Zero Gap Fund
2021 State of the Portfolio

The ROCKEFELLER FOUNDATION

Driving Impact at Scale

Today's global environment presents a complex array of challenges. The impacts of Covid-19, war in Ukraine, climate change, and, recently, economic volatility only add to the task of achieving the Sustainable Development Goals (SDGs). Yet, doubling down on the SDGs also presents one of the most powerful drivers for enabling more inclusive global growth and bolstering long-term investment prospects. Global divergence is accelerating – the OECD estimates that the annual financing gap for achieving the SDGs now exceeds $3.7 trillion, up from $2.5 trillion in 2019 – reversing this trend will be essential to a robust and sustainable world outlook in the 21st century.

There has never been a more crucial time for the Zero Gap Fund (ZGF or the Fund) and investment vehicles like it. Launched in partnership with the John D. and Catherine T. MacArthur Foundation and its flagship Catalytic Capital Consortium (C3), the Fund deploys patient, risk-tolerant, flexible capital to support innovative investment products and mechanisms marrying deep impact with the potential for replication and growth. The Fund continues to pioneer new investment solutions that channel critical financing to impact-driven investments at scale and unlock nascent market opportunities largely ignored by investors. The resilience and ongoing impact of many of the Fund's investments, not only in 2021 but through the shocks of the first half of 2022, have proven the value of the Fund's focused selection process.

In this environment, we find ourselves inspired by the grit and creativity of our portfolio companies to break paths and to achieve impact. This report walks through many of the Fund's specific investments and the combination of social and environmental impact each has managed to generate. In 2021, the Fund added two new investments to the portfolio: Founders First Capital Partners and Apis & Heritage's Legacy Fund I. Founders First aims to enhance the bank-ability and access to capital for minority-led businesses with revenue-based financing. Apis & Heritage seeks to finance the conversion of companies with substantial workforces of color into 100 percent employee-owned businesses in an effort to spread the benefits of business ownership and capital appreciation more broadly in the United States.

A growing cadre of institutional investors is recognizing the value and necessity of coupling financial performance with strong social and environmental outcomes. The ZGF team fielded a record number of inquiries from major global banks, asset mangers, and other investors about our impact investing approach, many of whom established impact-linked initiatives with thematic interest in climate and financial products to address diversity, equity, and inclusion.

As global events evolve rapidly, the ZGF team is convinced that we must find more financing mechanisms that will advance the SDGs and achieve a more equitable, prosperous global future. This impact report captures the crucial role catalytic capital plays in reaching this goal.

Maria C Kozloski

Maria Kozloski
Senior Vice President, Innovative Finance
The Rockefeller Foundation

INVESTMENT TYPE
Multi-Asset Class

GEOGRAPHY
Global

PURPOSE
Addressing the SDG Financing Gap

INVESTMENT CLOSE
2019

FUND SIZE
$30M

COMMITED (ZGF CATALYTIC INVESTMENT)
$18M

PRIVATE CAPITAL MOBILIZED TO DATE*
$582M+

LEVERAGE RATIO**
32x

* As of December 31, 2021
** Catalytic Leverage Ratio = Private Capital Mobilized($)/ZGF Catalytic Investment ($)

The Zero Gap Fund Overview

The Zero Gap Fund represents a portfolio of new investment solutions that addresses critical market failures and delivers measurable social, environmental, and economic benefits for vulnerable people and communities at scale.

The Rockefeller Foundation (RF or the Foundation) has long recognized the critical importance of engaging with the private sector to scale private dollars for social good. The Foundation led the impact investing industry into the mainstream in 2008. In 2015, through its Innovative Finance program, the Foundation set out to re-imagine investment products to scale impact. The Zero Gap program began with dedicated grant-making to create the next generation of impact investment products with the potential to mobilize private capital at scale to address the world's most entrenched challenges as framed by the SDGs. In aggregate, RF's Zero Gap grant portfolio has provided funding to incubate over 50 investment products across diverse geographies, sectors, and asset classes. Nearly half have resulted in pilots or successful launches, that have led to more efficient allocation of risk, novel arrangement among stakeholders and investors, and a groundbreaking investment strategies.

In 2019, The Rockefeller Foundation partnered with the John D. and Catherine T. MacArthur Foundation via the Catalytic Capital Consortium (C3) to create the Zero Gap Fund (ZGF or the Fund). ZGF was established with the recognition that advancing new investment products requires not only initial funding for concept development, but also seed investment capital. Tapping opportunities in both the Zero Gap grant portfolio and the broader market, the Fund deploys catalytic capital into promising innovative financial mechanisms that provide essential investment financing to promote their growth, development, and potential to boost large-scale private investment in the SDGs.

Over its 15-year tenor, the ZGF aims to mobilize billions in private capital to help meet the SDGs. In its third full year of operation, the Fund has successfully seeded financial innovation and catalyzed crucial investment support

for projects across diverse sectors and geographies, from low-income students in the United States to emerging consumers across Africa and Asia. The Fund's ability to take on out-sized risk to support the launch and scale of new investment mechanisms drives high impact outcomes.

The Zero Gap Fund Portfolio

ORGANIZATION	ZGF INVESTMENT(S)	INVESTMENT YEAR	IMPACT
Blue Forest Conservation	Forest Resilience Bond – Yuba	2018	Restoring forests and assuring water quality for farmers and communities threatened by wildfires.
Sixup	Sixup PBC and Community Fund II	2018	Providing student loans to high-performing, low-income students in the United States.
LeapFrog	Emerging Consumer Fund III	2019	Providing access to financial services and healthcare for emerging consumers in Sub-Saharan Africa, South Asia, and Southeast Asia.
Lightsmith Group	CRAFT Fund	2019	Financing solutions for climate adaption and resilience to improve the lives of under-served communities globally.
Impact Investment Exchange	Women's Livelihood Bond II	2020	Providing capital and other assistance to women-owned businesses in Southeast Asia.
Founders First Capital Partners	Founders First Capital Partners	2021	Providing revenue-based financing to underfunded and underrepresented entrepreneurs across the United States.
Apis & Heritage	Legacy Fund I	2021	Enabling job preservation and asset ownership for low-income and minority workers in the United States through employee ownership.

