PRIVIUM FUND MANAGEMENT

Impact Report 2024

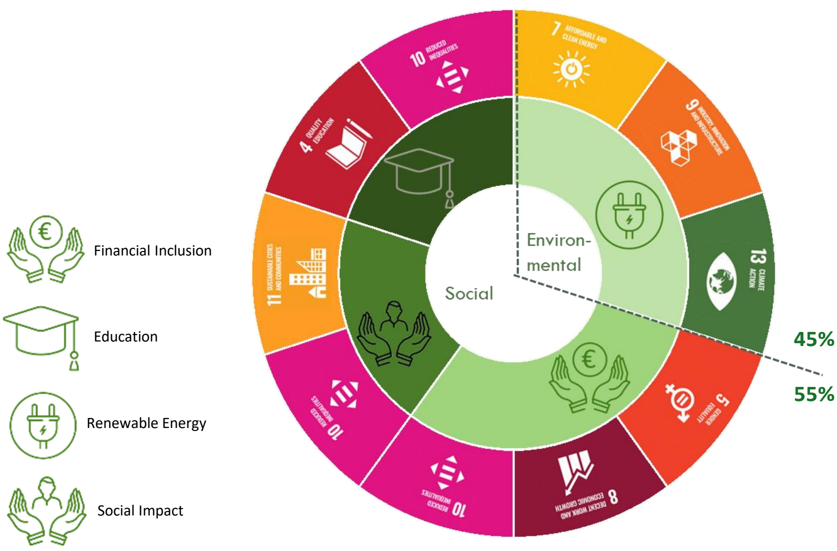
Marketing Communication

Privium Sustainable Impact Fund

The year 2024 continued to be marked by significant global challenges as well as opportunities. While the geopolitical landscape remained complex with ongoing conflicts and economic uncertainties, the drive towards sustainable development and financial inclusion remained resilient. Amongst the positive developments were the shutting down of the last coal power plant in the United Kingdom, providing opportunities for renewable energy. Economic developments in emerging markets were better than expected, which supported the continuing growth of the microfinance institutions. Through its investments, the Privium Sustainable Impact Fund (PSIF, the Fund) supports multiple impact targets including the deployment of renewable energy capacity. This impact report illustrates how the Fund has achieved a positive impact in many areas over the course of last year.

The Fund has had a difficult year financially, ending the year with a negative return of 6.9 percent. Rising global interest rates proved a key factor, posing challenges for the valuation of wind parks, solar farms and other renewable infrastructure. At the same time, higher interest rates also provided opportunities for the financial inclusion funds to lend at more favourable terms. The renewable energy funds continued to reinvest capital into new clean energy projects, contributing to decarbonization.

PSIF is a fund of investment funds. This means that the Fund invests in other funds that in turn provide loans to local banks or financial institutions, and invest in projects or companies. These investments support the Sustainable Development Goals (SDGs) of the United Nations (UN) targeted by PSIF. The impact data on which this report is based is provided by the investee funds. Unless otherwise stated, the impact results refer to the Fund's shareholding in the investee funds. This is PSIF's annual impact report. Using the SGDs and by way of various case studies, the activities of the Fund and the impact achieved are made transparent.



Artificial Intelligence and renewable energy

According to a report from McKinsey, the electricity demand of data centres in Europe is expected to more than triple by 2030. The main reason for this is the rise of artificial intelligence (AI). The usage of AI increases the demand for data centres, which increases overall energy demand. As the major data centre managers have made net-zero commitments, the increase in demand is expected to be mainly covered by renewable energy.

The European power ecosystem is currently facing difficulties to meet this increasing demand. Limited sources of reliable power, grid congestion and environmental concerns play an important role. If Europe wants to participate in AI development, it needs to meet the data centre demand. Therefore, these developments might help increase the necessary investments needed in power infrastructure in Europe to support the energy transition. Industry experts expect that investments in energy on a global level will exceed $3 trillion, with AI being the kickstart of the demand increase. 60 percent of these investments are expected to flow into clean energy, showing opportunities for the growth of renewable energy.

Photo by marybettiniblank via Pixabay.

Impact themes

Each of the impact themes PSIF invests in, contribute to several SDGs. The match between an SDG and impact theme is based on the definitions maintained by the UN. The impact of the Fund is measured for each SDG using specific indicators. In selecting these indicators, the Fund dovetails the data of the investee funds with the UN guidelines.

