



Unlocking Public and Private
Finance for the Poor

Impact Shares Sustainable Development Goals Global Equity Exchange-Traded Fund – SDGA



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Impact Shares, a non-profit fund manager, is launching an Exchange-Traded Fund (ETF), which will track the performance of the Morningstar Societal Development Index. This index was constructed to include social criteria identified by and important to the United Nations Capital Development Fund (UNCDF). **This ETF offers investors a liquid investment vehicle that supports companies generating an economic benefit in the world's 47 poorest countries, known as the Least Developed Countries (LDCs).** Impact Shares intends to make charitable contributions to UNCDF equal to the Fund's Net Profits. Net Profits is the excess, if any, of Impact Shares' Fund fees after the deduction of operating expenses and a reserve for working capital.

The creation of this ETF reflects the importance of the LDC markets and our efforts to **increase private sector investments** in emerging local economies. It will give investors a vehicle to reward companies that are investing responsibly to help achieve the Sustainable Development goals (SDGs) in LDCs, lower-income, and lower middle-income countries.

It has been estimated that achieving the SDGs will require between US\$5 to \$7 trillion, with an investment gap in developing countries of about \$2.5 trillion. **Efforts by governments and philanthropy alone will not be enough.** According to OECD estimates, only 7% of the total private capital mobilized through blended transactions from 2012-2015 went to LDCs (\$5.5 billion out of \$81 billion mobilized in all developing countries). UNCDF's mandate is to unlock public and private capital in the 47 LDCs. We work to identify pioneering projects with development impact and use our grant funding and technical assistance to leverage the additional sources of finance needed to get the deals done. **Our aim is to demonstrate that underserved markets can offer viable investment opportunities for the private sector.**

The SDGs have opened the door for the UN to partner with private actors in new ways. This movement has helped private sector actors develop innovative new mechanisms—beyond corporate social responsibility and philanthropy—to align their long-term investments with the SDGs. This ETF is one of those innovations that aims to align investor choices with the SDGs.

How does the index work? How are companies selected and/or excluded?

The index is a proprietary product of Sustainalytics—the leading independent global provider of economic, social, and governance (ESG) and corporate governance research and ratings to investors—and Morningstar, an investment research company offering mutual fund, ETF, and stock analysis, ratings, and data, and portfolio tools.

It has four screens and a booster.

The first screen is against the UN Exclusionary Criteria as defined by the United Nations Development Programme in its 2013 Policy on Due Diligence and Partnership with the Private Sector.

The second screen is for companies that are signatories to the UN Global Compact (a voluntary initiative where CEOs make commitments to implement universal sustainability principles and take steps to support UN goals, including the SDGs. There are currently about 9,500 participants). Companies that have not joined the Global Compact are excluded.

The third screen is against a controversy rating on issues including business ethics, governance, social issues, environmental impact, supply chain, etc. Sustainalytics compiles and scores the controversy criteria on a scale from 1 (low controversy) to 5 (high controversy). Any company with a controversy rating of 4 or higher is excluded.

The fourth screen applies 70 customized ESG indicators assessing company policies on issues including bribery and corruption, employee working conditions, supply chain monitoring, human rights, etc., and assigns a score to each one. UNCDF contributed sector-specific information to customize these indicators in key sectors where we have expertise, including financial services, IT, telecoms, and fintech. Companies with very low scores on these indicators are excluded.

Finally, companies with a higher share of revenues generated in LDCs receive a “boost” through a multiplier that can increase their overall index score.

The 200 companies with the highest index scores are included in the ETF.



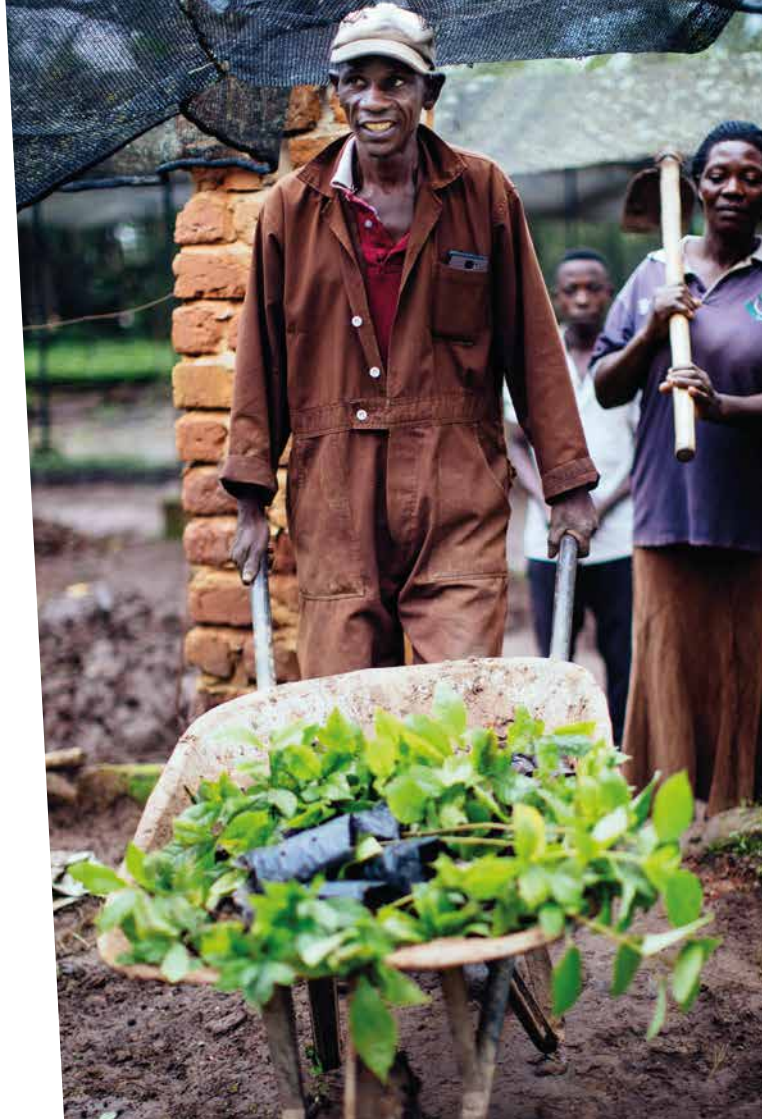
Does the ETF include only companies operating in LDCs?

