

2022 SUSTAINABILITY REPORT

 **MAKENA**

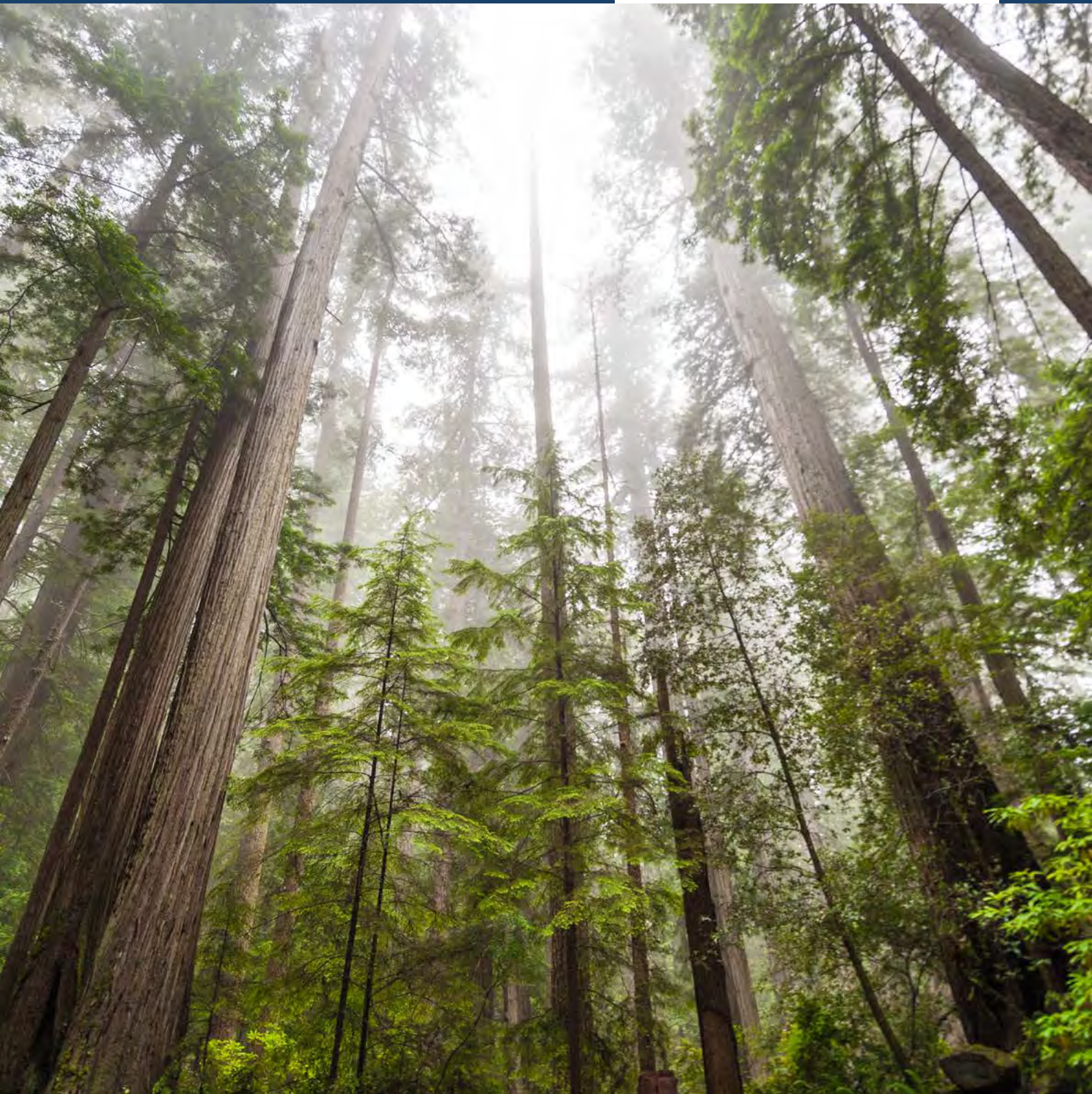




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Letter from the CIO



Larry Kochard

Chief Investment Officer and
Managing Director

Current environment highlights the increased importance of incorporating a sustainable and responsible approach towards investment

Makena's long-term investment horizon and fiduciary duty to our clients shape our investment principles. Our philosophy surrounding sustainability is consistent with these core investment beliefs, including a bias towards sustainable businesses and a conviction that people are our greatest asset. In a year which proved challenging to attract and retain top talent, our team continued to grow. Makena's aim is to build a durable franchise by investing with managers and in companies that reflect these same long-term sustainable priorities. Our core principles help guide us when we implement enhancements to our investment process. This report details our new and ongoing sustainability efforts.

