




KAIROS

INVESTMENT MANAGEMENT

2021 ANNUAL IMPACT REPORT

 TO END NOTES



Signatory of:



Principles for
Responsible
Investment

IA 50
2020
MANAGER

IA 50
2019
MANAGER

IA 50
2017-2018
MANAGER

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WE MADE A PROMISE TO STRIVE FOR DEEP IMPACT

Having just experienced the worst pandemic in more than a century, the challenges of 2022 have created a different type of hardship for low- and moderate-income families. With record inflation, an aggressive Federal Reserve policy of increasing interest rates, and a recession looming with accelerating layoffs, living day to day has an entirely new meaning as families struggle to provide basic needs for themselves. At Kairos, we are proud to play a small role in providing care, support, and opportunities to our tenants and communities during these challenging economic times. Kairos Investment Management Company, LLC (“Kairos”) seeks to help break the cycle of poverty by providing quality housing to low- and moderate-income families. We pair that with social and environmental improvement programs to provide a higher quality of life for our tenants and their communities. Since the inception of our impact strategy and through 2022, it was gratifying to see our actions produce a real impact at multiple levels. We continue to challenge ourselves to find new ways of providing impact to the families we serve through our affordable housing properties that provided quality housing throughout the pandemic. During the year, we partnered with an ever-growing constituency of non-profit organizations to provide our tenants and the communities we serve with flu shots, meal delivery, financial education, job training, back-to-school supplies, clothing, and wellness clinics just to name a few of the programs. Our environmental programs continued to reduce energy and water consumption, and waste at our properties. In 2022 we sought to expand our impact reporting to challenge ourselves to find ways of doing even more for the communities we serve, while learning how to continue to optimize the good work we have begun. We are excited to share it with you how our impact journey continues to evolve through our Annual Impact Report.



CARL CHANG
Chief Executive Officer



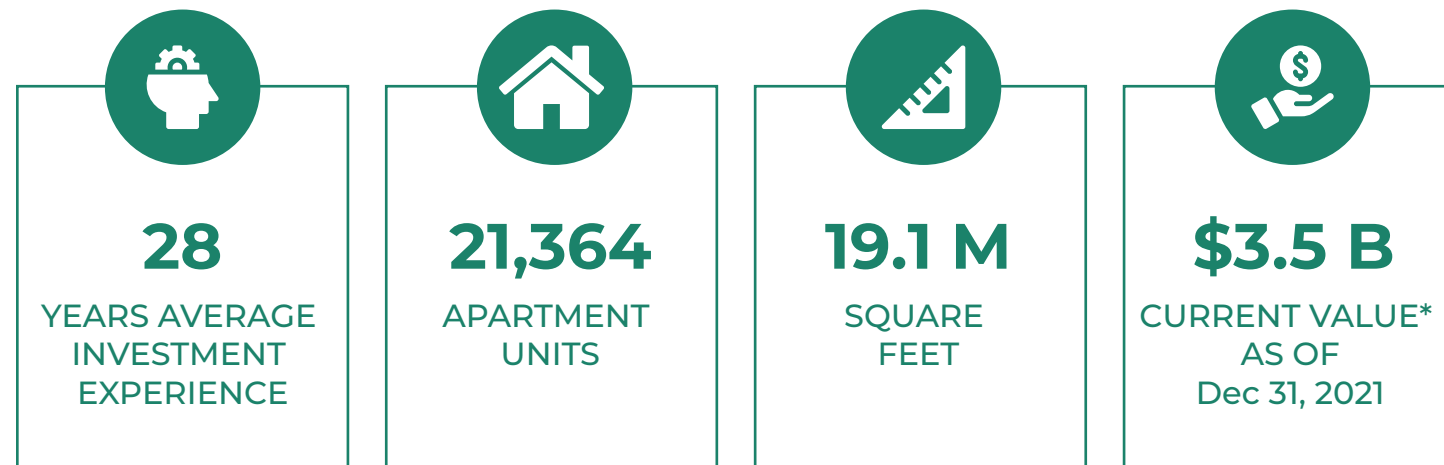
JONATHAN NEEDELL
President &
Chief Investment Officer

KAIROS AT A GLANCE

Kairos Investment Management Company LLC (“Kairos” or the “Firm”) is headquartered in Southern California and was established with a long-term orientation to focus on value-based real estate investments.

