



Variant Impact Fund
Annual Impact Report
2022



Welcome



Bob Elsasser
Chair of the Impact
Investing Committee

Variant Investments is pleased to present the inaugural Annual Impact Report for the Variant Impact Fund. This report covers the period from the Fund launch on November 1, 2021 through to the Fund's fiscal year-end on April 30, 2022.

The primary purpose of this report is to provide investors with detailed information about how the Fund's investments are making a positive social and environmental impact in line with stated objectives. Although the Fund is at an early stage, the capital invested is already hard at work making a difference and we are excited to share the results.

In addition to the details of individual investments, we also want to take this opportunity to provide insight into how the impact process works at Variant – our guiding principles, impact assessment, and governance structure. This framework will

be instrumental as we build out the portfolio with additional exposures.

Lastly, we hope this report gives investors more insight into Variant Investments as a firm, and our transformative journey to launch the Impact Fund. This journey has helped further clarify our corporate values and construct a vision for how Variant Investments can play a part in building a better future. We have deepened our understanding of the pressing global challenges targeted by the United Nations Sustainable Development Goals, and sharpened our focus on finding solutions to address them.

We are proud of the work that has been accomplished thus far and even more excited about what lies ahead. We look forward to partnering with you as we move forward on this journey.

Yielding a difference

Variant Impact Fund (IMPCX)

The Variant Impact Fund (the "Fund") offers investors efficient access to a diversified portfolio of unconventional income-generating assets aligned with the United Nations Sustainable Development Goals ("UN SDGs"). The Fund invests in niche market opportunities with strong cash flow characteristics and low correlations to public equity and bond markets. The Fund's primary objective is to provide a high level of current income, with capital appreciation a secondary objective.

The Fund also seeks to generate positive social and environmental impact by targeting investment opportunities aligned with both the UN SDGs and the Fund's impact investing framework. The Fund intends to invest in a wide range of opportunities across three core impact objectives: (i) financial inclusion; (ii) equitable growth; and (iii) responsible consumption.



Variant Values

We believe in the power of capital to unlock opportunities that can meaningfully improve lives.

We believe in the potential of all people.

We believe in prudent stewardship of our planet's resources.



Variant Commitments

ESG

Variant became a signatory to the Principles for Responsible Investment (PRI)¹ in January 2022.

Core to that commitment is the incorporation of environmental, social, and governance issues into investment analyses and decision-making processes. This commitment goes beyond the Impact Fund and covers all of our investment activity as firm.

In addition, Variant maintains an exclusions list because some investments, regardless of how compelling the economics may be, are deemed to pose undue harm.



Impact

Variant joined Global Impact Investing Network (GIIN)² in May 2021. The GIIN is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. Impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return.



Diversity, Equity and Inclusion

Variant has chosen a definition of diversity that focuses on Underrepresented Groups that include females, disabled persons, veterans, LGBTQ+ and Black/African, Hispanic/Latinx, Asian/Pacific Islander, Middle Eastern, Indigenous and multi-racial persons.



Individuals from these Underrepresented Groups comprise a substantial percentage of both the firm's ownership and employment.



Variant has also committed to include diversity in its investment process by collecting diversity metrics on all of our investment counterparties going forward.



At Variant, we believe we grow stronger by bringing unique voices to the team – and making sure these voices are heard, respected, and acknowledged for their contribution.





Our Impact Framework

Profit with Purpose

Incorporating social and environmental factors into investment decisions can open up a wide spectrum of options with varying degrees of impact. At one end of the range are investment products that deploy negative screens to avoid doing any specific harm, while at the other end are philanthropic grants, which offer significant positive impact potential but little regard to financial return.

The Variant Impact Fund intends to sit in the middle of that spectrum. We interpret “impact investing” to mean a strong intentionality to make a meaningful contribution to measurable, targeted solutions.

While positive impact is the goal, the Fund fully intends to be executing at market rates of return and should not be considered concessionary capital.

On occasion, “catalytic capital” opportunities may arise, in which the positive impact component is so compelling that the Fund may be willing to accept slightly less return or slightly more risk relative to market, but such investments are expected to be limited in scope and scale. During the reporting period, the Fund did not make any investments that it would consider to be catalytic capital.



TIDELINE

Throughout its history, Variant has been investing in impact-oriented investments. However, the launch of a dedicated impact strategy required building an entirely new architecture focused on meeting the unique demands of an impact mandate. Our goal was to build a framework and processes in line with current best practices in the impact investing community.