The current macroeconomic backdrop highlights the importance of including ESG criteria in our investment process. Investing in enduring businesses will be of increasing importance as we enter an inflationary environment for the first time in several decades. Rising interest rates will cause companies to face a higher cost of capital, and differences in quality will translate to a meaningful divergence in businesses' financial performance. The tragedy of the war in Ukraine has highlighted the importance of energy security and the imperative of transitioning away from our reliance on traditional fossil fuels. After decades of being unable to compete with coal and natural gas, renewables are now cheaper on an unsubsidized basis than other sources of energy.

ESG is integrated into our investment process because we believe that managers and companies that consider sustainability are better long-term stewards of capital and hence, produce higher long-term returns. We do not have an exclusionary approach that avoids certain sectors. Instead, we evaluate the risk/return profile of each investment through a bottom-up framework that considers risks that could jeopardize sustainability and long-term investment outcomes. Alternatively, sustainably, well-managed companies that are diligent in their governance, effective in their management of internal and external relationships, and successful in reducing their carbon footprint, will have less regulatory, operational, and reputational risk, making them more likely to outperform over the long-term.

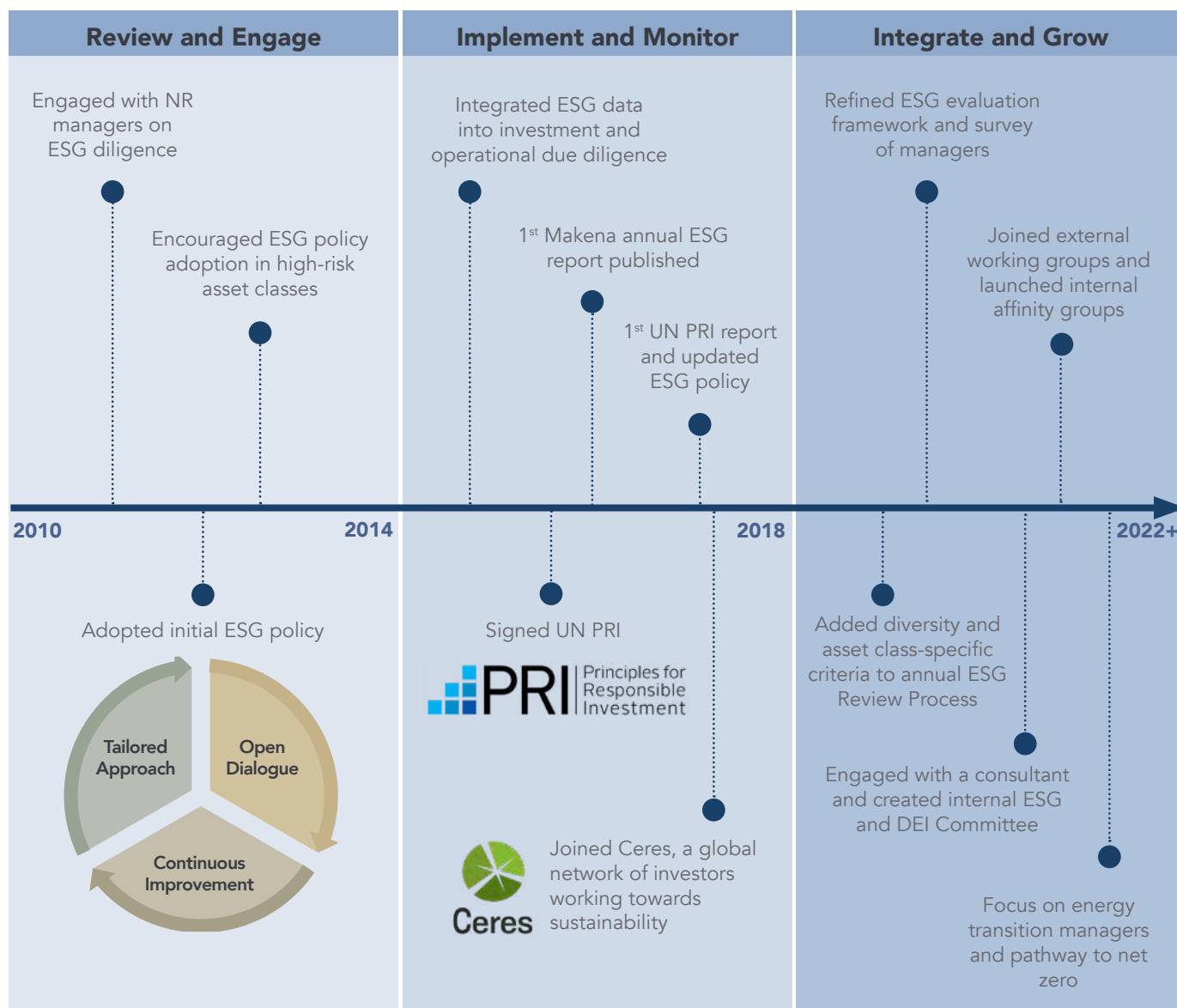
Industry-wide, participants are coming together to establish how ESG factors are identified, valued, and incorporated into an investment process. Makena strives to be a leader in this journey. Since we first adopted an ESG policy in 2012, our approach has evolved from a disclosure-based framework to one focused on sustainable financial outcomes. As the ESG landscape evolves, we will continue to consider improvements to our investment process. We look forward to providing future updates regarding internal and external changes we are making to best capture the opportunities and reduce ESG risks. As always, we are guided by the goal of providing value to our clients as we continue to improve our approach to sustainable investing. ■



