

2022

ANNUAL IMPACT REPORT



 TO END NOTES



Signatory of:



Principles for
Responsible
Investment



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LETTER TO OUR STAKEHOLDERS

WE MADE A PROMISE TO STRIVE FOR DEEP IMPACT

A pandemic induced dovish approach by the world's central banks staved off the fears of a deep recession and helped prop up global economies in recent years. However, this action was not without its consequences. Inflationary pressures ensued and produced growing year-over-year inflation in the United States that neared double-digits for the first time in four decades. Housing has been unable to sidestep inflation's crosshairs as affordability of single-family homes was dually impacted by inflation and higher mortgage rates leading to a 49.1% year-over-year increase in monthly mortgage payments. Current homeowners have been less affected with predominately fixed-rate mortgages and the benefit of an appreciating asset. However, lower income groups have not maintained that same benefit as they have seen inflation on essentials outpace wages. This had led to widening wealth inequality. Today, the top 10% of US Households by wealth have \$7.0 million on average while the bottom 50% have just \$51,000. The affordability crisis in housing is directly restricting the social mobility for lower income groups and we aim to help solve that.

Kairos Investment Management Company, LLC ("Kairos") is proud to play a small role in providing care, support, and opportunities to our tenants and communities that are trying to rise above wealth inequalities in the United States. We seek to 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. It is 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. During the year, we partnered with an ever-growing constituency of non-profit organizations to provide our tenants and the communities we serve with financial education, career training, and tax preparation among several other programs. Our environmental programs continue to reduce energy, water consumption, and waste at our properties. We are excited to share our impact journey with you through our 2022 Annual Impact Report.*



CARL CHANG
Chief Executive Officer



JONATHAN NEEDELL
President &
Chief Investment Officer



KAIROS AT A GLANCE



Kairos is a real estate private equity firm whose predecessor was founded in 2005 focused on a long-term orientation to value-based real estate investments in the lower middle market, often with a contrarian approach. We have the ability to make direct investments or provide capital to sponsors and borrowers through debt and equity positions. The flat organizational structure enables us to quickly evaluate projects and make investment decisions across our geographic markets. Our philosophy enables us to be both opportunistic and patient with our investments, management approach, and disposition strategies. Kairos promotes a culture of patience, diligence, discipline, and alignment deployed across all of its strategies. As of December 31, 2022, the Kairos team has transacted on \$4.2 billion of real estate, including over 24,000 multifamily units and 21 million square feet of commercial property nationwide. We have offices in California, Colorado, and Tennessee.



YEARS AVERAGE
INVESTMENT EXPERIENCE

29



APARTMENT
UNITS

24,777



SQUARE
FEET

21.3 M



CURRENT VALUE*
AS OF DEC 31, 2022

\$4.2 B

source: Kairos 2022

TO END NOTES

LAKEVUE APARTMENTS CLUTE, TEXAS

OUR PURPOSE

GOALS AND OBJECTIVES

Our impact philosophy is that good deeds do not have to come at the cost of good returns. 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



MEASURING IMPACT

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 |
|---|--|--|
| Create a tiered plan for investment in rent-restricted properties based on area median income (AMI) Self-restrict a portion of market-rate properties for tenants that are below the AMI for a particular area | Number of units rented Aggregate market discount | PROVIDE QUALITY AFFORDABLE HOUSING as a means to effect change and directly impact the lives of tenants across the United States |
| Inspired by the Social Determinants of Health, the social programs delivered to residents focus on providing a positive impact on individuals' health, overall welfare, and standard of living. These programs include nutrition, education, support for children and families, financial literacy, credit improvement, health and wellness, resident safety, and career development. | Number of programs provided Level of engagement Credit Improvement Quantified value of goods & services delivered | PROMOTE POSITIVE COMMUNITY SUPPORT Tailored to address the unique needs of our diverse resident base through community surveys and feedback, social programs' aim is to link individuals with essential resources and deliver supportive services with the goal of fostering economic stability. |
| Install low-flow devices, LED fixtures and other water and energy conservation technology Reduce waste through the use of trash compactors Produce sustainable energy with solar installation | Gallons saved Kilowatts saved and produced Return on cost Return on equity | 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 |
| Increase diversity in leadership roles Retain and attract diverse talent Create an inclusive working environment | Develop clear career tracks for all employees Organize events to celebrate diversity | INVEST IN OUR PEOPLE by creating a diverse and inclusive workplace for our employees to feel empowered and to elevate to their highest potential |
| Create leadership roles dedicated to tracking impact performance | Report of quarterly metrics Publish annual impact report | MONITOR OUR PROGRESS to measure and understand key indicators that will help us improve our objectives |



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. In contrast, 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.

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 2022



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

clothing



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.