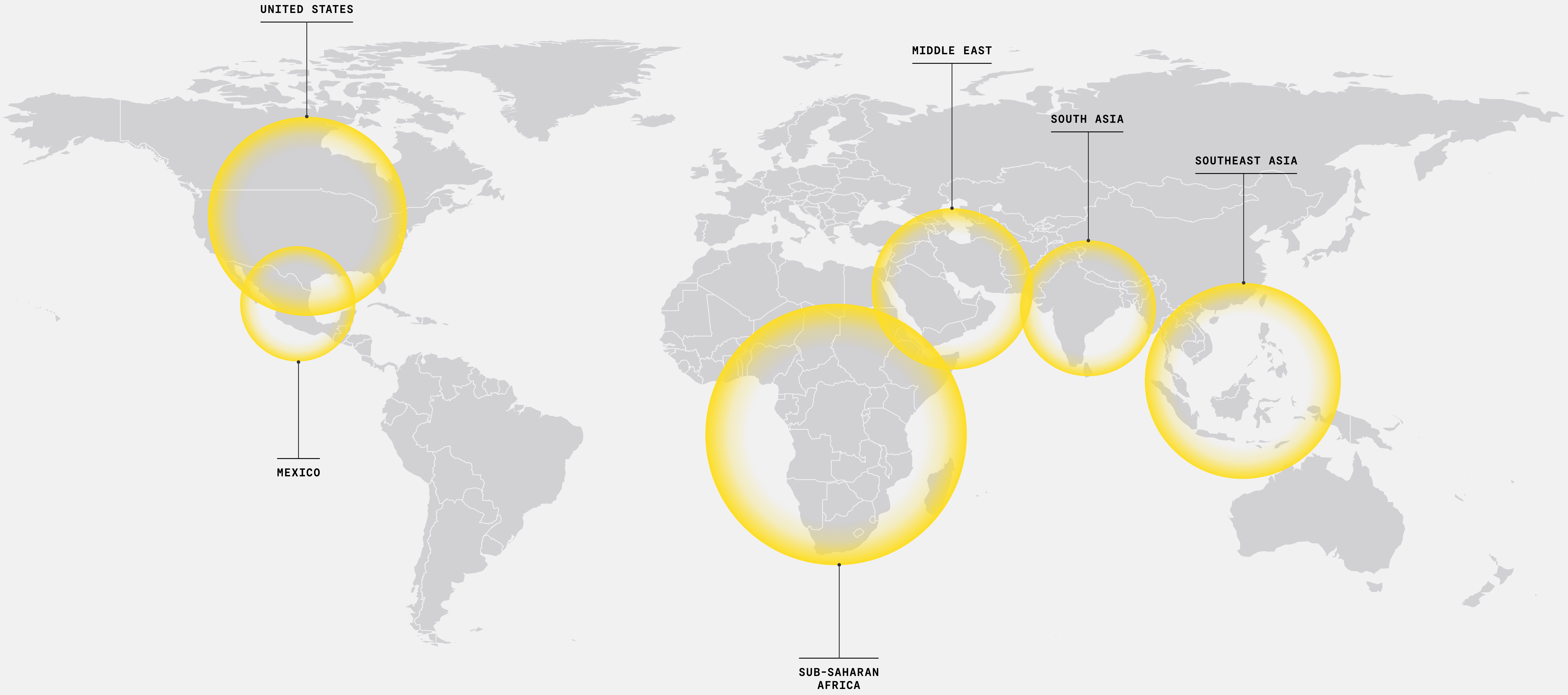
$18M
committed (ZGF catalytic investment)

$582M+
private capital mobilized*

32x
catalytic leverage ratio

* As of December 31, 2021

The Zero Gap Fund is a Global Portfolio



Impact Highlights*

$582M+

private capital mobilized

32x

catalytic leverage ratio

* Reflects data collected through December 31, 2021

Good Health & Well-Being

3

11M+

emerging consumers* reached with essential healthcare services

* low-income consumers who earn between $2 to $11 a day

LEAPFROG - EMERGING CONSUMER FUND III

Gender Equality

5

43K+

unique women emerging consumers served

3K+

women in emerging markets who attended financial literacy training sessions

IMPACT INVESTMENT EXCHANGE - WLB2

Clean Water and Sanitation

6

21K+

acre-feet of water supply protected

2K

hydro-panels providing access to clean water in the Navajo Nation

BLUE FOREST CONSERVATION - YUBA
LIGHTSMITH GROUP - CRAFT

Reduced Inequities

10

63%

of loan recipients were minority-owned businesses

300+

($9K average amount) loans given to first-generation/low-income students

FOUNDERS FIRST
SIXUP - COMMUNITY FUND II

Climate Action

13

20K+

metric tonnes of CO_2 emissions avoided

$69M+

corporate capital mobilized for climate action

BLUE FOREST CONSERVATION - YUBA
LIGHTSMITH GROUP - CRAFT

Life on Land

15

6K

acres of terrestrial ecosystems protected

501

acres of prescribed fire

BLUE FOREST CONSERVATION - YUBA

SDGs advanced by the Zero Gap Fund Portfolio

1 2 3 4 5 6 7 8 9 10 11 12 13 15 17

Investments Overview

INVESTMENT TYPE
Intermediated Debt

GEOGRAPHY
United States

PURPOSE
Climate Mitigation via Forest Restoration

YEAR OF INVESTMENT
2018 (warehoused)

ROLE OF CATALYTIC CAPITAL
ZGF provided capital that enabled participation from a diverse mix of investors that were critical to the success and future scaling of the investment model

ZERO GAP FUND CATALYTIC INVESTMENT
$1M

PRIVATE CAPITAL MOBILIZED TO DATE
$3M

LEVERAGE RATIO
3x

3 6 7 8 11 13 15

SDGs

Blue Forest Conservation

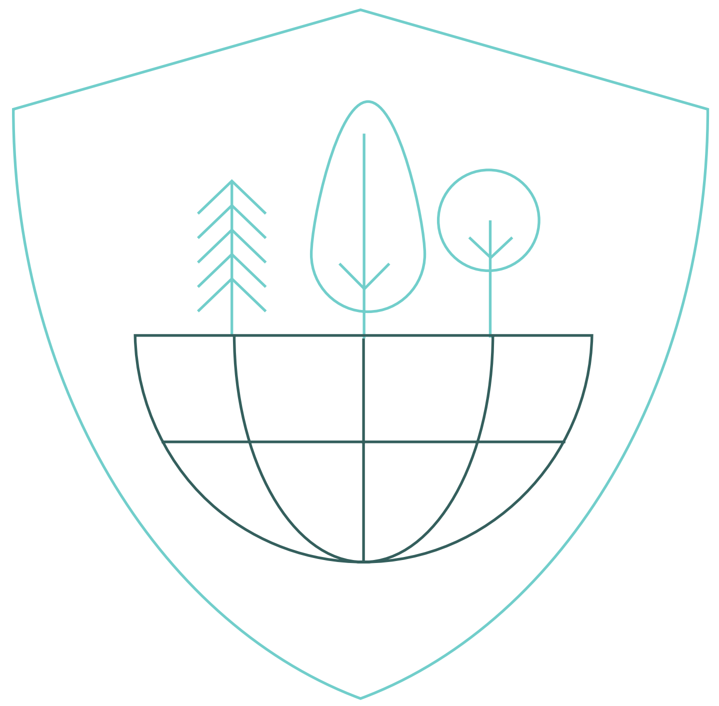
The Forest Resilience Bond uses a public-private partnership model that enables private capital to finance crucial forest restoration on both public and private lands in the Western U.S. to reduce fire risk while protecting communities and ecosystems

Half of all addresses in the lower 48 states of the United States face some degree of wildfire risk. Climate change is increasing these risks – 8 of the 10 costliest wildfires in the U.S. have occurred since 2017. In 2021 alone, the United States suffered 58,733 wildfires that burned more than 7 million acres. Reducing these risks requires proactive forest restoration – clearing overgrown vegetation and prescribed burning are critical to holistic watershed restoration. However, these vital tasks have long been low priorities, yet nearly half of the 193 million acres managed by the United States Forest Service need restoration. At the current pace and levels of government spending, it will take over 100 years to complete this work.