The Firm’s was founded in 2005 by Mr. Carl Chang who, along with his family, has been investing in real estate since 1989. Mr. Chang (Chief Executive Officer), Mr. Jonathan Needell (President and Chief Investment Officer), and other senior executives lead the Firm’s day-to-day operations. The executive team is comprised of experienced investors, with deep experience in areas including acquisitions, asset management, property management, development, design, and construction.

Impact is incorporated into the ethos of the firm. Kairos is committed to providing a high level of environmental and social impact while delivering what we believe to be compelling financial returns to its investors.



source: Kairos 2021



LAKEVUE APARTMENTS CLUTE, TEXAS

OUR PURPOSE

GOAL AND OBJECTIVES

Our impact philosophy is that good deeds do not have to come at the cost of good returns. Furthermore, we believe the way to make impact investing sustainable is to make it profitable. Our goal is to provide empirical data to prove that impact investments can be used to reduce risk and enhance return. Additionally, our objective is to provide a roadmap to return attribution from impact investments, help raise awareness, and inspire others to look for new ways to incorporate a positive impact within their investment pursuits and in real estate in particular.

We have set the following goals in place to monitor progress and ensure successful management of our impact strategy:

- 1 PROVIDE QUALITY AFFORDABLE HOUSING**
as a means to effect change and directly impact the lives of tenants across the United States
- 2 PROMOTE POSITIVE COMMUNITY SUPPORT**
through resident and community programs that are tailored, based on feedback from the tenants and their specific needs, to improve quality of life
- 3 REDUCE OUR CARBON FOOTPRINT**
by making environmental impact investments in water conservation, energy efficiency, and waste reduction improvements in portfolio properties, thus resulting in decreased greenhouse gas emissions
- 4 INVEST IN OUR PEOPLE**
by creating a diverse and inclusive workplace for our employees to feel empowered and to elevate to their highest potential
- 5 MONITOR OUR PROGRESS**
to measure and understand key indicators that will help us improve our objectives

ACTIONS, MEASUREMENTS AND GOALS

We believe sustainability is core to our business. By integrating social and environmental considerations into our business model, we seek to create lasting benefits for our tenants and the surrounding communities.

At Kairos, we do not look at impact investing as a cost center. Instead, we consider it a way of ensuring long-term sustainable growth and profitability.

WE HOPE TO LEAD THE WAY IN
DELIVERING AFFORDABLE HOUSING,
SUPPORTING SOCIAL PROGRAMS
THAT IMPROVE THE QUALITY OF LIFE
FOR OUR TENANTS, AND REDUCING
OUR CARBON FOOTPRINT THROUGH
ENVIRONMENTAL RESPONSIBILITY.

Our goal is to raise awareness and inspire others to look for new ways to incorporate a positive impact within their investment pursuits and in real estate in particular.

Achieving measurable impact is not the result of a single action. Instead, it is the result of a series of actions that lead to the ultimate outcome. It's a marathon, not a sprint, but the actions we have already taken have set us on the path to achieving our five core goals.