Makena's Investment Philosophy

Our sustainable investment framework starts with and is rooted in our fiduciary responsibility to deliver the highest risk-adjusted, long-term returns for our investors. We believe that integrating sustainability considerations into our investment activities can enhance financial outcomes and operating performance both through positive engagement and through enhanced risk evaluation within certain sectors.

Makena's ESG Investment Timeline & Approach



Our focus on sustainability is consistent with one of our core investment principles: maintaining a long-term focus. Makena's journey with sustainability began nearly 12 years ago with a recognition that ESG factors can materially affect long-term investment performance and an acknowledgment that we had the opportunity

to be a positive influence on our investment partners. As we have grown and learned as a firm, ***we have also taken a more targeted and intentional approach to sustainability, shifting from our initial focus on routine compliance and disclosure to one in which we target ESG criteria that can drive value creation.***

Our approach to incorporating sustainability into the investment process, which includes both pre-investment diligence and post-investment monitoring, is detailed below.

Pre-Investment Diligence	Post-Investment Monitoring
IC Memo Incorporating findings as part of overall evaluation and standardizing inclusion of ESG diligence	Board Influence Encouraging managers to actively influence each portfolio company's board
Operational Due Diligence Continually evaluating and improving managers' approaches over the life of an investment	Encourage Reporting Encouraging managers to outline key ESG factors to consider and report on those annually
Target ESG Questions Tailored to each manager's asset class, strategy, sector, and geography	Annual Survey Further tracking progress and identifying any ongoing risks of the investment

Portfolio-Level Carbon Accounting

We are in the process of exploring ways to estimate our portfolio-level carbon emissions. Although the availability of detailed and accurate data with this level of granularity is the primary impediment to this objective, we are working with peers and across working groups to advance our measurement capabilities with the end goal to benchmark our portfolio companies to their respective sectors. We are signing onto the ESG Data Convergence Initiative, which seeks to create a critical mass of meaningful performance-based ESG data from private companies based on a standardized set of ESG metrics.

Partnerships

Makena has consistently sought partnerships and networking groups to further our involvement and connection with like-minded investors:



Principles for Responsible Investment (UN PRI)

UN PRI is a United Nations-supported international network of investors working together to implement six aspirational principles with the goal to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.



Coalition for Environmentally Responsible Economies (Ceres)

Ceres is a sustainability nonprofit organization which works to connect influential investors and companies to build leadership and drive solutions through the economy. With Ceres, Makena participates in several working groups that provide investors with the tools to identify risks within their portfolios and engage with companies to press for new standards. ■

Internal Sustainability & Corporate Responsibility



Community Engagement

Founded in 2006 by professionals from leading North American endowments and foundations, Makena places a high value on civic-mindedness and diversity in our firm culture. We invest for the next generation, with collaboration as the foundation of our work, recognizing that a team culture built on meritocracy, excellence, and empowerment is our greatest asset.

We promote philanthropic involvement and initiatives at multiple levels through leadership, service, and engagement opportunities within communities both near and far from our Silicon Valley headquarters. At a leadership level, our Managing Directors currently serve or have served on the Investment Committees of leading institutions, including The Rhodes Trust, The University of Virginia, William & Mary, The Virginia Retirement System, and Stanford Management Company.

Through both volunteering and financial support, we are longstanding supporters of several organizations within our community which are core to our firm values. In 2021, we held multiple volunteer days alongside the Second Harvest Food Bank in San Mateo. In previous years, we have held an annual firm-wide volunteer day with the Samaritan House of San Mateo, the Boys & Girls Club of San Francisco, and the Boys & Girls Club in Napa.



Makena Foundation

In an effort to increase our commitment to charitable giving and volunteerism in our community, we established the Makena Foundation in 2019. The primary objectives of the Foundation are to support local non-profits that are performing work reflective of Makena's values, further align Makena employees with our clients and their respective missions, demonstrate Makena's commitment to constructive citizenship, and foster cross-collaboration and relationship-building across the firm.

Makena Foundation Mission Statement:

Reduce systemic inequality, unlock potential in youth, and support vulnerable populations and the environment in our local community of the San Francisco Bay Area.