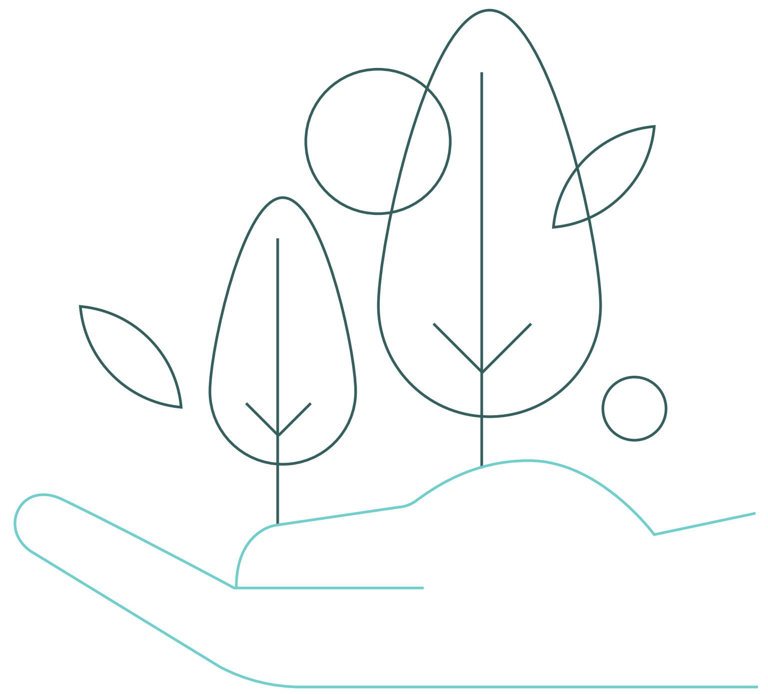
Blue Forest Conservation is filling this gap through the Forest Resilience Bond (FRB), an innovative debt financing tool that mobilizes funding for forest restoration efforts. The FRB is structured to align the interests of all the parties who stand to benefit from well-managed forests and watersheds: federal, state, and local governments, water supply utilities, hydro-power companies, and other public and private entities. Investors keen on environmentally-sound projects invest in the FRB, providing funds to pay for restoration work upfront and thereby accelerating essential restoration spending. The principal and interest are repaid through contracted cost-share contributions by the various parties benefiting from the forest restoration work.

In October 2021, Blue Forest Conservation launched a second Forest Resilience Bond focused on the Tahoe National Forest (Yuba II FRB). The new FRB builds on the initial 15,000-acre pilot project and will finance $25 million in forest resilience and post-fire restoration projects in California's Sierra Nevada region to protect the next 48,000 acres of the North Yuba River watershed.

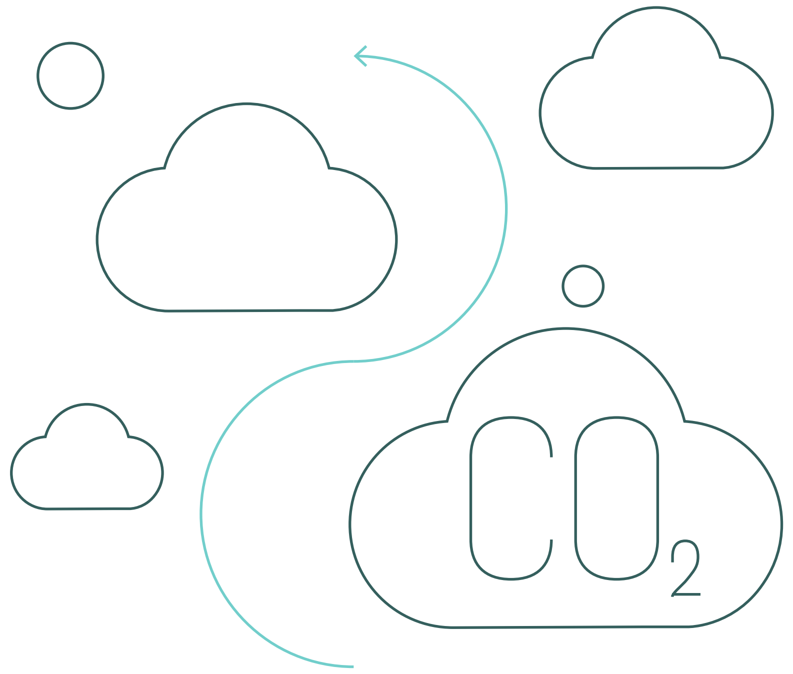
Select Impact Results



6K+
acres of terrestrial ecosystems protected



2K+
acres of fire prone areas funded for restoration



20K+
metric tonnes of CO_2 emissions avoided

51K+
tonnes biomass utilization

206
acres aspen regeneration

162
acres meadow restoration

1K+
acres fuel treatments

21K+
acre-feet of water supply protected

29K+
MWh hydro-power generation protected

INVESTMENT TYPE
Direct Equity &
Intermediated Debt

GEOGRAPHY
United States

PURPOSE
Education Financing
Reducing Inequity

YEAR OF INVESTMENT
2018 (warehoused)

ROLE OF CATALYTIC CAPITAL
Augmenting Sixup's lending capacity and providing balance sheet capital to extend the company's runway towards its next round of financing

ZERO GAP FUND CATALYTIC INVESTMENT
$4M

PRIVATE CAPITAL MOBILIZED TO DATE
$26M

LEVERAGE RATIO
7x

SDGs

Sixup

Sixup's underwriting model fills a financing gap by providing funding to high achieving, low income students who lack access to traditional credit

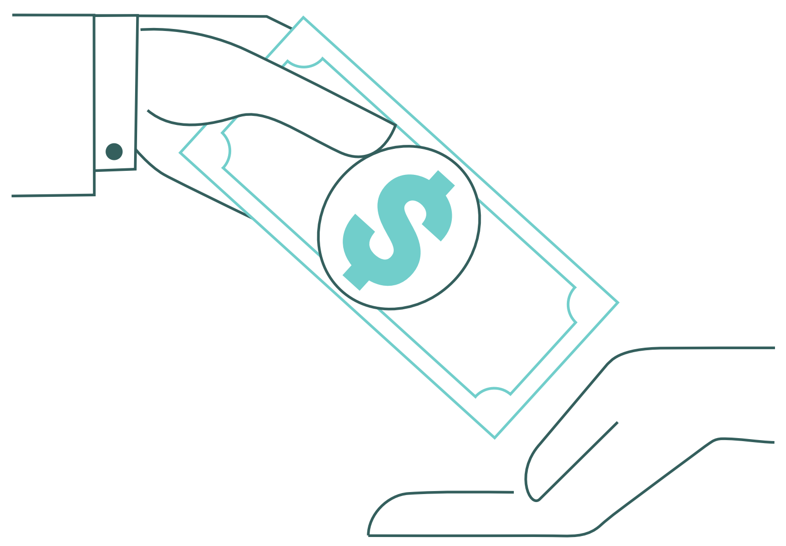
A college degree can play a significant role in the future of one's financial stability. Americans with only a high school education earn an average of $1.6 million over the course of their lifetimes, compared to $2.8 million for those with bachelor's degrees.

Federal data shows that around seven million high-achieving, low-income students get into college but cannot afford the cost of tuition, room, and board – even with assistance. To pay the increasingly onerous bill, most students are forced to borrow. These problems fall disproportionately on low-income students and students of color, who often fail to qualify for loans or agree to terms that lead to debt traps.

Sixup, an online lending platform for high-achieving, low-income students, helps fill the financial gap students face when other forms of tuition assistance fall short of total funding needs or when traditional student loans require a co-signer. Sixup disrupts current underwriting models by tapping into data analytics and a range of wraparound services to support a student's education and early career through the entire loan cycle. Their methodology is one of investing in students ("upfunding") to attend better schools, positioning students ("upmatching") to achieve better outcomes.