- 1

PROVIDE QUALITY
AFFORDABLE
HOUSING
- 2

PROMOTE POSITIVE
COMMUNITY
SUPPORT
- 3

REDUCE
CARBON
FOOTPRINT
- 4

INVEST
IN OUR
PEOPLE
- 5

MONITOR
OUR
PROGRESS

ACTIONS	MEASUREMENTS	GOALS
<div>Create a tiered plan for investment in rent-restricted properties based on area median income (AMI)</div> <div>Self-restrict a portion of market-rate properties for tenants that are below the AMI for a particular area</div>	<div>Number of units rented</div> <div>Aggregate market discount</div>	<div>PROVIDE QUALITY AFFORDABLE HOUSING as a means to effect change and directly impact the lives of tenants across the United States</div>
<div>Tailor resident programs to support health and wellness education, nutrition and food delivery programs, mobile libraries and school supplies for children, credit & financial education, career development & job search, community safety & disaster preparation events as well as other programs tailored to meet the demographic needs of each</div>	<div>Number of programs delivered</div> <div>Level of engagement</div> <div>Credit Improvement</div> <div>Quantified value of goods & services provided directly to residents</div>	<div>PROMOTE POSITIVE COMMUNITY SUPPORT through resident and community programs that are tailored based on feedback from three key resources: the tenants, the property staff, and the local impact partners that serve that greater community and are familiar with the challenges and needs our residents face each day.</div>
<div>Install low-flow devices, LED fixtures and other water and energy conservation technology</div> <div>Reduce waste through the use of trash compactors</div> <div>Produce sustainable energy with solar installation</div>	<div>Gallons saved</div> <div>Kilowatts saved and produced</div> <div>Return on cost</div> <div>Return on equity</div>	<div>REDUCE OUR CARBON FOOTPRINT by making environmental impact investments in water conservation, energy efficiency, and waste reduction improvements in portfolio properties, thus resulting in decreased greenhouse gas emissions</div>
<div>Increase diversity in leadership roles</div> <div>Retain and attract diverse talent</div> <div>Create an inclusive working environment</div>	<div>Develop clear career tracks for all employees</div> <div>Organize events to celebrate diversity</div>	<div>INVEST IN OUR PEOPLE by creating a diverse and inclusive workplace for our employees to feel empowered and to elevate to their highest potential</div>
<div>Create leadership roles dedicated to tracking impact performance</div>	<div>Report of quarterly metrics</div> <div>Publish annual impact report</div>	<div>MONITOR OUR PROGRESS to measure and understand key indicators that will help us improve our objectives</div>

K IMPACT STRATEGY PRINCIPLES

THREE-PRONGED APPROACH



AFFORDABLE HOUSING

Quality affordable housing effects change and directly impacts the lives of tenants across the United States. We purchase rent-restricted properties to make housing available to lower income households in an effort to preserve the affordable housing market. Where possible, we have also made a commitment to self-restrict a portion of units in our market-rate properties for qualifying tenants that meet 80% average median income in the area.



SOCIAL PROGRAMS

We promote positive social impact and community support through resident and community programs. Through tenant surveys, these programs are tailored to the specific needs of residents to improve quality of life. For example, a community where the majority of tenants are single parents tend to benefit from programs directly related to their children, such as Back to School Supplies, Warm Winter Gear, Nutrition Education and the various Food and Meal Programs for children. Whereas a community with a large senior base of 55+ tends to benefit from programs related to health and wellness and nutrition, such as Flu Clinics, Diabetes Education, Cholesterol Screening, and Senior Grocery Delivery.



ENVIRONMENTAL SUSTAINABILITY

By making investments in water conservation, energy efficiency, sustainable energy production, and waste reduction, we have made significant positive environmental impact. Our accomplishments include: reduction in our carbon footprint, improved operating efficiency, and reduction in operating expenses within portfolio properties, intended to increase cash flow and net operating income.

K DIVERSITY AND INCLUSION

CREATING SUSTAINABLE
VALUE IS THE PURPOSE THAT
UNITES ALL OF US AT KAIROS



At Kairos, we promote a holistic approach to creating a diverse, inclusive, fair, and impartial workplace. We are a minority-owned business and recognize the importance of diversity. We believe varied insights and perspectives are essential to illuminating our business purpose.

90%
MINORITY-OWNED

38%
MINORITY LEADERSHIP

source: Kairos 2021



MEETING GLOBAL OBJECTIVES

SUSTAINABLE DEVELOPMENT GOALS

Kairos has adopted a framework defined by the United Nations ("UN") Sustainable Development Goals ("SDGs"). The UN has outlined a set of life-changing goals to end poverty, protect the planet and ensure a better and more sustainable future for all. The organization's hope is to make this happen by 2030. This lofty effort has been adopted by most countries and our hope is to have a part in helping to achieve that goal.

The plan set out by the UN encompasses 17 global challenges. We have honed in on a few areas where we believe we could provide a positive impact. Our property investments are producing benefits that correspond to the aspirations of the SDGs. Below are some of the areas where we are seeing an impact:



Reference: sdgs.un.org/goals



The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all.