For that reason, Variant engaged Tideline³, a leading consultant in impact investing, to advise on the design and operationalization of our impact management strategy. Tideline is a specialist, women-owned consulting firm that works with asset managers and allocators to design and implement best-in-class impact management systems.





The Variant Impact Fund aims to provide capital to attractive opportunities in niche, underfinanced markets that contribute to the UN SDGs. The Fund's core impact theses focus on promoting financial inclusion, equitable growth, and responsible consumption.

Theory of Change

Since its inception, Variant has focused its investment activity on niche market opportunities that lack traditional capital providers. These are often pre-institutional asset classes, earlier-stage ventures, and smaller capacity opportunities where Variant's capital can be meaningful to the recipient. It is our view that applying this investment approach to impact investing has the potential for amplified impact value. That is, in addition to supplying capital to potentially overlooked impact opportunities, the Fund may also be able to augment the positive impact by negotiating impact-related terms and conditions.



Financial Inclusion

To increase access to financial services for underserved markets and beneficiaries.

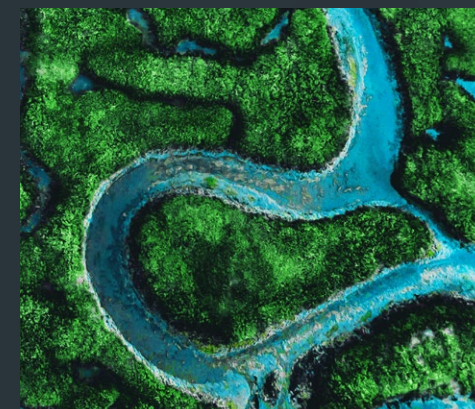
- Financial Inclusion
- Gender Lens
- Racial Equity



Equitable Growth

To enhance quality and equity of essential services that enable economic growth in underserved communities.

- Access to Quality Education
- Affordable Quality Housing
- Green Buildings
- Quality Jobs

