 thousand children over 10 years.

Another portfolio company helped save 984 lives in Sub-Saharan Africa by utilizing artificial and machine learning to efficiently direct medical supplies and personnel to where they are needed most. The company focuses on optimizing

²³ Information is based on fund manager’s response to Rally’s annual outcome assessment and the fund’s Q4 2023 impact report

healthcare supply systems to improve access to medication for tuberculosis, malaria, HIV/AIDs, contraceptives and vaccines for the underserved. Timely medication availability is particularly important as these patients often must travel long distances for medical attention and are unlikely to return. The technology is forecasted to help save over 58 thousand lives over 10 years.

A software provider helped save 18 lives with its AI-enabled solutions to improve quality of maternal care, specifically on routine ultrasound imaging. The technology will support early diagnosis and intervention to decrease the maternal mortality rate of women from preventable causes in lower income countries. In addition, the company also looks to provide training programs to under-trained sonographers in underserved regions. This AI-enhanced ultrasound technology is forecasted to help save over four thousand lives over 10 years.

Lessons Learned and Acknowledgement of Limitations

While the impact performance statements provide a comprehensive overview of our portfolio's associated impact for the year ended December 31, 2023, it is important to acknowledge its limitations. We remain committed to continuously improving our methods and expanding our understanding of the impact of our investments.

Investor Contribution: We recognize the need for clearer disclosure of how we contribute both financially and non-financially to our investments. Guided by the forthcoming Investor Contribution 2.0 framework, we are working to update our strategies and methodologies. In addition to assessing our own contributions, we are developing a more robust evaluation of the investor contributions made by fund managers in which we invest. These improvements aim to provide greater transparency in reporting our role and influence within the broader impact sector.

Impact Risks: We assess a range of impact risks²⁴; moving forward, we aim to enhance transparency by better disclosing these risks and their potential effects on impact returns. This will include more comprehensive reporting on how we identify, assess, and mitigate risks across our investments.

Unintended and Negative Impacts: We recognize the current limitations in obtaining consistent, high-quality data on unintended and negative impacts across our portfolio. While our internal mechanisms identify and manage these risks, data gaps persist. We are optimistic that frameworks like the Sustainable Development Impact Disclosure Guidance will help standardize reporting on negative impacts and thresholds.

Data Limitations, Dependencies and Scope: The information on impact performance presented in this report reflects our current access to investee and third-party data. While we have made efforts to ensure accuracy and avoid inflating positive impacts or under-reporting negative ones, there are inherent limitations in both the quantity and quality of data available. Additionally, the data may not capture the full range of qualitative impacts. Please note that this report is unaudited. As an investor, we rely on data provided by portfolio companies and fund managers, which presents challenges in establishing consistent portfolio-level baselines, targets, and thresholds. To address these challenges, we actively contributed to the Impact Disclosure Taskforce in publishing the Sustainable Development Impact Disclosure (SDID) framework. We anticipate that the widespread adoption of these frameworks will enhance data quality, transparency, and accountability in our impact measurement practices.

²⁴ Impact Management Norms, there are nine impact risk types: evidence, external, stakeholder participation, drop-off, efficiency, execution, alignment, endurance, and unexpected impact risk (source: <https://impactfrontiers.org/norms/five-dimensions-of-impact/impact-risk/>)

Appendix

Content Mapping with the Reporting Norms

This mapping showcases the extent to which our reporting aligns with the Reporting Norms' guidance. Please note that the Reporting Norms are currently aimed at private markets, with adaptation for public markets underway. We adapt as needed to accommodate our public equities (RGEIF) and multi-asset class (RTIF) portfolios.

| Reporting Norms - Section | Rally's Impact Performance Statements - Section |
|--|--|
| 1. Entity Overview and Impact Thesis | |
| 1.1. Entity Description | Funds Description |
| 1.2. Impact Thesis | Impact Thesis |
| 2. Impact Management Process | |
| 2.1. Process, Standards, and Frameworks | Process, Standards and Frameworks |
| 2.2. Identification of Stakeholders, Outcomes, and Impacts | Identification of Stakeholders, Outcomes and Impacts |
| 2.3. Usage of Data | Usage of Data |
| 3. Impact Performance | |
| 3.1. Management Commentary | Management Commentary |
| 3.2. Impact Performance | Impact Performance Statements |
| 3.3. Unintended and/or Negative Impacts | Not yet covered — see Lessons Learned and Acknowledgement of Limitations |
| 4. Governance | |
| 4.1. Entity Governance | Impact Governance |
| 4.2. Diversity, Equity, and Inclusion | Not yet covered |
| 4.3. Parent Company Governance | Not applicable |
| 5. Case Studies | Case Studies |
| 6. Independent Review (optional) | Not performed |

Five Dimensions of Impact

- **What** tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders.
- **Who** tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.
- **How Much** tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome.
- **Contribution** tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
- **Risk** tells us the likelihood that impact will be different than expected

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

Disclaimer

Tables and charts in this report represent a snapshot of RGEIF and RTIF investments as of December 31, 2023; investments may change over time. All figures in this report are in Canadian dollars unless otherwise indicated. Results presented in this report assume private investment commitments have been fully called. RTIF may invest uncalled capital commitments in a combination of cash equivalents and liquid securities on a short-term basis to optimize its impact and financial performance.

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