The ETF includes publicly listed companies operating globally that support the SDGs and prioritizes those that have exposure to LDCs, lower-income, and lower middle-income countries—a total of 80 countries, including the 47 LDCs. **More than 50% of the companies in the index work in sectors where UNCDF has deep knowledge and expertise** (i.e. financial, IT, communications, agriculture, energy). Up to 5% of the ETF will be invested in companies directly based in LDCs, lower-income and lower middle-income countries.

The index tracking and scoring is based on publicly available information reported by companies. Therefore, if a company does not report its exposure to LDCs or lower-income and lower middle-income countries, it will not be prioritized by the index—although it could still be included if it scores high enough on the ESG criteria.

If LDC-listed companies are not reporting according to ESG criteria, they are not included in this index and will not be investable from this ETF. Approximately 45% of the companies currently in the index have an exposure to LDCs, lower-income, or lower middle-income countries.





Why should investors be interested in this ETF?

The Impact Shares ETF offers a liquid, socially responsible investment vehicle for institutional investors (including pension funds) and private investors who want their investments to support the achievement of SDGs in the poorest countries. The ETF will identify and reward companies that generate revenues in LDCs and low-income countries. More than half of the companies in the ETF operate in priority sectors for UNCDF.

Impact Shares intends to make charitable contributions to UNCDF equal to the Fund's Net Profits. Net Profits is the excess, if any, of Impact Shares' Fund fees after the deduction of operating expenses and a reserve for working capital. These contributions will support UNCDF's work in the world's poorest countries and create an interesting new way to fund the work of the United Nations.

Many organizations have made public commitments to the SDGs; this ETF could be an attractive, diversified investment that would enable them to align their investments to the SDGs. Many of these organizations have made public commitments to the SDGs; this ETF could be an attractive, low-risk way for them to align their investments to the SDGs. As a passively managed investment instrument, the ETF could also appeal to individual investors, especially millennials, who have expressed a strong preference for investment options that reflect their values. This group is driving the growing demand for financial products that incorporate environmental, social and governance (ESG) criteria and align to the SDGs. **This group also has a strong focus on income inequality and impact in developing countries.**






What is the expected or desired impact of the ETF over the next 5-10 years?

The hope is that the Impact Shares ETF will attract institutional and individual investors, and that its performance will match or exceed its benchmark, Morningstar Societal Development Index.

The success of this ETF could encourage more companies to report data according to ESG and SDGs standards, as well as to disclose their exposure to LDCs, lower-income, and lower middle-income countries in terms of revenues generated, supply chain, employees and customers in these countries.

Finally, we hope the ETF will encourage the visibility and growth of companies domiciled in LDCs, lower-income, and lower middle-income countries that report according to ESG and SDGs criteria. **The goal is for the Impact Shares ETF on SDGs in LDCs to include ever-greater numbers of LDC-domiciled companies over time.**





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Carefully consider the Fund's investment objective, risk factors, and expenses before investing. This and additional information can be found in the Impact Shares statutory and summary prospectus, which may be obtained by calling +1-855-267-3837, or by visiting [ImpactETFs.org](https://www.impactetfs.org). Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal. Narrowly focused investments and investments in smaller companies typically exhibit higher volatility. Investments in commodities are subject to higher volatility than more traditional investments. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. The Fund is non-diversified.

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UNCDF & SUSTAINABLE DEVELOPMENT GOALS







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UN Capital Development Fund

+1 212 906 6565
info@uncdf.org
www.uncdf.org
Two UN Plaza
26th Floor, NY 10017 USA

 www.facebook.com/uncdf
 www.twitter.com/uncdf
 www.youtube.com/uncdf
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