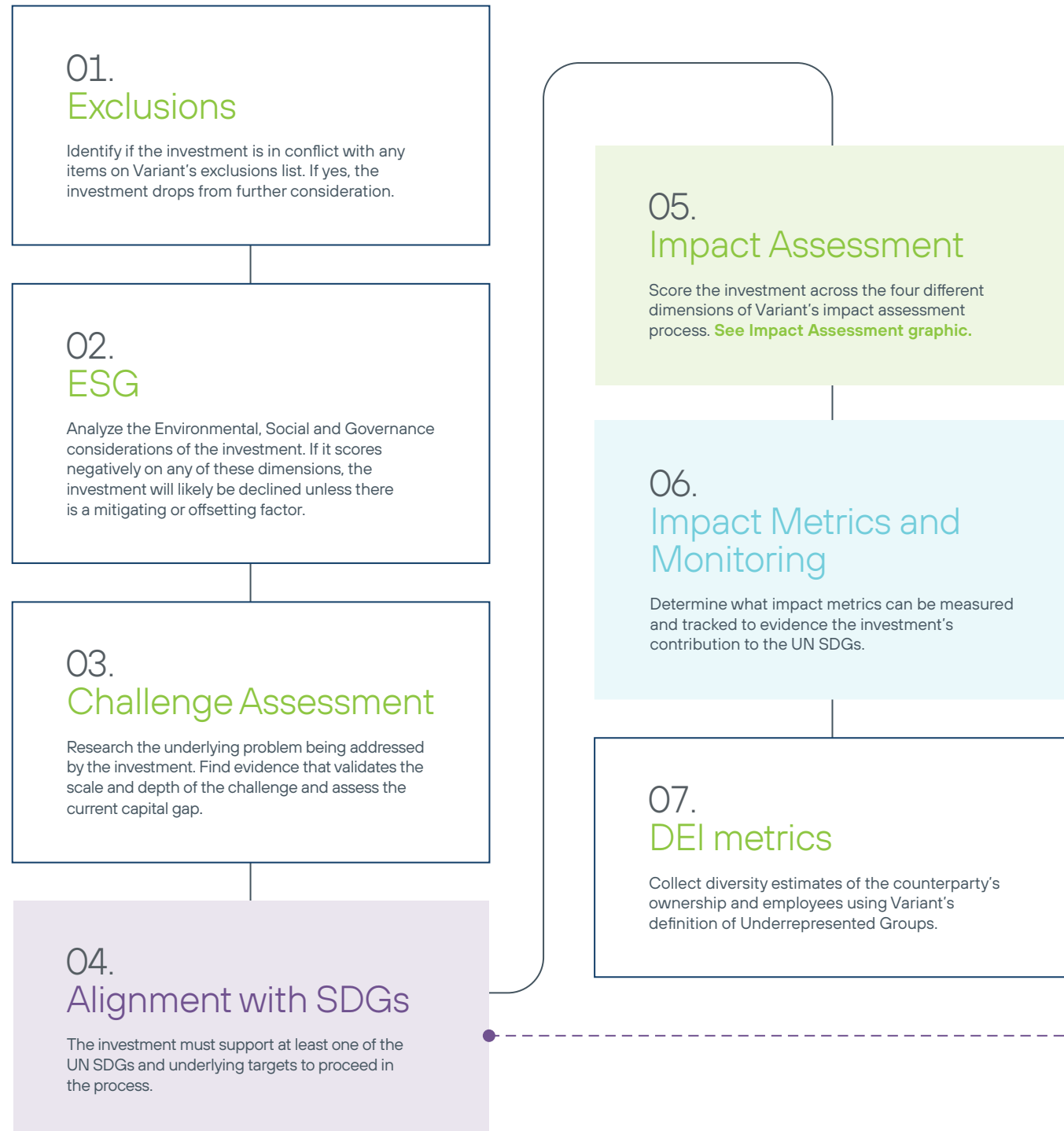


Responsible Consumption

To minimize environmental impact and promote more sustainable resource consumption.

- Clean Energy
- Climate Change Mitigation
- Energy Efficiency
- Sustainable Agriculture
- Waste Management

Impact Investment Process



Impact Assessment

Each investment is assessed and scored across four different impact dimensions by the Impact Investing Committee. The first two dimensions relate to the alignment with the UN SDGs, while the remaining two address capital access.

SDG Alignment

Intentionality

The degree to which the counterparty intentionally targets and creates SDG-aligned impact. This assessment might consider the robustness of their impact process and how core the delivery of impact outcomes is to their business model.

Quality

The counterparty's expected success rate in delivering the targeted impact. The review might include their historical track record and comparison to peers to the extent these are available. The potential for negative externalities should also be considered.

Capital Access

Need

The size of the funding gap and the extent to which the Fund's capital is unique and needed to achieve impact goals.

Amplification

The ability to have an impact beyond the provision of capital. This might include negotiated terms and conditions that would amplify the impact value of the investment or the ability for the Fund's investment to attract additional external sources of capital to the opportunity.



Impact Reporting

IRIS+⁴ is the generally accepted system for measuring, managing, and optimizing impact, supported by leading impact investors and housed within the GIIN. As a GIIN member, Variant has adopted the IRIS+ investment themes and categories for reporting purposes. Variant seeks to track relevant IRIS+ deal-level metrics where possible.

Impact Investing Governance

Variant established the Impact Investing Committee to manage the Fund's impact investing policies and procedures. The Committee is chaired by a Principal of the firm and includes a member of the investment team and a member from outside of the investment team. Individual investments under consideration for the Fund are reviewed and approved by the Impact Investing Committee to ensure assessment discipline and consistency in the impact investing process.

United Nations Sustainable Development Goals

The Sustainable Development Goals⁵ are a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals.



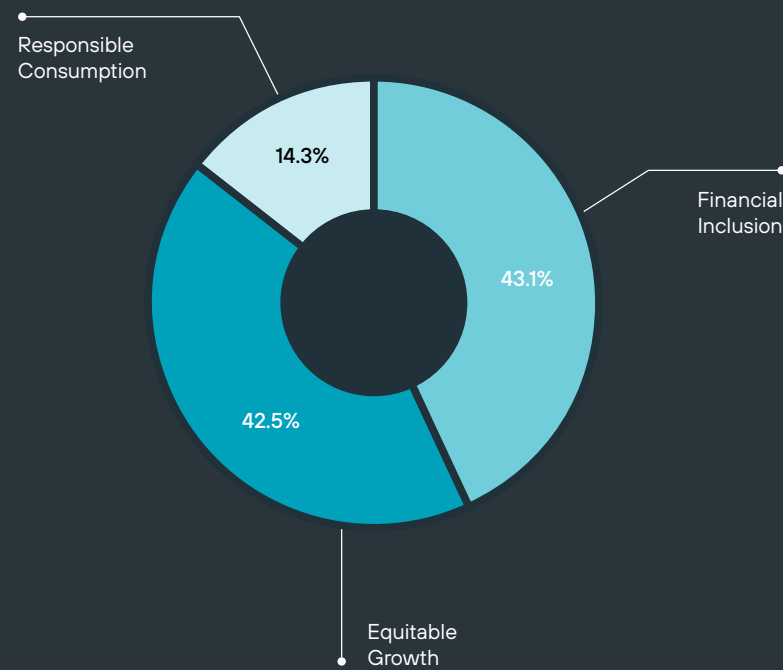
Variant Impact Fund Portfolio Review

Over the initial period (November 1, 2021 – April 30, 2022), the Fund was able to deploy \$5.9 million⁶ in capital across 8 investment strategies and 13 unique impact investments. For a full reporting of the Fund's positions, please see the financial statements provided on the Fund's website.