For the calculation of the impact indicators, the Fund uses impact data from the investee funds. For example, for the education theme, the investee funds keep track of the percentage of students coming from countries with a relatively low gross national product. By paying particular attention to students from these type~~s~~ of countries when providing student loans, SDG 10 (reduced inequalities) is supported. When the reporting date of an investee fund deviates from that of the Fund, the most recent impact data is used.

During 2024, the Fund's only holding related to the Natural Capital impact theme was acquired by a third party. Therefore, the Fund had no investments with regard to Natural Capital by yearend. This theme does remain a focus area and new investments within this theme are being considered.

Financial Inclusion

To grow along with the economy in a country, people must have access to financial services. Globally, people without access to the financial sector are among the poorest, youngest and lowest educated in their country.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

Education

Quality education is a basic condition for both personal development and the wider development of a country. This goes beyond learning to read and write. High-quality education opens the way to personal growth, entrepreneurship and future leadership.

4 QUALITY EDUCATION | 10 REDUCED INEQUALITIES

Renewable Energy

The transition from fossil to renewable energy is in full swing. Nevertheless, the global energy production from renewable sources lags behind. A lot needs to be done before fossil energy generation is completely phased out.

7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 13 CLIMATE ACTION

Social Impact

By tackling challenges such as care, juvenile delinquency, unhealthy living environments, homelessness and energy poverty as directly as possible, persistent social inequalities can be reduced and a positive effect on disadvantaged people's lives and society can be achieved.

10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES

Natural Capital

Our global natural capital, including geology, soil, air, water and all living things, is under pressure. Protecting and regenerating soil, water quality and areas with biodiversity contributes to reversing this trend.

6 CLEAN WATER AND SANITATION | 13 CLIMATE ACTION | 15 LIFE ON LAND

Impact developments

The investee funds involved in renewable energy continued to reinvest capital into new clean energy projects, contributing to decarbonization. Many projects were completed during the year, most notably, one of the battery storage funds increased its installed battery storage capacity by almost 50 percent. Within the Social Impact theme, the number of projects increased, including the first Dutch healthcare impact bond. The Financial Inclusion theme continued its strong development and benefitted from increased digitization.

Financial Inclusion

Financial Inclusion funds continued their strong performance. While base rates increased, credit risk remained muted.

Renewable Energy

The renewable energy funds had another challenging year, but several structural challenges to the market improved significantly.

Social Impact

With food insecurity, energy poverty and increasing migration driven by war and climate change, investing in solutions for disadvantaged groups remains essential.

Natural Capital

Foresight Sustainable Forestry was acquired during the year, which was the only investee fund related to Natural Capital. Therefore, there is no data related to this theme.

Financial Inclusion impact results

52%

Female borrowers

Entrepreneurship is an important route to financial independence and a better future. This certainly applies to women in emerging countries where the vast majority of women do not own their own company. Institutional limitations, but also a lack of knowledge and financing means that female entrepreneurs experience major barriers when setting up and growing their own business.

SDG 5: Achieve gender equality and empower all women and girls

69,917

Loans to entrepreneurs

Small entrepreneurs create jobs and support the economic development of their communities. In emerging countries, they provide most of the jobs and thereby significantly contribute to the national income. However, these entrepreneurs often find it difficult to obtain financing. An estimated 65 million medium and small enterprises in emerging countries cannot obtain sufficient financing.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

55%

Rural borrowers

Economic development in emerging countries is usually not equally divided. Urban areas or regions with specific economic advantages are developing faster than rural areas. This can lead to large differences in prosperity.

SDG 10: Reduce inequality within and amongst countries

Case Study

Digitalisation and sustainable energy support financial inclusion

BlueOrchard Microfinance Fund (BOMF) provides debt capital to institutions that focus on serving economically and environmentally vulnerable communities in the world. Since PSIF's launch, BOMF has been part of the portfolio.

Rapid technological advancements and digitalisation are transforming how microfinance services are delivered. An increasingly tech-savvy young population is driving the adoption of new technologies in low and middle-income markets. Many of those same markets are making significant progress with strong ICT infrastructure, as illustrated by regions such as Latin America and parts of Europe and Central Asia that have achieved internet penetration[1] rates of around 80 percent in recent years.