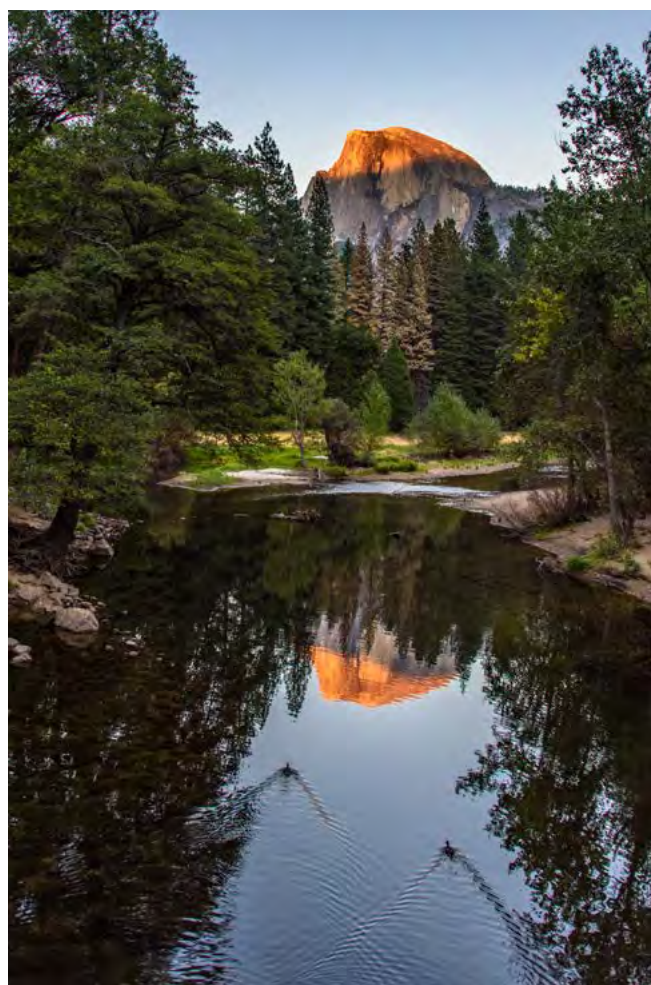
The Makena Foundation supports organizations that have demonstrated success at increasing access, opportunity, and advancement across the following critical areas: education, social welfare, food security/basic needs, and environmental impact. The Foundation prioritizes local organizations with which Makena can build long-term, multifaceted partnerships. Additionally, the Foundation seeks to aggregate causes supported by individuals across the firm to strengthen our combined ability to contribute. In 2021, the Makena Foundation partnered with the following organizations:



The Foundation will exist in perpetuity, with an annual budget to allocate across non-profits and select charities that align with the mission of the firm. The foundation will prioritize relationships with organizations that fall under its core areas of focus as described above. Within this framework, organizations are proposed by employees and ultimately decided upon by a committee comprised of individuals across functional departments, with oversight by Makena's Executive Committee. Since 2019, through the Makena Foundation and other corporate giving we have made donations and philanthropic commitments of over \$10 million.

Employee Donation Matching Program

In 2021, Makena and our employees in aggregate made donations to 67 different charitable organizations through our employee matching program, totaling \$290,000. The employee donation matching program supported organizations with a range of focuses, including the environment, healthcare, human rights, equal opportunity, education, and the arts. To increase participation in the employee matching program, we instituted the first annual “Makena Day of Giving” in 2021, in which the Firm matched 125% of all employees’ donations on that day. Participation in the program increased by ~65% over the prior year.



Business-Level Net Zero Initiative

Beyond our recurring sustainable investment actions, we recently completed a study evaluating Makena’s own carbon footprint along with potential offset options. As part of this process, we conducted calls with our investment partners, engaged with ESG consultants, and researched carbon offset providers. We leveraged emissions tools provided by the Greenhouse Gas Protocol, which supplies the world’s most widely used greenhouse gas accounting standards.

Our estimated annual carbon footprint is 800 tons of CO₂, which covers Scopes 1, 2, and 3 emissions, but excludes our investment activities. We found that business travel accounted for approximately three quarters of our total emissions, followed by employee commutes and office energy consumption. Determining our baseline annual emissions was the first step, and a subset of our ESG committee is now working to improve our firm-level emissions, including through the potential purchase of carbon offsets.

We are currently exploring several potential options regarding the purchase of carbon offsets. Of the four primary categories of offset methods – conservation, cookstove, renewable energy, and reforestation – reforestation projects are arguably among the higher quality removal options and also align well with our long-term investment objectives. As for actively reducing our carbon footprint, we are working with our property manager to evaluate ways we can reduce our electricity consumption along with converting to renewable power sources. We are also evaluating our commute and business travel to determine ways we can reduce fuel consumption tied to both.