Within this short period and with a limited number of investments, Variant is pleased to have achieved a starting level diversification across exposures, impact categories, and geographies.

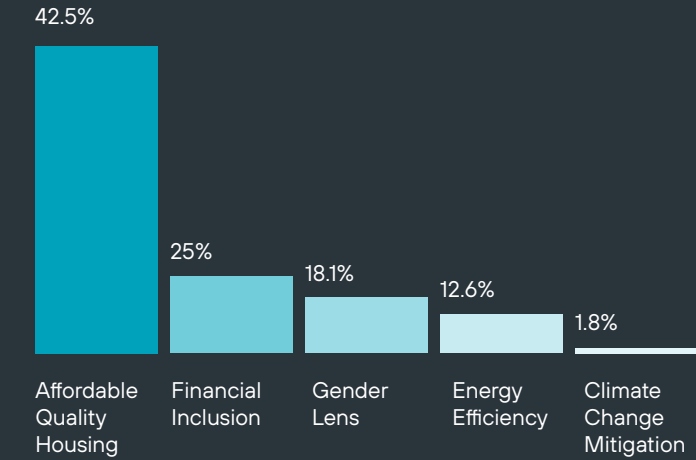
Portfolio by thesis

As of fiscal year-end, all three of our core impact theses were represented in the portfolio with Equitable Growth and Financial Inclusion holding the largest shares.



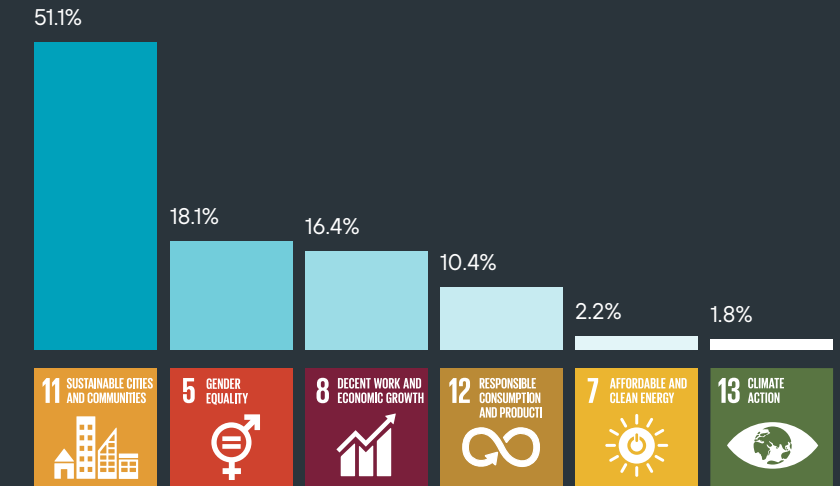
Portfolio by theme

The Fund's initial capital has been deployed across a range of impact themes as defined by the GIIIN's IRIS+ categories. Affordable Quality Housing and Financial Inclusion held the largest shares, followed by Gender Lens and Energy Efficiency.



Portfolio by primary SDG

During the impact assessment process, each investment is assigned to a primary UN SDG. By primary SDG, the largest exposures included 11. Sustainable Cities and Communities, 5. Gender Equality, and 8. Decent Work and Economic Growth. Individual impact investments often work to support multiple SDGs, so secondary SDGs are also identified during the impact assessment process. As of fiscal year-end, the Fund's investments were supporting all but a few of the 17 SDGs to various degrees.



Portfolio by geography

The UN SDGs represent a blueprint for peace and prosperity for the whole planet. In that vein, we are pleased to show the global reach of the Fund's initial investments. While the vast majority of capital is currently US-based, we have meaningful exposure to emerging economies in Africa and Asia.

United States	62.6%
Kenya	21.0%
Viet Nam	16.4%





Impact Themes

The following pages detail the impact of individual investments held in the portfolio during the reporting period, organized by IRIS+ Investment Themes.

It covers the primary exposures and should not be considered an exhaustive list. Please see the Fund's financial reports on the website for more comprehensive reporting.