[Learn more to take action](#)

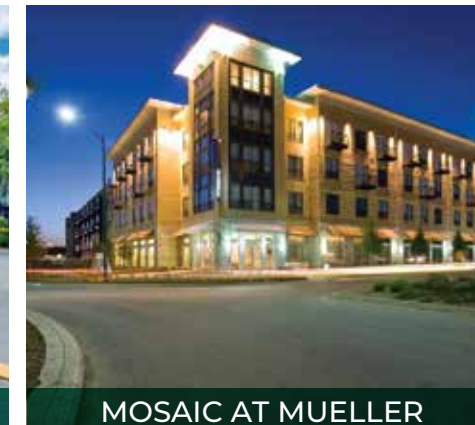
WHAT IS AFFORDABLE HOUSING?

ACCORDING TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, HOUSING IS “AFFORDABLE” IF IT COSTS NO MORE THAN 30% OF THE MONTHLY HOUSEHOLD INCOME FOR RENT AND UTILITIES.

Reference: www.hud.gov



LA MIRANDA GARDENS



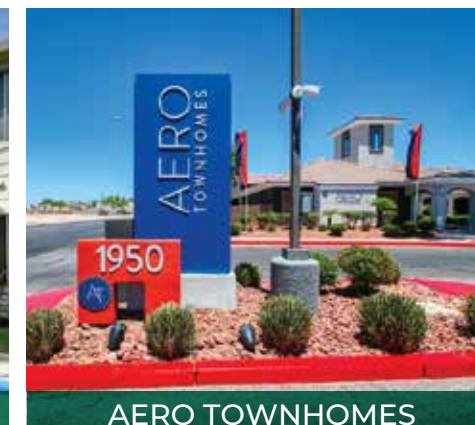
MOosaic AT MUELLER



THE EASTON



THE EVERETTE



AERO TOWNHOMES



FOREST MANOR

We believe the greatest positive impact in affordable housing can be made, not by building new affordable units, but rather by upgrading the quality of existing assets and improving the lives of low- and moderate-income individuals, families, and neighborhoods in which the properties are located.

“

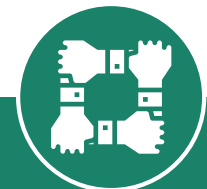
Our social impact programs are nimble and can be modified quickly to suit the changing needs of our residents. In 2021, when families and individuals were still dealing with the ramifications of the Pandemic, such as juggling to set up their children for online learning so they could then go to work remotely in the other room, we recognized that these families would benefit from the student meal program coming directly to their home. Other residents were trying to find new employment during a time when most businesses were physically closed so we connected with partners to offer free webinars on career development which included information on finding remote work. Our social impact programs are about bringing the right resources to residents when they need them most.

ANITA RODRIGUEZ
Impact Program Director
Kairos Investment Management Company

K SOCIAL PROGRAMS

Kairos partners with nonprofits, academic institutions, and civic organizations to provide social programming for the residents of our affordable housing properties. These social programs are tailored to serve residents seeking to develop or improve in the areas of employment, education, health and financial literacy.

MOST PROGRAMS ARE FINANCIALLY SUPPORTED BY THIRD PARTY NON-PROFIT GROUPS. THE PROPERTY PROVIDES THE VENUE AND HOSTS EVENTS FOR THE BENEFIT OF THE COMMUNITY AND ITS RESIDENTS.



51,041

PARTICIPATIONS IN SOCIAL PROGRAMS IN 2021



\$2.3M*

GOODS & SERVICES PROVIDED TO OUR TENANTS IN 2021



1,211

ACTIVITIES HELD BY PORTFOLIO PROPERTIES IN 2021

source: Kairos 2021

IMPACT SEGMENTS

PERCENTAGE OF PROPERTIES PARTICIPATING IN IMPACT SEGMENTS IN 2021



COVID-19 OUTREACH

100%



FINANCIAL LITERACY

91%



CHILDREN & FAMILIES

95%



HEALTH & WELLNESS

73%



EDUCATION

100%



NUTRITION

78%

source: Kairos 2021

OUR SOCIAL PROGRAMS ARE TAILORED SPECIFICALLY FOR EACH PROPERTY BASED ON FEEDBACK FROM TENANT SURVEYS

Examples of social programs which take place on-site at our properties include:

- flu shot clinics
- meal delivery for students and seniors
- financial literacy training
- job training and placement assistance
- tax preparation services
- student backpack and school supplies initiative
- winter gear for children
- emergency and first aid supplies
- nutrition and health courses
- senior wellness clinics
- holiday gifts for kids, and more



ENVIRONMENTAL SUSTAINABILITY



Environmental sustainability is the responsibility to conserve natural resources and protect global ecosystems to support health and wellbeing, now and in the future.