Diversity, Equity, and Inclusion

DEI at Makena

Diversity, equity, and inclusion (DEI) continues to be a top strategic priority at Makena. A critical, initial step in our DEI journey was articulating Makena’s DEI commitment:

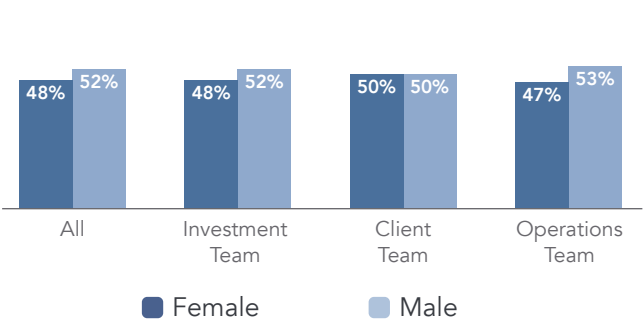
“Makena believes that diversity, equity, and inclusion are integral to our values and our mission. We further believe that diversity will make for a richer firm culture and better investment outcomes. We seek to build a team of the best and the brightest, welcoming individuals from any background including race, ethnicity, gender identity and expression, sexual orientation, age, veteran’s status, national origin, disability, marital status, socioeconomic status and/or religion.”

This is a commitment we reference frequently internally and communicate in our external-facing materials.

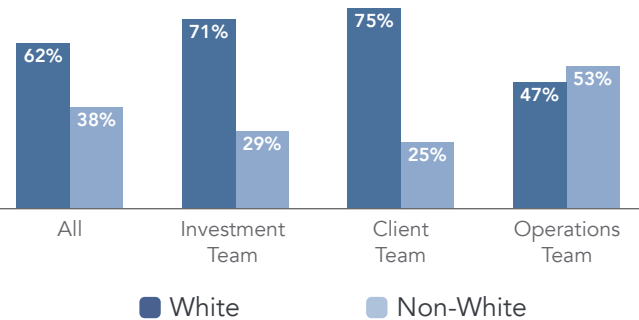
Makena prioritizes the promotion of all aspects of diversity. Females comprise 48% of Makena employees as of August 2022. This is a considerable increase compared to last year, when females accounted for 38% of the Firm. This improvement is ahead of the broader asset management’s female composition of 39%,¹ as well as within range of our long-term goal of achieving 50% female employees.

38% of Makena’s employees classify as ‘non-white’ compared to 32% last year. In both years, Makena has slightly exceeded the industry average of 30%.

Makena Gender by Team



Makena Diversity by Team



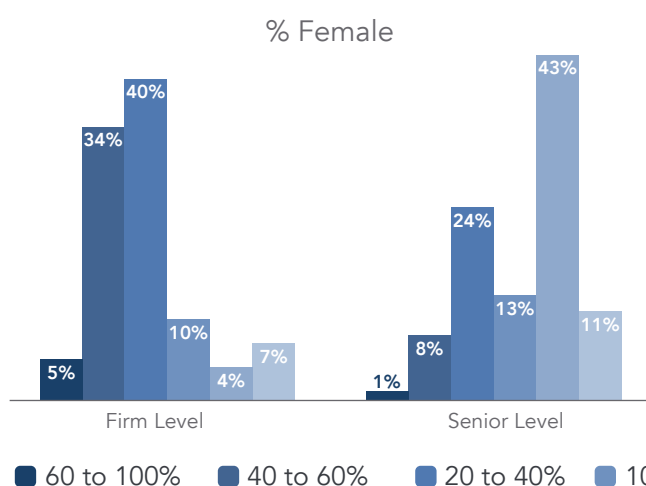
¹ McLagan, “2022 McLagan Diversity Study” May 2022.

DEI Engagement with Managers

Beyond diversity at the firm level, Makena also examines the gender and racial / ethnic diversity of our managers on an annual basis through our ESG Survey.

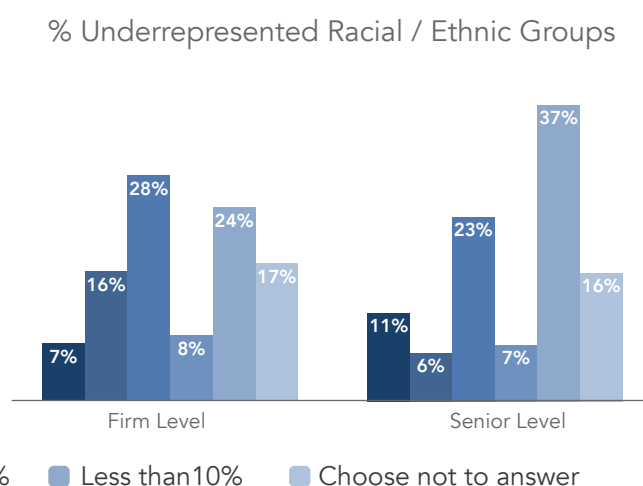
Percent of female employees

Our managers stack up well compared to the industry benchmark with regards to the percentage of female employees. A March 2022 Preqin Report found that the total proportion of alternative asset managers that are female as of year-end 2021 is 21%, whereas 39% of our managers report having greater than 40% total female employees². In terms of the Senior Investment Teams, 33% of our managers report having teams comprised of at least 20% women. This is in line with the benchmark, which shows that Senior Investment Teams are comprised of 12% women on average. We recognize there is further room to grow here and expect to see this evolve from ongoing engagement with our managers.