Impact Themes

Affordable Quality Housing

Impact Challenge

Housing access and affordability is a complex and pressing issue of strategic importance for human development, social peace, and equality. An estimated 1.6 billion people, or 20% of the global population, live in inadequate housing⁷. Rising development

costs, growing urbanization, and a lack of affordable financing options are compounding the challenge. Affordable housing is also a problem shared by emerging and developing economies alike.

Castellan Affordable Housing Fund

(19.5% of assets owned as of 4/30/2022)

The state of California is in an acute housing crisis considered by many to be the worst in the US. In addition to a shortage of housing units estimated to be in the millions, the relatively high cost of housing creates a massive affordability gap for much of the population. The median price for a single-family home in California is \$863,790⁸ and nearly 40% of California households are considered to be "housing cost burdened"⁹.

34.3% Weighted Average Discount from Market Rent

The Castellan Affordable Housing Fund (CAHF) plays a part in the solution by providing pre-acquisition and development capital for affordable housing construction in California. In particular, it focuses on the earliest stages of the process, including land acquisitions, tax credits and government incentive applications, and funding upfront development costs prior to securing permanent financing from private and public sources. The properties are intended for people who make less than 60% of the area's median income, with roughly 45% earning less than 30% of the area's median income, and 34% earning between 30% and 50% of the area's median income¹⁰.

The Variant Impact Fund was a meaningful portion of CAHF's AUM during the reporting period. CAHF owned 13 properties during this time, representing over 1,500 housing units. The estimated weighted average discount to market rent is 34% and tenants are estimated to pay 31% of their income on rent.

Almond African Affordable Housing

(19.0% of assets owned as of 4/30/2022)



In Kenya, nearly 61% of urban households live in slums. The housing deficit is exacerbated by an urbanization rate estimated at 4.4% annually (about 500,000 new city dwellers). The production of housing units is currently at less than 50,000 units annually, culminating in a housing deficit of over 2 million units¹¹.

Almond Estate Co. Ltd is a property management and real estate development company based in Nairobi, Kenya. Almond aims to construct several affordable housing complexes with Variant's capital, specifically in these underserved urban areas.

246 Affordable Housing Units in Nairobi, Kenya

The Variant Impact Fund was the sole credit provider to Almond on two projects: 1) Adah Gardens, a 33-acre site outside of Nairobi with 211 affordable home plots including water and electricity on-site and 2) Kitisuru, a 98 unit entry-level condominium with modern utilities and appliances in Nairobi. The first block of Kitisuru has 35 units.

Primary SDGs



Target 11.1

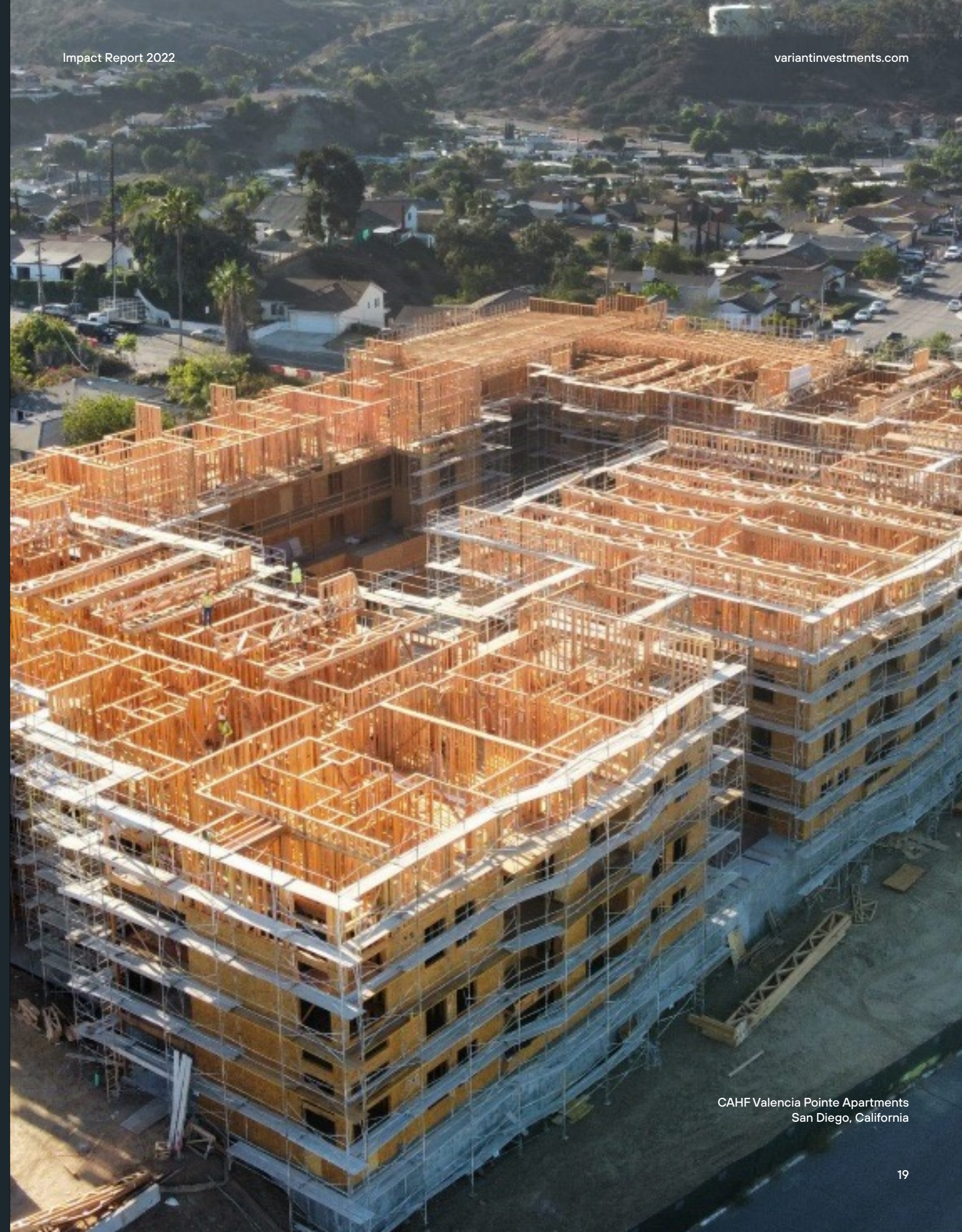
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Secondary SDGs