Mobile banking and digital wallets are revolutionising financial services by providing greater access and alternative solutions to traditional banking limitations, enhancing operational efficiency while expanding market reach for microfinance institutions (MFIs) in regions with strong economic prospects like East Africa, where growth rates of around 5.7 percent are projected for 2025-26[2].

Indonesia's fintech sector is one of the most dynamic in Southeast Asia, being home to 20 percent of ASEAN fintech companies and expected to generate $8.6 billion worth of revenue by 2025[3]. The number of players in the sector has grown sixfold since 2011[4]. These platforms allow for easier interaction with consumers and more personalised financial products tailored to the unique needs of micro-entrepreneurs.

Concurrently, the shift towards sustainable energy solutions is also accelerating, driven by technological advancements that reduce costs for renewable energy sources like solar power and e-vehicles. In Africa and Asia, MFIs are playing a crucial role in financing green initiatives, such as, for example, affordable rooftop solar panels for households and small businesses or e-vehicles for transportation.

The sector has seen significant developments in countries such as Ghana, where BOMF supported the build-out of a large rooftop solar initiative with close to 30,000 solar panels installed and the capacity to power up to 50,000 homes[5]. In similar cases, MFIs can facilitate access to funding that supports sustainable energy solutions and promotes job creation within local communities.

[1] WorldBank, Global Digitalization (2023)
[2] WorldBank, The World Bank in Africa (2024)
[3] International Trade Administration, Financial Technology (2024)
[4] BCG, The Rise of Fintech in Indonesia (2023)
[5] LMI Holdings (2024)

Text and image by Schroders BlueOrchard

Education impact results

261

Student loans

Access to affordable and quality education is a prerequisite for participation in the economy and an indispensable link in the economic development of a country. However, there are many barriers to students including poverty, high tuition fees, exclusive entrance exams, geographic mobility and institutional discrimination.

4 QUALITY EDUCATION

SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

76%

Students from developing countries

Lack of education contributes to maintaining and even increasing economic and social inequalities. In emerging countries, education is often not available or affordable for large parts of the population. Inequalities can be reduced by lending to students in these countries.

10 REDUCED INEQUALITIES

SDG 10: Reduce inequality within and amongst countries

Renewable Energy impact results

480,937 MWh

Renewable energy generated

More clean energy is needed to continue to meet our energy demand in a responsible way. Total renewable energy production has increased significantly over the past decade, but its share of total global energy production is still just over 40 percent.

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

315 MW

Renewable generation and storage capacity

The phasing out of fossil energy requires investments in renewable energy generation capacity, new technology and energy infrastructure. To make our energy supply future-proof, more sustainable and cleaner, the amount of renewable energy generation and storage capacity must be expanded.

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

179,013 tonnes

Avoided CO_2 emissions

The more CO_2-emissions that can be avoided, the more this contributes to limiting the effects of climate change. Based on the energy mix in the region where they operate, the investments of the investee funds determine how many tonnes of CO_2-emissions have been avoided.

SDG 13: Take urgent action to combat climate change and its impact

Case Study

Waste and circularity in wind turbine recycling

Wind energy, while contributing significantly to renewable energy generation, will generate waste during its life cycle, particularly during decommissioning. Greencoat UK Wind (UKW), one of the renewable energy investee funds of PSIF, was an early developer of wind projects and has created various approaches for minimizing, recycling and properly disposing of waste from wind turbines.

Component refurbishing
At one of its sites, UKW has set up a maintenance team to repair and overhaul various wind turbine components. This approach mitigates downtime by allowing technicians to enhance their skills and knowledge of component failure modes on site, while also upskilling apprentices through hands-on experience in a safe environment.

This initiative contributes to reducing component waste and fosters a circular economy, as the site becomes less dependent on supply chain lead times by collaborating with local engineering firms. This localised maintenance process has also facilitated the installation of improved parts, enhancing turbine robustness.

Extended asset life
Wind turbines have a finite lifespan. It makes both commercial and environmental sense to use them for as long as possible to reduce the demand for newly constructed assets. This contributes to a reduction in demand for virgin materials in the sector.

Asset life extension typically involves an assessment on major structural and safety-critical components of the wind turbines. This could lead to some component updates and additional maintenance actions but has a far smaller impact than decommissioning and reconstructing the turbines. Asset life extension projects add multiple years to even a decade of the wind turbines' useful life.