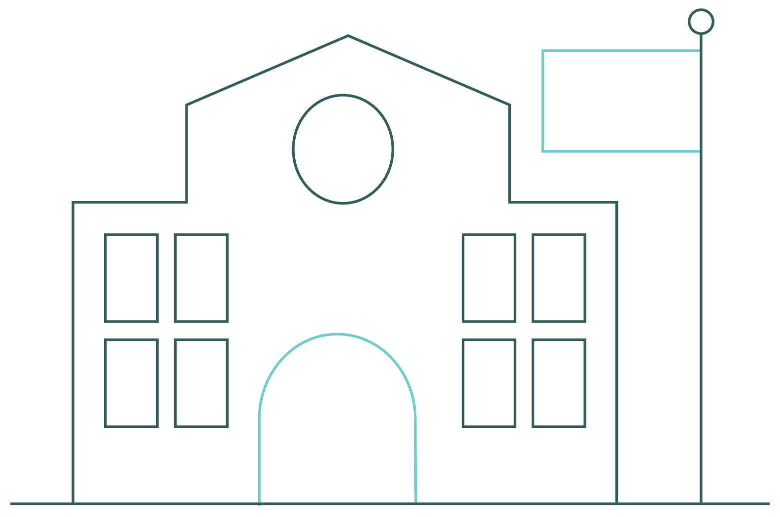
In 2021, while the company was managing headwinds from the pandemic, Sixup continued to serve these students. Over the course of ZGF's investment to date, Sixup has served over 320 students to support their education ambitions. This represents a $4 million investment that unlocked $26M in additional capital.

Select Impact Results

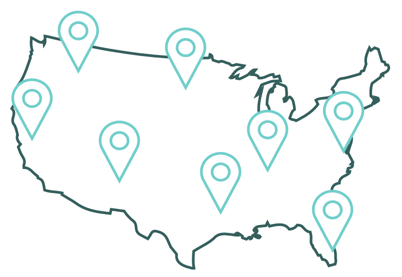


328
given to first-generation/ low-income students

$9K+
average loan size



155
schools represented by borrowers



32
states represented by borrowers

$3M+
total amount of loans distributed

$1M+
total amount of loans in repayment

23%
without FICO

76%
Pell grant*

* The United States Department of Education uses your family's income and expenses to calculate a student's Expected Family Contribution (EFC). A student whose family makes $27,000 or less, has an EFC of $0 and qualifies for the full amount of Pell Grant funding.

INVESTMENT TYPE
Intermediated Equity

GEOGRAPHY
Sub-Saharan Africa, South Asia, and Southeast Asia

PURPOSE
Addressing Global Inequities & Expanding Access to Healthcare and Financial Services

YEAR OF INVESTMENT
2019 (warehoused)

ROLE OF CATALYTIC CAPITAL
ZGF leveraged its investment contribution through the creation of an innovative insurance product focused on addressing tail-end performance risks to mobilize additional private capital toward investment in low-income emerging consumers

ZERO GAP FUND CATALYTIC INVESTMENT
$3M

PRIVATE CAPITAL MOBILIZED TO DATE
$270M

LEVERAGE RATIO
90x

1 3 5 8 9 10

SDGs

LeapFrog

The Emerging Consumer Fund III is a growth equity fund that unlocks institutional capital for high-impact enterprises in Africa and Asia and serves low-income emerging consumers

Banks and clinics are often inaccessible to those with low incomes, making poverty inescapable for many families. Over two-thirds of adults in emerging markets do not have traditional bank accounts, denying them a critical financial safety net. An even higher share pay entirely out of pocket for every trip to a doctor, clinic, hospital, or pharmacy.

LeapFrog's Emerging Consumer Fund III (Fund III) is focused on scaling companies whose technologies, products, and services improve access, enable planning, and enhance resilience to financial and health shocks. Across its three funds, LeapFrog has invested $881 million in companies that deliver meaningful social impact by serving 246 million low-income consumers who earn between $2 to $10 a day and are often accessing these critical services for the first time.

Fund III portfolio companies have so far enabled over 50,000 quality jobs and delivered impact by scaling highly needed protection and empowerment amid the pandemic. In all, Fund III has reached over 125 million under-served people and households across the financial and healthcare industries.

In 2021, the Singapore investment fund, Temasek, announced a $500 million investment in LeapFrog and its future funds, the largest single commitment ever to an impact manager. This enormous vote of confidence provides a boost in scale that investment partners supporting LeapFrog had long envisioned. This success was made possible in part by an innovative $3 million investment from the Zero Gap Fund to buy investment insurance that helped LeapFrog to unlock $270 million from other investors in LeapFrog's Fund III.

Select Impact Results

Consumers reached (total/emerging)

Healthcare

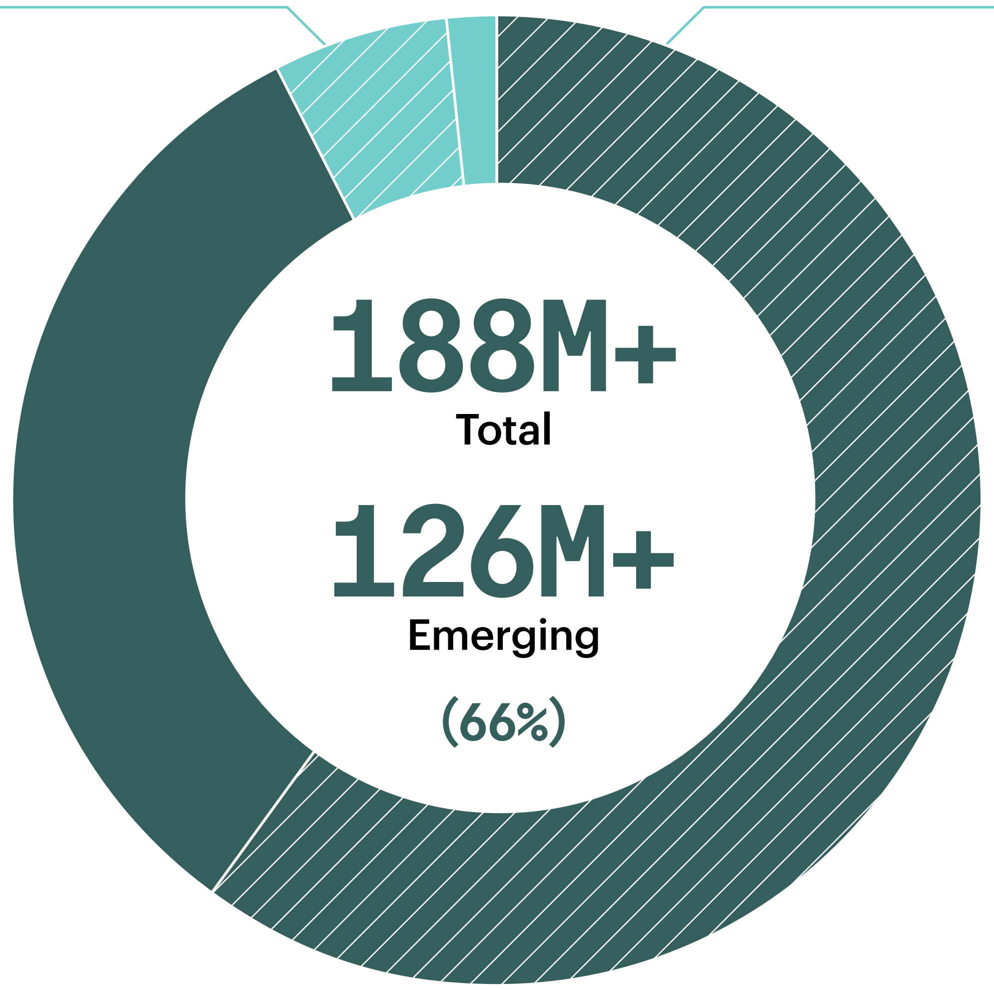
14M+
total

11M+
emerging
(79%)

Financial services

174M+
total

115M+
emerging
(65%)



Total consumers
Emerging consumers

72M+
unique customers** served

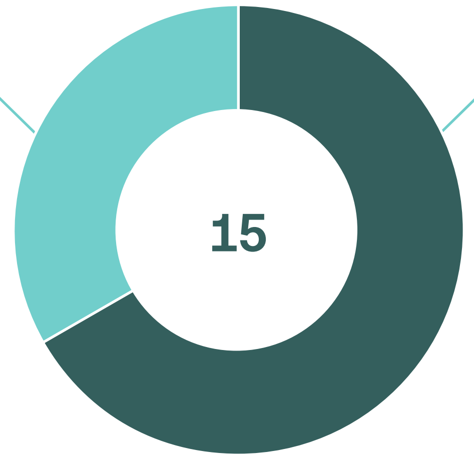
51M+
unique emerging customers served

36M+
unique women emerging consumers served

Companies invested in

5
Healthcare

10
Financial services



68%
average net promoter score*

* Net promoter score is a market research metric measuring the likelihood that a consumer would recommend a company, product, or a service.
** "Customers" refers to a portfolio company's direct customers while "Consumers Served / Consumers Reached" refers to those customers and their households.