Variant Impact Thesis
Equitable Growth

Geography
USA & Kenya



CAHF Valencia Pointe Apartments
San Diego, California



Impact Themes

Energy Efficiency

Impact Challenge

Climate change is considered by many to be the greatest existential challenge facing the planet. The estimated cost of addressing these challenges was recently put at \$100 to \$150 trillion worldwide over the next three decades¹². Energy efficiency has perhaps the single greatest potential to cut greenhouse

gas emissions and can comprise 50% of the solution to the climate challenge¹³. Energy efficiency may also support key social imperatives to the extent it lowers costs and broadens access to safe and reliable energy to meet basic needs.

RKB Capital Partners

(2.0% of assets owned as of 4/30/2022)



RKB, through a joint venture with the National Energy Improvement Fund, advances funds to contractors who have made energy efficiency upgrades to residential, commercial, and industrial buildings (i.e. adding EV parking, heat pumps, etc.) and are waiting to get reimbursed for the cost from a government or utility energy efficiency program. RKB helps facilitate these efficiency conversion projects as the length of time to receive payment from the incentive program can create a liquidity crunch for the contractors.

Since 2021, RKB has advanced **\$24,098,334** to 26 contractors across 8 rebate programs

The Fund participates in a credit facility alongside the Variant Alternative Income Fund, with the first funds provided towards the end of the reporting period, in April 2022. During 2021 and 2022, RKB advanced \$24,098,334 to 26 contractors across 8 rebate programs, the largest of which was the Con Edison Clean Heat Program.

WindSail Capital Fund

(9.4% of assets owned as of 4/30/2022)



Variant has invested into WindSail Capital's QP Capital Fund. WindSail provides debt financing to early-stage, high-impact companies that advance energy innovation and sustainability across a wide range of sub-sectors.

14 Active Investments in the WindSail Capital Fund advancing energy innovation and sustainability

As of March 31, 2022, the WindSail portfolio holds 14 active investments in its fund. One investment, Bright Power, provides a data-driven suite of energy efficiency, renewable energy, and water-saving solutions to the real estate sector, primarily the multi-family segment. Another investment, Carbonwave, is a technology company that specializes in the upcycling of sargassum (seaweed) into various commercialized products. A third investment, Ubees, connects farmers with commercial beekeepers and offers bee pollination services for industrial-scale farming.

Primary SDGs



Target 12.2

By 2030, achieve the sustainable management and efficient use of natural resources.

Secondary SDGs



Variant Impact Thesis
Responsible Consumption

Geography
USA



Impact Themes Financial Inclusion

Impact Challenge

Roughly one quarter¹⁴ of the global adult population remains unbanked, lacking access to the basic financial services, payment systems, and credit thought to be cornerstones of economic development.