Investigating end-of-life recyclability
Although 85 percent of wind turbine materials are recyclable (e.g., steel, aluminium, copper), wind turbine blades are often made of composite materials that make conventional recycling challenging. Developing cost effective methods for recycling blades is crucial as the current wind turbine fleet ages and the oldest assets will be decommissioned in the coming years.

UKW has supported a research project with University of Edinburgh focused on recycling wind turbine blades into powders that can be repurposed into surface coatings for industrial use. The research project began in October 2023 with achievements already underway in the successful grinding of recycled carbon fibre, epoxy and glass fibre, and epoxy laminates to create powders.

Text and image by Greencoat UK Wind

Social Impact impact results

18,558[1]

Disadvantaged people provided with essential services

The ability to access essential services is a critical prerequisite for social and labour market inclusion and an important determinant of well-being, especially for disadvantaged groups. Social issues such as energy poverty, access to personal care and the education gap further leads to people becoming excluded and vulnerable.

Goal 10: Reduce inequality within and amongst countries

1,315[1]

Disadvantaged people provided with affordable, quality homes

Housing instability encompasses multiple challenges, such as having trouble paying rent, overcrowding, moving frequently, or spending the bulk of household income on housing. Unsafe and unstable housing can have significant economic, social, physiological and psychological effects on family members. It can also lead to increased interactions with health care, child welfare and criminal justice, which further negatively impacts people's lives.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

[1] As the quantitative value of social impact may be challenging to measure, the Fund is not yet able to allocate the impact created by its investee funds directly to the value of their investments. Therefore, the aggregated, audited impact result of the investee funds' investments rather than the estimated proportional impact created by the investee funds' investments is reported. As with the other impact indicators, this number is proportionally allocated to PSIF's shareholding in the investee funds.

Case Study

Stevig Staan, the first Dutch health impact bond

Schroder's BSC Social Impact Trust, one of PSIF's investee funds, invests in the *Stevig Staan* (standing firmly) project in Limburg, the Netherlands. This is a fall-prevention project for people above 65 years of age.

Falling accidents are an increasing problem in the Netherlands. Every five minutes, a person of 65+ years ends up in the hospital as a result of falling. A falling accident can greatly impact the daily life of an elderly person. The injury may reduce their self-reliance and reduce their quality of life. On top of that, an elderly person may have to move out of their own home after a fall, for example to permanently move to a care home. *Stevig Staan* believes that these accidents can be avoided through fall-prevention programmes. Together with physiotherapists and exercise coaches they started the project in 2022, which is free of charge for the participants.

There are two different programmes which offer group courses on a weekly basis, where falling techniques, balance and/or strength exercises are practiced. This initiative does not only help prevent falling injuries but also boosts the participant's confidence and creates opportunities to meet new people.

A unique feature of the *Stevig Staan* project is that it is the first of its kind in the Netherlands making use of a Health Impact Bond (HIB) for its financing. An HIB is based on a social business case where the quantified returns of a project must be higher than the costs of implementing it. The return of the bond is hence directly tied to the success of the project.

In the case of *Stevig Staan*, the decrease in falling accidents saves costs for health insurance companies, care homes and care-at-home services offered by municipalities. If the project is successful in reaching predetermined, quantified goals, the participating insurance companies and municipalities will return the cost savings to investors, thereby creating an impact investment opportunity. In 2023, Deloitte calculated the project's results with 54 participants. The company concluded that 45 incidents had been prevented, resulting in a saving of €45.000 in health care costs.