Lightsmith Group

CRAFT, the first commercial private equity fund for climate adaptation, accelerates capital flows to a new generation of companies that build community resilience

INVESTMENT TYPE
Intermediated Equity

GEOGRAPHY
Global

PURPOSE
Climate Adaption

YEAR OF INVESTMENT
2019 (warehoused)

ROLE OF CATALYTIC CAPITAL
ZGF was the first private investor in the Fund and gave credibility to a new fund manager seeking to catalyze a novel strategy in impact-driven growth equity in climate adaptation

ZERO GAP FUND CATALYTIC INVESTMENT
$4M

PRIVATE CAPITAL MOBILIZED TO DATE
$121M

LEVERAGE RATIO
30x

2 5 6 7 12 13

SDGs

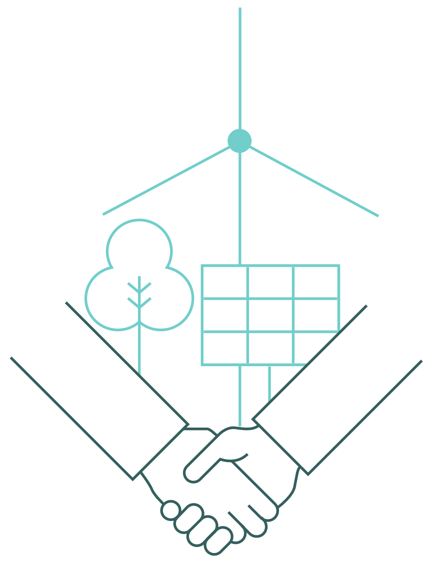
Wind turbines, solar panels, and electric vehicles tend to get the most attention from investors seeking to combat climate change. But, just as important are the vital adjustments that businesses and communities must make to adapt to the many inevitable changes from more extreme weather.

However, climate adaptation has received minimal attention and even less funding. Indeed, climate adaptation efforts receive just 6 percent of all climate finance flows – the vast majority of which comes from public sector funders. The United Nations Environment Programme (UNEP) has estimated the costs of adapting to climate change are up to $300 billion per year in developing countries alone.

In 2019, the ZGF became the first investor to back the Lightsmith Group which was seeking to address this funding imbalance. With the support of ZGF and subsequent other investors, Lightsmith launched the first-ever investment vehicle focused exclusively on climate adaptation – the Climate Resilience and Adaptation Finance and Technology-transfer Facility (CRAFT). The fund's target investments include software companies with digital mapping, risk analytics, and geospatial intelligence applications for assessing climate impacts across sectors critical for climate change solutions (namely agriculture, consumer goods, and shipping/logistics), as well as companies providing physical products and services that support more resilient water, energy, and food and agriculture.

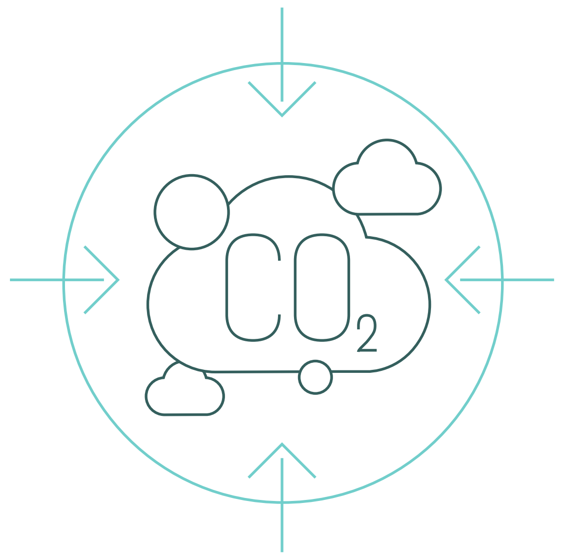
In 2021, CRAFT closed its second investment into WayCool Foods & Products, an agri-commerce company in India that is using a tech-enabled approach to bring sustainable practices to India's food supply chain, with a vision to positively impact the lives of 500,000 farmers. The fund's first investment in 2020 was in SOURCE Global, a public benefit corporation which has perfected water harvesting technology to offer the world's first off-grid, renewably powered drinking water systems. To date, SOURCE has installed 2,000 hydro-panels for 500 homes lacking piped water in the Navajo Nation, with plans to expand globally. CRAFT's first two investments seek to mitigate the impact of climate change on vulnerable and disadvantaged populations in developing countries.

Select Impact Results



$69M+

corporate capital mobilized for climate action



16

tons Net GHG emissions reduction

6K+

beneficiaries in emerging markets

2K

hydro-panels providing access to clean water in the Navajo Nation

INVESTMENT TYPE
Intermediated Debt

GEOGRAPHY
Asia

PURPOSE
Decent Work and Economic Growth, Gender Equality, Climate Action

YEAR OF INVESTMENT
2020

ROLE OF CATALYTIC CAPITAL
The ZGF was critical in supporting the initial close of WLB2, mobilizing senior investors via its subordinated role in the capital structure, and paving the path for replication

ZERO GAP FUND CATALYTIC INVESTMENT
$1.5M

PRIVATE CAPITAL MOBILIZED TO DATE
$10.5M

LEVERAGE RATIO
7x

1 2 3 5 8 10 13 17

SDGs

Impact Investment Exchange

The Women's Livelihood Bond II (WLB2) generates deep impact through support of women-owned businesses in Southeast Asia, introducing a new investment structure to the market and highlighting Asian investor demand for impact products