Percent of underrepresented racial / ethnic groups

We added a set of questions to our annual survey this year to illuminate the racial and ethnic diversity of our portfolio managers. This data collection is an important first step in benchmarking our progress and widening our pipeline of prospective managers. At the Firm level, 23% of our managers are comprised of more than 40% employees from underrepresented groups. 17% of our managers have senior-level professionals from underrepresented groups that make up at least 40% of the senior team.



We continue to engage with our GPs to improve diversity and inclusion by encouraging transparency about company diversity, setting clear targets for diversity metrics, and helping to source a more diverse group of candidates for open positions. In an effort to encourage this work, we are adding a question specifically about portfolio company diversity to our survey next year and reestablishing our review of ethnic diversity.

² Preqin, "Women in Alternative Asset Management" March 2022.

Makena DEI Committee Work

In June 2021, Makena established a DEI Committee to pursue strategic and tactical initiatives to increase and expand DEI in three core pillars: our team, our portfolio, and our community. A number of notable highlights of the team's work are mentioned below:

Team: We strive to recruit, retain, and develop a diverse employee base to foster a culture of inclusion where all viewpoints can be shared.

Recruit diverse talent. We have required all headhunters to bring forth diverse slates, encouraged awareness of diversity metrics in the recruiting process, introduced new channels of diverse talent (e.g., Out 4 Undergrad), and solidified existing partnerships (e.g., Management Leadership for Tomorrow).

Invest in DEI learning and development. We aim to arm colleagues with the skills and tools needed to better foster a culture of inclusion and collaboration.



Build a supportive workplace. We have engaged in a set of initiatives that celebrate the diversity of our colleagues. These include solidifying affinity groups, reporting on DEI progress internally, refining employee policies to be more inclusive, and enhancing evaluation criteria to explicitly include creating opportunities for diverse colleagues. In addition, we are striving to stay abreast of best practices and participate in events that promote diversity, equity, and inclusion.



Portfolio: We seek to source, diligence, and invest in a diverse group of managers, while also incorporating and sharing best practices across the industry.

Build DEI into the Investment process. Over the last year, Makena has engaged in a broader exploration into data collection and reporting of diversity data. We have expanded our look beyond gender to include racial and ethnic makeup of managers and

have added diversity-focused questions on our CRM deal-tracking system and annual ESG Survey. Furthermore, Makena engages with industry forums (e.g., ILPA, IADEF, iDIF, CapIntro) to widen our funnel, build diverse industry relationships, and stay current on the latest metrics and definitions. ■

Portfolio Analysis



Portfolio Analysis

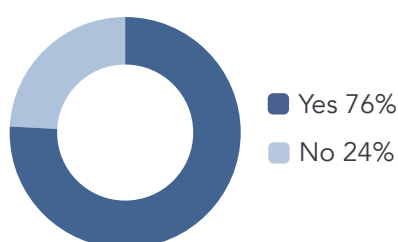
ESG Survey: Policies and Procedures

Since 2016, we have conducted an annual ESG survey to engage with our managers on responsible investing and stewardship. The survey includes questions specifically related to our managers' ESG policies, due diligence processes, and diversity and inclusion. Makena uses these survey results to inform our discussions with managers as we seek to establish best-in-class sustainability frameworks in the pursuit of strong value creation. The following information is intended to summarize the results from the 100 managers who responded to this year's survey³.

76% of Makena's managers factor ESG into their due diligence process

This level of incorporation is consistent with what we observed in the prior year. We saw more notable improvement on the number of managers who have signed onto the UN PRI: since last year's report, six additional managers signed the UN PRI. Since becoming a signatory in 2016, Makena has engaged with our managers about the initiatives and offered our assistance to those who inquire.

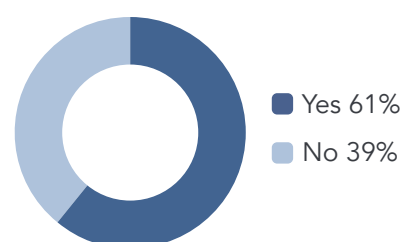
Managers Factoring ESG into Due Diligence



61% of Makena GPs have adopted a formal ESG policy

ESG policy adoption has continued over the last year, but still has room to grow. Across all asset classes, policy adoption has increased 5% from last year's report. The change was driven by two Private Equity managers and two Marketables managers who established policies. It is encouraging that managers are further developing their ESG processes and moving towards an industry standard, as it enables us to engage on the topic up front.