Image by Randgruppe

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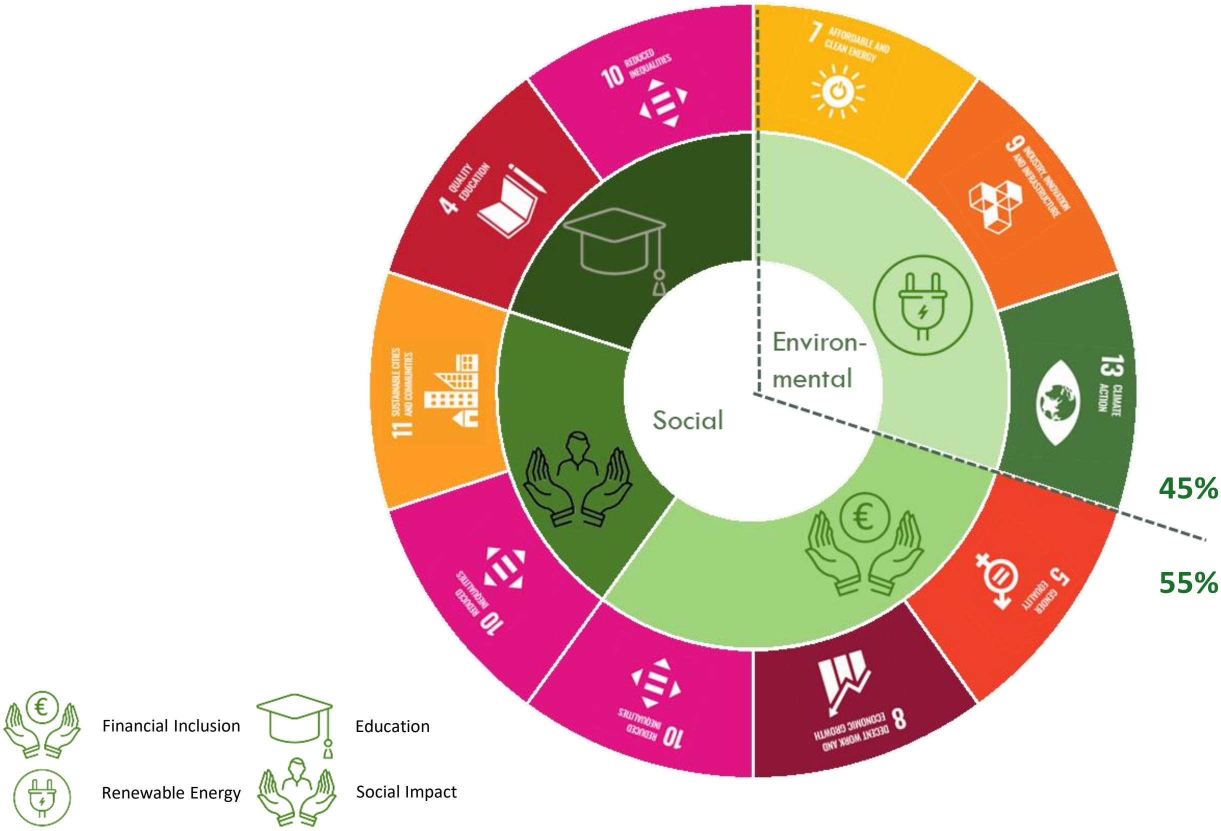
Impact allocation of invested capital in 2024



Key facts Privium Sustainable Impact Fund

Investment Objective: The Fund invests in a diversified portfolio of listed and unlisted investment funds, companies and fixed income instruments.The goal is to make investments into companies, organizations, vehicles and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns. The Fund is actively managed and does not have a benchmark index.

SFDR*	Article 9 Fund	Administrator	Bolder Fund Services (Netherlands) B.V.
Management fee	0.30% per annum	Custodian	ABN AMRO Clearing Bank N.V.
Ongoing Charges Figure**	0.99% per annum	Depositary	Apex Depositary Services B.V.
Minimum subscription	EUR 100,-	Auditor	EY - Ernst & Young LLP
Inception	August 1, 2014	Legal & Fiscal advisor	Van Campen Liem
Fund manager	Privium Fund Management B.V.	Trading	Monthly
Investment Advisor	ABN Amro Investment Solutions	Subscription notice	Before the 25th of the prior month
Reference index	Euribor + 2% per annum	Redemption notice	Before the 25th of the prior month
Currency	EUR	* More information available on the website of the Fund	
ISIN code	NL0010763587	** including underlying investments	
Website	www.psif.nl		

Risk factors

The investments made by the Fund carry several risk factors. A limited number are listed below. See the prospectus for a more detailed overview of the risk factors.

- Illiquidity of the underlying investments
- Economic and political risk of emerging markets
- Counterparty risk
- Inflation risk

Contact

Mark Baak	Director	**Felix den Ottolander**	Associate Director, ESG & Impact Lead
Phone:	+31 20 46 26 644	Phone:	+31 20 46 26 644
Email:	mbaak@priviumfund.com	Email:	fdenottolander@priviumfund.com

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