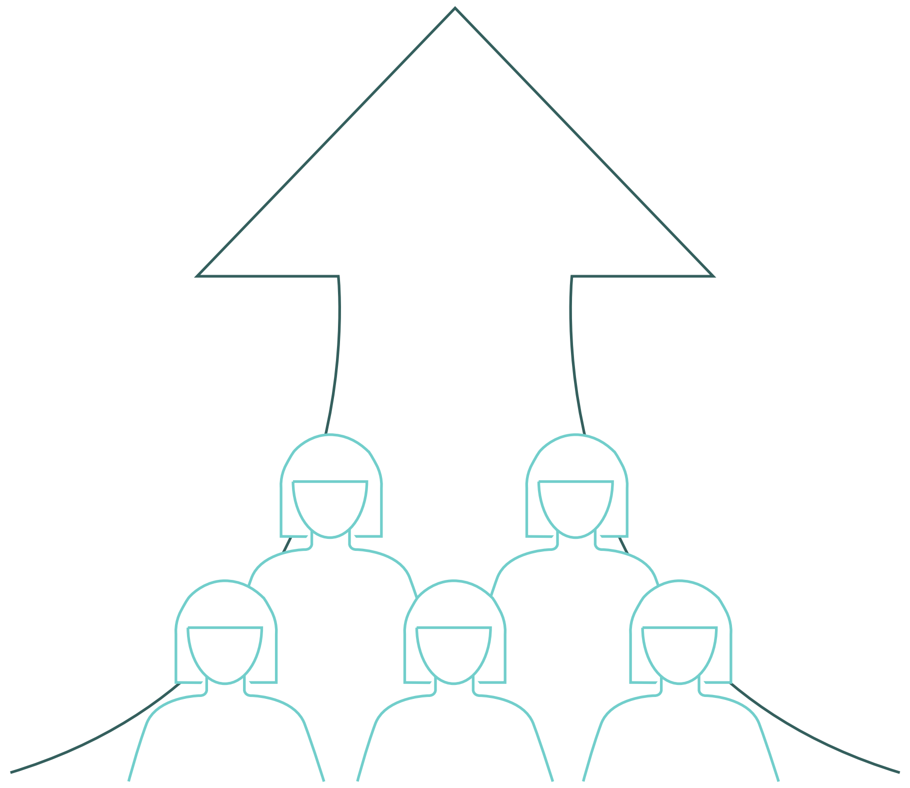
In Southeast Asia, women entrepreneurs face multiple obstacles. Loan approval rates for women entrepreneurs are 15 percent to 20 percent lower than those of men, and micro-finance institutions remain exceedingly underfunded. Furthermore, low-income women in developing countries tend to lack the resources needed to be resilient in the face of unexpected changes.

Impact Investment Exchange (IIX) recognizes that women are change agents, with solutions to Covid resilience, climate action, and peace-building through investment in their socio-economic empowerment. IIX has put women front and center of capital markets by launching the Women's Livelihood Bond (WLB) series – the world's first gender bond designed by women for women that was listed on the Singapore stock exchange with proceeds channeled to micro-finance institutions and impact enterprises whose activities serve women entrepreneurs through credit access and vocational training. The inaugural WLB in 2017 was followed in January 2020 by the $12 million WLB2 that intends to reach women-focused enterprises in Cambodia, Indonesia, and Sri Lanka.

By the end of 2021, WLB2 had directly impacted 43,300 women and had indirectly benefited another ~100,000, exceeding its 2021 expected impact targets and empowering women to build Covid resilience through increased income generation, improved financial resilience, and fair access to the market, particularly for women farmers.

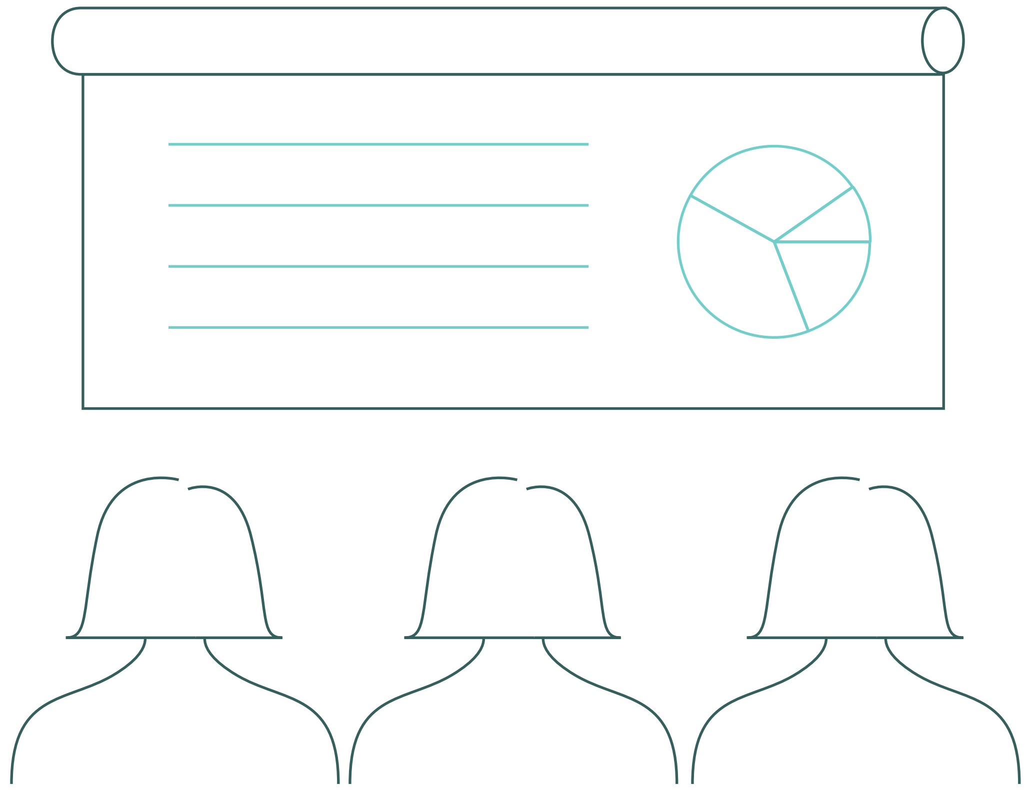
To date, the WLB Series has mobilized $78 million and is empowering over 1 million women across Asia-Pacific. IIX has seen consistent demand from investors, and family offices across the United States, Europe, and Asia-Pacific. It is noteworthy that each subsequent bond in the series has increased in size – the latest, WLB4Climate, raised $30 million, demonstrating increased market confidence.

Select Impact Results



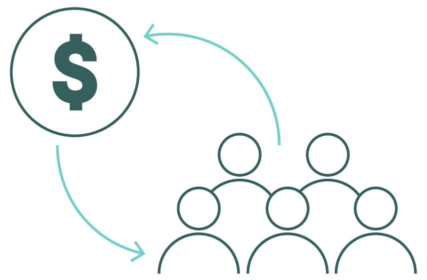
43K+

unique women emerging consumers served



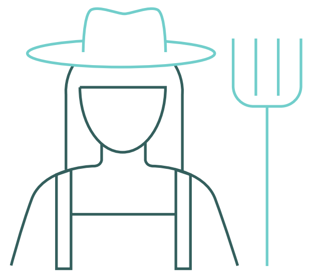
3K+

women in emerging markets who attend financial literacy training sessions



3.30

social return on investment (SROI)*



7K+

women farmers formally integrated into the agricultural supply chain

8K+**

young women & girls stayed in school longer due to skills development programs & financial support

* SROI = Social Return on Investment. Calculated as amount of social value derived per every $1 of investment capital.
** Includes indirect beneficiaries

INVESTMENT TYPE
Direct Equity

GEOGRAPHY
United States

PURPOSE
Increased Access to Funding for Minority-Owned Businesses

YEAR OF INVESTMENT
2020

ROLE OF CATALYTIC CAPITAL
Direct investment into an innovative revenue-based lending platform to provide an operational track record that demonstrates the credit model and mobilizes at least $100M towards minority led small and medium sized businesses in the United States

ZERO GAP FUND CATALYTIC INVESTMENT
$1.5M

PRIVATE CAPITAL MOBILIZED TO DATE
$107.5M

LEVERAGE RATIO
72x

8 10

SDGs

Founders First Capital Partners

Founders First seeks to enhance bank-ability and access to capital for minority-led businesses with revenue-based financing

The micro-finance credit revolution proved that traditional financial institutions consistently underestimate the credit worthiness of women- and ethnic minority-owned businesses and therefore under-invest in them. As a result, starting a business in the United States is even more difficult for founders who are women or people of color.