Kairos has played a part in preserving our environment through energy consumption audits, installation of solar panels, upgrading HVAC systems, installation of LED lighting, and programmable thermostats. We have also outfitted residences with thermal sealed windows and doors and made other energy efficient upgrades. To conserve water an extensive consumption audit was conducted and properties were upgraded to include sink aerators, low flow toilets, low flow shower heads, pressure release valves, water meters, and thermostatic tub diverters.

KAIROS' 2021 SUSTAINABILITY INITIATIVES PRODUCED POSITIVE ENVIRONMENTAL IMPACT AND CONTRIBUTED TO A 9.1% INCREASE IN EQUITY VALUE*



2021 ENVIRONMENTAL IMPACT RESULTS*



Water Conservation

144.4M
GALLONS LESS WATER



Energy Savings Opportunities

2,018,430
KWH LESS ELECTRICITY



Saving Waste

728
CUBIC YARDS LESS WASTE

ELECTRICAL, WATER, AND WASTE SYSTEM UPGRADES

27.4%
WEIGHTED AVERAGE RETURN ON COST

\$1,203,430
ANNUAL EXPENSE COST SAVINGS

3.65
YEARS AVERAGE PAYBACK

BADGE DISCLOSURES

National Minority Supplier Development Council: Recognition is not indicative of future performance. NMSDC’s rigorous certification process requires that minority businesses in our Network are at least 51% minority-owned, managed and controlled. Eligibility is established by conducting a series of reviews, screenings, interviews and site visits. This distinguishes NMSDC from other organizations or entities who publish directories allowing for “self-certification”. Stringent standardization also identifies bona fide minority businesses, helping purchasing agents report expenditures as well as vendor utilization rates. These procedures help measure overall performance and progress. No fee, other than the standard application fee, was paid to be considered for this certification.

The following criteria is required for certification:

- (1) United States citizens;
- (2) Minority businesses must be at least 51% minority-owned, managed and controlled. For the purposes of NMSDC’s program, a minority group member is an individual who is at least 25% Asian-Indian, Asian-Pacific, Black, Hispanic or Native American. Minority eligibility is established via a combination of document reviews, screenings, interviews and site visits. Ownership, in the case of a publicly owned business, means that at least 51% of the stock is owned by one or more minority group members;
- (3) Must be a for profit enterprise and physically located in the United States or its trust territories; and
- (4) Management and daily operations must be exercised by the minority ownership member(s).

PRI: Recognition is not indicative of future performance. The United Nations-supported Principles for Responsible Investment (PRI) initiative is a network of international investors working together to put the six Principles for Responsible Investment into practice. The PRI were devised by the investment community and reflect the view that environmental, social and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time) and therefore must be given appropriate consideration into investment and ownership decisions when consistent with fiduciary responsibilities. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

In signing the Principles, signatories publicly commit to adopt and implement them, where consistent with their fiduciary responsibilities. Signatories also commit to evaluate the effectiveness and improve the content of the Principles over time. Signatories believe this will improve their ability to meet commitments to beneficiaries as well as better align their investment activities with the broader interests of society.

For more information regarding the Principles for Responsible Investment, please go to <https://www.unpri.org/>. No fee, other than the standard application fee, was paid to be considered for this certification.