Even within developed countries, access to financing can be uneven and fraught with lenders that seek to capitalize on imbalances in financial literacy.

Accial Emerging Market Specialty Finance
(14.8% of assets owned as of 4/30/2022)

Dream America
(7.8% of assets owned as of 4/30/2022)



Accial Capital is an impact-focused, tech-enabled investor in small business and consumer loan portfolios in emerging markets.



In the US, families with low credit scores may find that home ownership is just too far out of reach. Dream America is a lease-to-own real estate company for single-family properties, which provides a roadmap to a mortgage for individuals unable to obtain a mortgage through conventional means due to low credit scores. The company buys homes at values typically between \$150,000 and \$400,000, places approved tenants into the homes, and sells the home to the tenants at a predetermined price after 6 to 12 months of the tenant paying rent. The Dream America program also offers credit building and educational resources to prepare them to apply for a mortgage when they go to purchase the property. Dream America targets underserved communities and creates an easier avenue for individuals to build their credit and obtain a mortgage.

Since January 2022, the Fund was part of **\$11,235,794 advanced across 16 loans.**

Alongside the Variant Alternative Income Fund, the Fund has participated in a credit facility with Accial to finance Funding Societies (Modalku), a large fintech lender in Viet Nam. Disproportionate credit availability remains the primary driver of the credit gap in Viet Nam. With a small business credit gap estimated at \$2.4 billion per year, only 3% of Viet Nam's 1.2 million medium and small enterprises are considered well served¹⁵.

Funding Societies provides short-term loans to small businesses in Viet Nam backed by high quality invoice receivables. During the time of the Fund's investment, Funding Societies made 16 loans across 14 clients with an average loan size of \$888,306¹⁶.

90%+ of clients that became homeowners are estimated to be from Underrepresented Groups

The Fund has provided a credit facility to Dream America to facilitate their lease-to-own program. Since the business's inception, Dream America has sold 62 properties to new homeowners through this program, with more than 90% of those from Underrepresented Groups. Currently, Dream America has a portfolio of 78 properties in the program.

Primary SDGs



Target 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all.

Secondary SDGs



Variant Impact Thesis
Financial Inclusion

Geography
USA & Viet Nam



Impact Themes

Gender Lens

Impact Challenge

Historically underrepresented groups still face many inequalities of opportunity and outcome and tend to be subject to discrimination more often. In 2019, women accounted for nearly 39% of the global labor force, but held only 28.3% of managerial positions, a rise of just three percentage

points since 2000. The disproportionate impact of the pandemic on women in the workforce, and female entrepreneurs in particular, threatens to roll back the progress made in reducing the global gender gap in managerial positions¹⁷.

Star Strong Impact Venture Debt (16.4% of assets owned as of 4/30/2022)

NABOSO **FINANCIAL GYM**



one potato
ONE FAMILY. ONE MEAL.

Star Strong Capital provides growth capital to small and medium sized businesses with angel and venture capital backing. Star Strong intends to fill a gap in the capital structure for early-stage companies not served by the traditional credit model due to smaller investment size, stage of the business, or underwriting requirements of alternative capital sources. This gap is thought to be particularly acute for underrepresented and female founders. Star Strong looks for diverse management teams building strong businesses across a variety of sectors.

These debt products are typically cheaper than other alternatives, such as Merchant Cash Advances.

Currently, investments in the Fund include:

- Naboso: Dr. Emily Splichal, Founder (7.7% of assets owned as of 4/30/2022)
- Financial Gym: Shannon McLay, Founder (3.3% of assets owned as of 4/30/2022)
- Animal Repair Shop: Susan Bonds, CEO (3.1% of assets owned as of 4/30/2022)
- Prepped Inc: Catherine McCord, CEO of One Potato and Founder of Weelicious (1.6% of assets owned as of 4/30/2022)

The Star Strong Impact Venture Debt Fund provides positive impact by providing debt products to organizations led or employed by Underrepresented Groups, especially women.

Primary SDGs



Target 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.