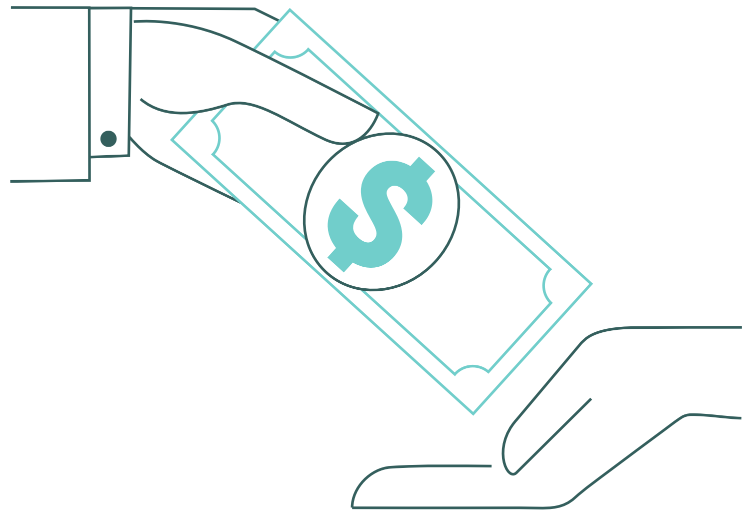
Entrepreneurs of color tend to pay higher interest rates compared to their non-minority counterparts, are less likely to receive bank credit or venture capital, and often forgo applying for loans for fear of rejection. New Black-owned businesses start with almost three times less overall capital compared to new, white-owned businesses. Similarly, women use significantly less capital at startup than men and are less likely to apply for bank loans.

Founders First is addressing these discrepancies by offering businesses revenue-based financing, an alternative credit model that generally requires entrepreneurs to pay a fixed percentage of revenue up to a predetermined cap. This solution offers under-served small businesses an attractive alternative that aligns with business performance, self-liquidates, and avoids ownership dilution for small business proprietors. Founders First is focused on supporting small businesses led by women, military veterans, LGBTQIA+, and BIPOC founders across the United States.

With a $100 million credit facility from the Community Investment Management (CIM), Founders First can lend at low rates. Founders First pairs financing with hands-on technical assistance through its strategic accelerator programs that seek to help businesses grow. The platform aims to build a portfolio of 250 borrowers with average loan size $250,000. In 2021, its first year of operations, Founders First has provided 12 businesses with financing totaling $2.1 million.

Select Impact Results

$2.1M
capital deployed



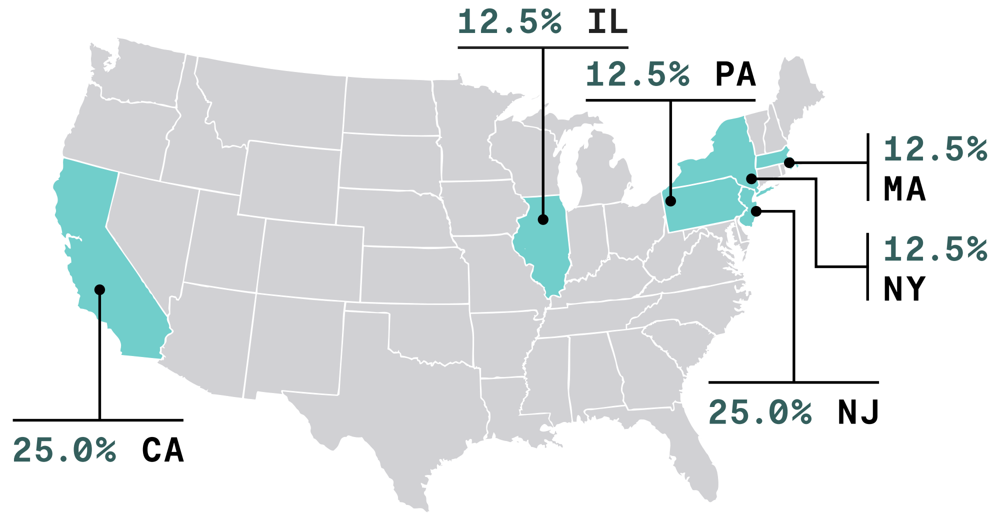
12
number of loans distributed

$175K
average loan size

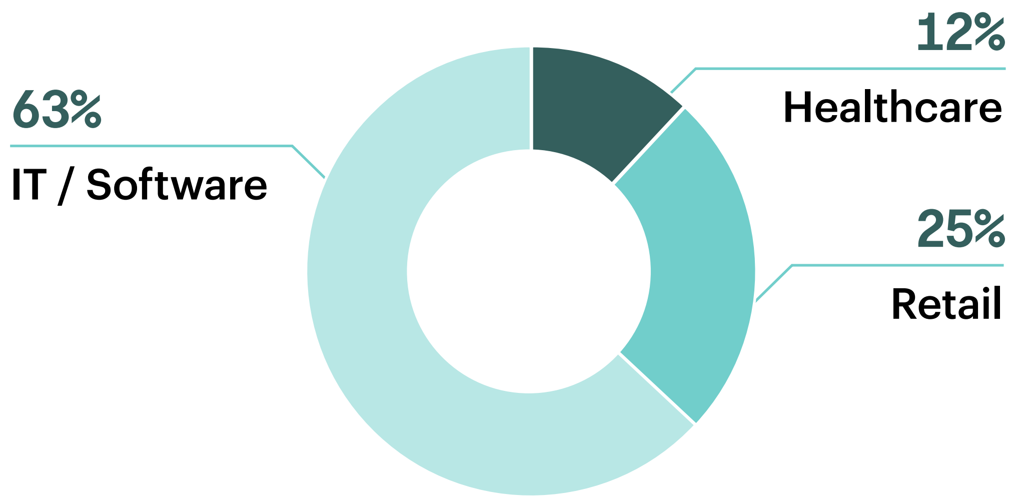
63%
loans to women

13%
loans to veterans

Regions



Types of Businesses (sectors)



50%
loans to LMI communities

53%
revenue growth per borrower

63%
loans to minority-owned businesses

80%
average net promoter score

INVESTMENT TYPE
Intermediated Debt

GEOGRAPHY
United States

PURPOSE
Wealth Creation for Low-Income Workers, Especially Black and Brown Workers

YEAR OF INVESTMENT
2021

ROLE OF CATALYTIC CAPITAL
Anchor new A&H fund managers (majority Black and Brown) and flagship Legacy Fund I to send strong impact signal to the market and catalyze engagement from other tentative early partners, including reputable organizations with a history of addressing income and opportunity inequality

ZERO GAP FUND CATALYTIC INVESTMENT
$3M

PRIVATE CAPITAL MOBILIZED TO DATE
$40.0M

LEVERAGE RATIO
13x

8 10

SDGs

Apis & Heritage

The Legacy Fund I seeks to build wealth among communities of color in the United States – and for low-income workers generally – through employee ownership

In the United States, there are two primary paths to begin amassing savings and wealth – owning a home or owning a business. For many Black and Brown communities, those paths have historically been blocked, directly impacting the racial wealth gap. The average American white family has nearly eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family. Sixty percent of Black workers and 75 percent of Latino/a workers retire with no retirement savings.

Apis & Heritage (A&H), a Black-led investment fund, aims to change this equation by financing the conversion of companies with substantial Black and Brown workforces into 100% employee-owned businesses. Their novel "employee-led buyout" (ELBO) model allows workers to build wealth through ownership. A&H expects an average worker who benefits from an A&H-assisted buyout to retire with savings of $70,000 to $120,000*, a potentially life changing amount.