ImpactAssets 50

Recognition is not indicative of future performance. IA50 is a representative list of funds from across the impact investing ecosystem. The database is updated annually to help investors and advisors identify experienced impact investment firms. The initiative is led by ImpactAssets, an independent nonprofit originally created by Calvert Impact Capital, which seeks to increase the flow of capital into investments delivering financial, social, and environmental returns. For inclusion in the ImpactAssets 50 2020 List, a fund manager must:

- (1) Have 3+ years of experience as a firm in the impact investing field,
- (2) Have at least \$25 million in assets under management,
- (3) Operate in more than one country, in a country with significant population; and /or in a sizable region of the United States,
- (4) Manage assets that are recoverable,
- (5) Accept US investment,
- (6) Have demonstrated financial capacity/oversight; and
- (7) Demonstrate significant commitment to social impact and track clear measures of social and/or environmental impact (GIIRS rating, use IRIS metrics, or other indicators to be determined). In 2020, there were 95 fund managers considered for IA50 and 62% of those are included in the list. In 2019, there were 94 fund managers considered for IA50 and 54% of those are included in the list. In 2017-18, there were 86 fund managers considered for IA50 and 58% of those are included in the list. No fee was paid to be considered for this recognition.

PAGE FOUR

Current Value: The Current Value of an investment is the amount that would be received to sell an asset or transfer a liability, under normal market conditions, in an orderly transaction between market participants as of December 31, 2021. Market price observability is impacted by several factors such as type of investment, asset quality, tenancy, and location. Appraisals were not explicitly done for each property; however, some values are based on appraisals and/or BOVs completed in the normal course of business. Some values assume sale on measurement date, utilizing discounted cash flow methodology, taking various factors into consideration, including exit capitalization rates and discount rates. For sold assets, the actual sales price is used. Additional information on these assumptions is available upon request.

Apartment Units and Square Feet: Figures represent lifetime holdings of Kairos.

PAGE THIRTEEN

Examples of properties with affordable housing within the Impact Strategy.

PAGE FOURTEEN

Goods and Services Provided to our Tenants in 2021: \$2.0 million is from rent relief provided to our tenants, who applied and received assistance through various sources e.g., federal, state, county, non-profits and churches, as a result of the pandemic.

PAGE SIXTEEN

Increase in Equity Value: Calculation as of 12/31/2021. Uses expense savings seen at each property immediately after the utility project is installed and 2020 YE Direct Cap Rates. It also includes assets that have been sold and the data is not specific to a given year. \$20.9M in value created over \$229.5M in initial equity for properties with an impact utility improvement component.

PAGE SEVENTEEN

Environmental Savings: Includes all historical return of capital (“ROC”) and annual savings for properties owned by Kairos where utility savings projects were implemented or installed. It also includes assets that have been sold and the data is not specific to a given year. For that reason, the ROC is calculated using the savings seen immediately after the utility project is installed.

Return on Cost: Calculated using the sum of the first year of savings post utility investment installment (or earliest available year of data if first year not available), divided by the cumulative cost of the utility savings projects.

Disclosure:

This report is as of December 31, 2021, and is for informational purposes only. Information in this report is not intended to be relied on to make any investment decisions. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security or any investment advisory services from Kairos, nor shall it be considered as a public offering of any securities. The information contained herein is not complete and it should not be relied on as such. It is in summary form for convenience of presentation and is provided to you as of the dates indicated. Any content in this report is subject to change without notice. All materials in this report are meant to be reviewed in their entirety, including any footnotes, legal disclaimers, restrictions, or disclosures, and any copyright or proprietary notices. Kairos is not responsible for the content of off-site pages, or any other site linked or linking to this report. Linking to any off-site pages or other sites is at your own risk. The materials in this report are provided “as is” without warranty of any kind, either express or implied, to the fullest extent permissible pursuant to applicable law. Any prior performance results provided herein are for illustrative purposes only and are not indicative of future results. There is no guarantee or assurance that the investment strategy will perform similarly to past investments described in this material or that the strategy will be able to avoid losses. There can be no assurance that the strategy will invest in similar properties in the future. This report may contain forward-looking statements that do not represent historical facts and are based on our beliefs, assumptions made by Kairos, and information currently available. Forward-looking statements in this report are based on our current expectations as of the date of this report, which could change or not materialize as expected. Actual results may differ materially due to a variety of uncertainties and risk factors. Kairos assumes no obligation to update the information or statements contained in this report.



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