GPs with an ESG Policy

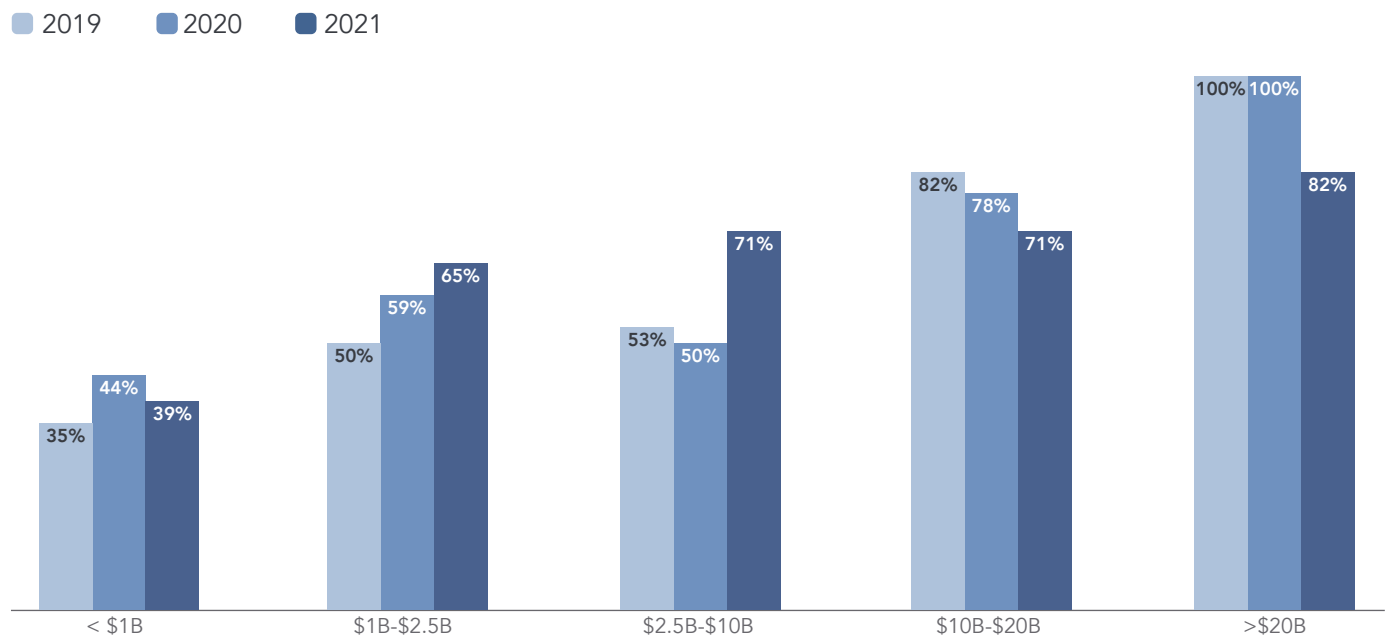


³ Report references year-end 2021 data, which is the latest we have received from managers.

Regardless of firm size, ESG can be integrated into managers' investment processes

In our previous report, we noted that the percentage of GPs who have adopted an ESG policy skewed towards larger firms, which remains the case today. Though larger firms tend to have more resources to help with the reporting and integration of formal ESG practices, our latest survey results indicate that medium-sized firms, ranging in size from \$1 to \$10 billion in assets under management, have been the most active in incorporating ESG policies year-over-year. This increasing recent engagement from smaller firms is encouraging particularly as they may not have dedicated staff and ESG resources.