Secondary SDGs



Variant Impact Thesis

Financial Inclusion

Geography

USA

➤ **100%** of the underlying companies are female led and owned with **>65%** controlling interest

Endnotes

- 1 <https://www.unpri.org/>
- 2 <https://thegiin.org/>
- 3 <https://tideline.com/>
- 4 <https://iris.thegiin.org/>
- 5 <https://sdgs.un.org/goals#goals>
- 6 All portfolio figures are excluding Cash and as of 4/30/2022. All holdings are subject to change.
- 7 <https://www.un.org/development/desa/dspd/2020/03/resolution-homelessness/>
- 8 California Department of Revenue Finance Bulletin July 2022 https://dof.ca.gov/wp-content/uploads/Forecasting/Economics/Documents/FinanceBulletinJuly2022_new2.pdf
- 9 <https://turnercenter.berkeley.edu/wp-content/uploads/2022/04/Landscape-of-Middle-Income-Housing-Affordability-April-2022.pdf>
- 10 https://www.urban.org/sites/default/files/publication/98758/lithc_how_it_works_and_who_it_serves_final_2.pdf
- 11 World Bank, 2017
- 12 <https://home.treasury.gov/news/press-releases/jy0457>
- 13 ACEE Energy Efficiency Impact Report <https://www.aceee.org/press/2019/12/first-its-kind-report-reveals>
- 14 Worldbank's Global Findex Database, 2021
- 15 IFC Enterprise Gap Database
- 16 Data is tracked with IRIS+ Metrics: PI8381, PI5476, PI9327, PI5160
- 17 <https://unstats.un.org/sdgs/report/2021/goal-05/>

Disclosure

Holdings are subject to change at any time and are not a recommendation to buy or sell any security.

The Variant Impact Fund (the "Fund") is a continuously-offered, non-diversified, registered closed-end fund with limited liquidity. The investment objective of the Fund is to seek to provide a high level of current income. Capital appreciation is considered a secondary objective. The Fund will also seek to generate positive social and environmental impact by targeting investment opportunities that are both aligned with the United Nations Sustainable Development Goals ("UN SDGs") and consistent with the Fund's impact investing framework. There is no guarantee the Fund will achieve its objective. An investment in the Fund should only be made by investors who understand the risks involved, who are able to withstand the loss of the entire amount invested, and who can bear the risks associated with the limited liquidity of Shares. A prospective investor must meet the definition of "accredited investor" under Regulation D under the Securities Act of 1933. Important Risks: In implementing the Fund's impact investment strategy, the Investment Manager may select or exclude certain investments for reasons other than investment performance. For this reason, the Fund's impact strategy could cause it to perform differently compared to funds that do not have such strategy. There is no guarantee that the Investment Manager's definition of impact investing, security selection criteria, or investment judgment will reflect the beliefs or values of any particular investor.

Currently, there is a lack of common industry standards relating to the development and

application of environmental, social, and governance (ESG) criteria, which may make it difficult to compare the Funds' principal investment strategies with the investment strategies of other funds that integrate certain "impact" criteria. The substantial investment by the Fund in private securities, there is no reliable liquid market available for the purposes of valuing the majority of the Fund's investments. There can be no guarantee that the basis of calculation of the value of the Fund's investments used in the valuation process will reflect the actual value on realization of those investments. Shares are an illiquid investment. You should generally not expect to be able to sell your Shares (other than through the repurchase process), regardless of how the Fund performs. Although the Fund is required to implement a Share repurchase program only a limited number of Shares will be eligible for repurchase by the Fund. The investment in the Fund is speculative, involves substantial risks, including the risk that the entire amount invested may be lost, and should not constitute a complete investment program.

The Fund may leverage its investments by borrowing, use of swap agreements, options, or other derivative instruments. The Fund is a non-diversified management investment company, meaning it may be more susceptible to any single economic or regulatory occurrence than a diversified investment company. In addition, the fund is subject to investment-related risks of the underlying funds, general economic, and market condition risk. Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities, futures, commodities and derivatives, using leverage and engaging

in short sales. The Fund's investment performance depends, at least in part, on how its assets are allocated and reallocated among asset classes and strategies. Such allocation could result in the Fund holding asset classes or investments that perform poorly or underperform. Investments and investment transactions are subject to various counterparty risks. The counterparties to transactions in over-the-counter or "inter-dealer" markets are typically subject to lesser credit evaluation and regulatory oversight compared to members of "exchange-based" markets. This may increase the risk that a counterparty will not settle a transaction because of a credit or liquidity problem, thus causing the Fund to suffer losses. The Fund and its service providers may be prone to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption, or lose operational capacity.

BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. THIS AND OTHER INFORMATION IS IN THE PROSPECTUS, A COPY OF WHICH MAY BE OBTAINED FROM (877) 770-7717 OR WWW.VARIANTINVESTMENTS.COM. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.

Foreside Fund Services, LLC, distributor.

Contact Us

ir@variantinvestments

10300 SW Greenburg Road,
Suite 308, Portland, OR 97223

503-563-0700
Variantinvestments.com