The A&H model directly addresses capital and technical assistance gaps which have previously prevented employee ownership from being more widely deployed. The Legacy Fund I screens for businesses that are at least one-third Black and Brown workers and 50 percent low-income. A&H also brings skills and resources to the companies, helping them make the most of ownership culture changes and benefits, including partnering with expert advisors. These cultural and governance practices lead to companies that are more resilient, earn higher profits, pay employee-owners higher wages, which in-turn retains staff longer, encouraging individuals to stay rooted in their local communities.

In June 2021, A&H announced its first close at $30 million for its flagship Legacy Fund I, including the ZGF commitment. As of June 2022, the fund closed on its first two transactions – a Denver-based sewer and water systems company with about 50 employees, about 50 percent of whom are Latino, and an El Paso-based landscaping company with about 120 employees, the majority of whom are lower-income hourly-wage Latino workers.

* This target amount focus on workforces in industries that tend to be stable yet with lower margins/lower growth

Setting the Stage for Intended Impact

40%
of Americans would struggle to come up with even $400 to pay for an unexpected bill

60%
of Black workers and
75%
of Latino/a workers
retire with $0 retirement assets.

Median wages for Black households have risen only
1.2%
since 1979, in real terms, and for Hispanic households have declined
4.6%
over the same period

Retiring Boomers own
2M+
businesses employing
24M+
Americans;
85%
have no succession plan and
<30%
of listed SMEs find buyers.

The average employee in an employee-owned business in the U.S. retires with
$147K
in his or her ESOP account

The Zero Gap Fund Impact Measurement and Management Approach

The Zero Gap Fund must answer the following questions on each of its investments:

- ⟶ What are we trying to achieve?
- ⟶ Who are we trying to reach?
- ⟶ How much change do we expect to see, and how quickly?
- ⟶ What is the investment's contribution toward generating this change?
- ⟶ What are the risks of unintended consequences?

5 Dimensions of Impact – Impact Management Project
https://impactmanagementproject.com/impact-management/impact-management-norms/

In Q3 2021, the Zero Gap Fund engaged BlueMark* to undertake an independent assessment of ZGF's impact performance reporting and to evaluate the extent to which the 2020 State of the Portfolio Report (published July 2021) aligns with industry best practices. BlueMark's assessment methodology consisted of interviews with ZGF staff responsible for developing the report and an analysis of the report materials against BlueMark's proprietary assessment framework.

We believe subjecting impact practices and performance to transparency and accountability standards is imperative to mobilize greater capital for impact. As an investment manager, we seek to model best practices and improve the quality and usefulness of our impact reports in an effort to move the impact investing industry towards a higher standard for reporting on impact performance. As an investor, we encourage ZGF investees to adopt best practices and provide impact measurement and management support when appropriate.

The goal of this assessment was to align with best practices in the impact investing industry and to surface recommendations for improvements. The outcome of the assessment has informed the approach and content included in this 2021 State of the Portfolio Report. Going forward, we intend to continue to incorporate BlueMark's recommendations and will strive to align with BlueMark's Key Elements of Quality Impact Reports.

* The Rockefeller Foundation, our affiliate and ultimate parent company, provided grant support to Tideline Verification Services, Inc. (dba BlueMark) in 2020 and 2021. ZGF's subsequent engagement of Bluemark, and Bluemark's assessment of ZGF referenced herein, were completed independently of such grant support in an effort to ensure the objectivity of the analysis.

BlueMark's Key Elements of Quality Impact Reports

Clarity

Defined objectives and expectations	• Articulated objectives • Investor contribution • Transparent expectations
Relevant metrics	• Clear link to objectives • Standardized indicators • Breadth and depth
Relative performance results	• Performance relative to targets • Performance over time • Performance relative to external benchmarks
Integrated stakeholder perspectives	• Description of stakeholders • Stakeholder relevance • Stakeholder feedback and outcomes
Transparancy into risk and lessons learned	• Impact risk • Lessons learned

Completeness

Impact Measurement

	FOREST RESILIENCE BOND - YUBA	SIXUP PBC & COMMUNITY FUND II	EMERGING CONSUMER FUND III	CRAFT FUND	WOMEN'S LIVELIHOOD BOND II	FOUNDERS FIRST CAPITAL PARTNERS	LEGACY FUND I
WHAT	Long-term ecological restoration to reduce the frequency and severity of wildfires and increase forest resilience.	Bridge the financing gap that prevents individuals from attending four-year colleges by identifying, underwriting, and incubating undervalued students.	Invest in businesses that address basic healthcare and financial services needs in emerging markets.	Global private equity fund focused on climate adaptation.	Gender-focused capital markets product funding high impact enterprises focused on women's empowerment.	Fill the funding gap for under-served businesses or businesses owned by under-served persons with flexible, non-dilutive, revenue-based lending.	Invest small businesses with meaningful workforces of color and transition them to 100% employee-owned to reduce the racial wealth gap.
WHO	Communities and forests within the western U.S, while testing a model to finance forest restoration throughout the U.S.	High-achieving, low-income students; often first-generation students and students of color.	"Emerging Consumers" in sub-Saharan Africa, South Asia, and Southeast Asia, whose daily per capita income is between $2.72 and $10.67, and MSMEs that employ between 5 and 100 people.	Poor and vulnerable populations, directly and indirectly, through accelerated expansion and deployment of climate resilience solutions.	Women entrepreneurs from low-income, rural or marginalized communities in Southeast Asia.	Small businesses led by women, ethnic minorities, military veterans, and LGBTQIA+ persons, located outside major capital hubs or operating in low to moderate income areas.	Essential services businesses and other businesses that have large representation of low-income workers and workers of color.
EXPECTATION/ TIMING	Active restoration across 15,000 acres in North Yuba to be completed by 2023, additional restoration across 25,000 acres starting in 2022	Decrease the number of low-income students that are accepted but cannot afford to attend higher education; close the degree attainment gap between high- and low-income adults	Serve 70 million Emerging Consumers by 2029	Focus on technologies that can be scaled rapidly	100,000 direct women beneficiaries and 250,000 total beneficiaries (direct and indirect). SROI of >3.0*	Serve 250 small and medium businesses by 2024	500+ workers over 10 years will own enterprises worth approximately $35 million
INVESTMENT CONTRIBUTION**	$1M investment Direct: $3M / 3x Indirect: $11M	$4M investment Direct: $26M / 7x Indirect: $0M	$3M investment Direct: $270M / 90x Indirect: $0M	$4M investment Direct: $121.4M / 30x Indirect: $0M	$1.5M investment Direct: $10.5M / 7x Indirect: $57.7M	$1.5M investment Direct: $109.5M / 73x Indirect: $0M	$3M investment Direct: $41.7M / 14x Indirect: $0M
KEY IMPACT RISKS	• Blue Forest does not achieve financial sustainability • U.S. Forest Service withdraws support • Regulatory differences may limit replication • Large fire in target region obscures impact	• Student over-indebtedness • Sixup insolvency	• Under-service of the most vulnerable and low-income consumers	• Funding low- or negative-impact companies.	• Underrepresentation / under-service of lower-income women.	• Under-performance of portfolio companies	• Under-performance of employee-owned enterprises and attendant lessening of value of employee ESOP accounts

* SROI = Social Return on Investment. Calculated as amount of social value derived per every $1 of investment capital.

** Investment contribution reflects ZGF investment. Direct refers to private capital raised alongside our investment in the vehicle ZGF is invested in. Indirect refers to private capital raised in subsequent vehicles as a result of the demonstration effect that our participation catalyzed

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