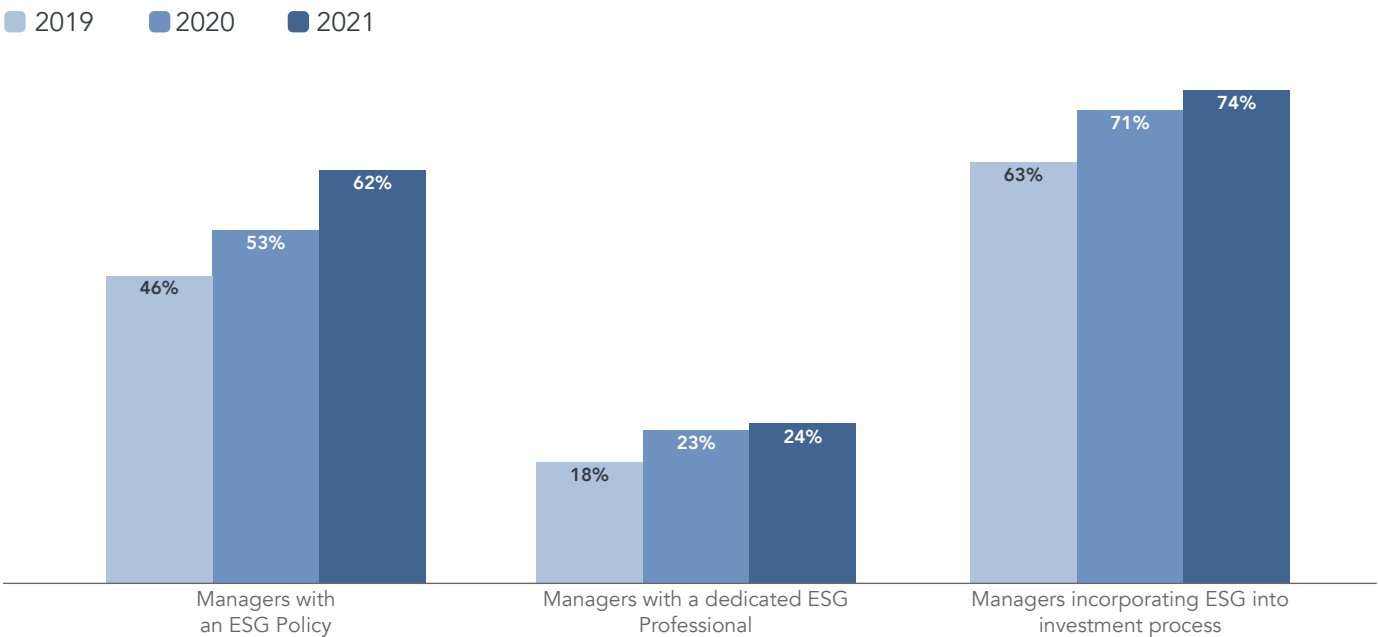
Managers with an ESG Policy by AUM



ESG Survey Results Asset Class Spotlight: Private Equity

2021 saw continued adoption of ESG principles within the Private Equity asset class across the board. In a business where GPs have the ability to influence significant operational and cultural change at portfolio companies, it is encouraging to see Makena’s Private Equity managers incorporate sustainability considerations into their investment processes. 74% of Private Equity managers factor ESG into their due diligence analyses, up from just 63% from 2019. On ESG policy implementation, personnel decisions, and investor reporting, Makena’s Private Equity managers have also improved on a year-over-year basis. This broad-based positive trend reflects a heightened commitment to ESG among Makena’s Private Equity managers and sets the stage for further adoption in the future.

Increased ESG Adoption Among Private Equity Managers



Portfolio Company Spotlights

Sutter Hill Ventures Portfolio Company



Sila Nanotechnologies is a materials company producing quality-controlled silicon anode technology that enhances energy capacity in lithium-ion batteries. Sila is anticipated to begin factory production in 2024 and integrate their technology into electric vehicles in 2025 through key strategic partnerships including with BMW and Amperex.

Elephant Portfolio Company



PVcase develops solar technology solutions which enable companies to design and optimize commercial and utility-scale solar assets. Their interface helps engineers meet complex regulations and address land use roadblocks from a project's onset.

Tripot Portfolio Company



Red Stone is a market leading real estate investment firm specializing in the syndication of Low-Income Housing Tax Credits along with Renewable Energy Tax Credits to facilitate the development of affordable multifamily communities and renewable energy projects. Makena co-invested into the company in 2021.

Silversmith Portfolio Company



Higg is a leading public-benefit technology company making supply-chain sustainability progress transparent. They are well-known for their Higg Index, a single-source platform internally aggregating ESG performance data across a product's lifecycle for 50,000 manufacturers in 100 countries.

Andreessen Horowitz Portfolio Company



Patch is a carbon removal marketplace with the goal of returning atmospheric carbon levels to 280 ppm, which constitutes pre-industrial scale. They offer clients a means to calculate and offset their carbon emissions with fractional credits.

Cowboy Ventures Portfolio Company



Planet FWD is a woman-founded, leading carbon management platform for consumer brands. By leveraging the extensive Life Cycle Assessment database (LCA) and conducting value chain modeling, Planet FWD allows companies to calculate emissions coming from individual products or their entire organization.

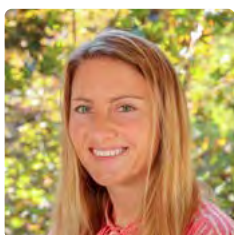
About the Authors



Lara Banks, a Managing Director, is responsible for portfolio management and manager selection for Makena's Private Equity and Venture Capital portfolios. Lara is also a member of Makena's Management and Investment Committees. Lara earned an M.B.A. from Harvard Business School and a B.A. in Economics and Government from Cornell University where she graduated Magna Cum Laude.



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