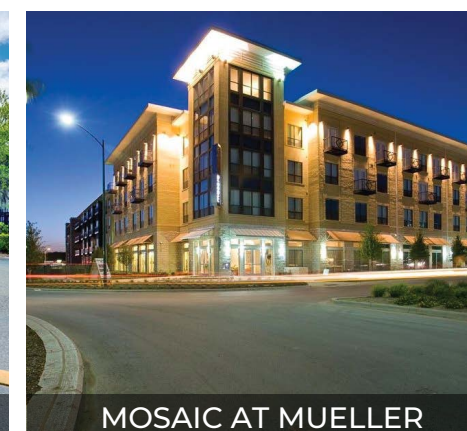
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In 2022, the effectiveness of social programs relied on our ability to evaluate and respond to the needs of our residents. After the peak of the pandemic, the nation slowly opened, and residents returned to in-person work and school; we welcomed a new type of normalcy. Social programs were adjusted to bolster support for residents and foster connections within the communities they call home. As the transition back to in-person interactions took place, we provided flu shots to residents prioritizing their health, facilitated the enrollment of residents in federal programs for subsidized internet and phone services, along with distributing free devices to bridge the technological divide in low-income households. Additionally, we re-introduced in-person events to further enhance community engagement with property management and with each other.

ANITA RODRIGUEZ
Impact Program Director
Kairos Investment Management Company



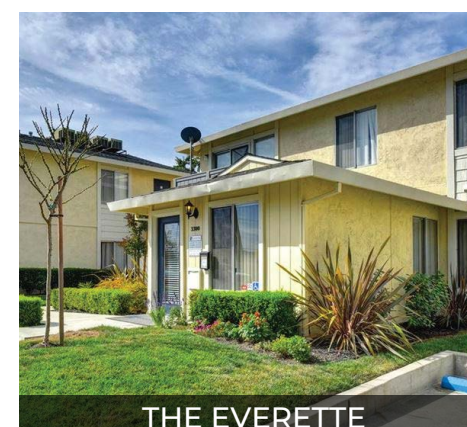
LA MIRADA GARDENS



MOSAIC AT MUELLER



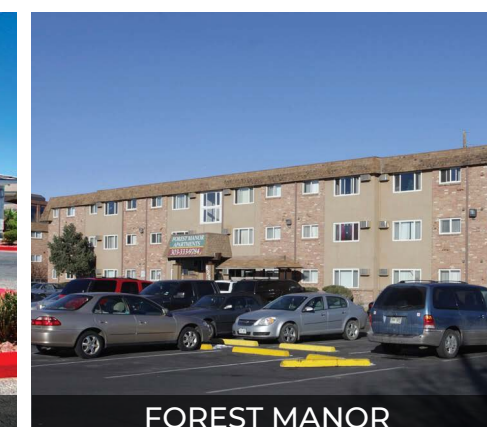
THE EASTON



THE EVERETTE



AERO TOWNHOMES



FOREST MANOR



SOCIAL PROGRAMS

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS



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.

PROGRAMS ARE DRIVEN BY MEMBERS OF OUR SOCIAL IMPACT TEAM WHO SECURE PARTNERSHIPS TO OFFER SERVICES AND RESOURCES AT NO CHARGE TO RESIDENTS. TOGETHER WITH PROPERTY MANAGEMENT TEAMS, SOCIAL PROGRAMS CREATE A POSITIVE IMPACT ON OUR RESIDENTS AND THEIR COMMUNITIES.



PARTICIPATIONS IN SOCIAL PROGRAMS IN 2022

59,383



GOODS & SERVICES TO OUR TENANTS IN 2022*

\$457,123



ACTIVITIES HELD BY PORTFOLIO PROPERTIES IN 2022

721

source: Kairos 2022

*Includes Pandemic Relief Aid from Public and Private Sources



IMPACT SEGMENTS

PERCENTAGE OF PROPERTIES PARTICIPATING IN IMPACT SEGMENTS IN 2022



FINANCIAL LITERACY & CREDIT IMPROVEMENT

100%



CHILDREN & FAMILY

92%



HEALTH & WELLNESS

100%



NUTRITION

73%

source: Kairos 2022

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

Examples of social programs:

- Afterschool Enrichment Activities
- Back-to-School Supplies
- Emergency Preparedness Workshops
- Esusu Credit Improvement & Rent Relief Loans
- Financial Education Lunch & Learns
- Flu Shot & Covid Booster Clinics
- Free Internet/Cell Phones Registration Events
- Holiday Gifts for Kids
- Meal Delivery for Seniors and Students
- Resident Safety Activities
- Winter Gear for Children & Vulnerable Adults



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***

2022 ENVIRONMENTAL IMPACT RESULTS*



**Water
Conservation**

155.8M

GALLONS
LESS WATER



**Energy Savings
Opportunities**

2,025,489

KWH
LESS ELECTRICITY



**Saving
Waste**

728

CUBIC YARDS
LESS WASTE

ELECTRICAL, WATER, AND WASTE SYSTEM UPGRADES

29.4%

WEIGHTED
AVERAGE
RETURN ON COST

\$1,341,800

ANNUAL
EXPENSE
COST SAVINGS

3.41

YEARS
AVERAGE
PAYBACK



END NOTES

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.

Freddie Mac Impact Sponsor: Recognition is not indicative of future performance. The Impact Sponsor Award is an annual award established by Freddie Mac in 2021 to recognize and incentivize sponsors who move the needle on affordable housing and create value through tenant advancement. Freddie Mac provides each awardee with an Impact Sponsor logo to use on their own websites and as part of approved marketing materials, to further underscore the awardee’s valuable contributions to the industry and to tenants. The 2022 Impact Sponsor award winner’s cohort in addition to Kairos include Bridge Investment Group, CAF Capital, ColRich, Comunidad Partners, Fairstead, Greatwater Opportunity Capital, MRK Partners, Openpath Investments, and Stoneweg. No fee, other than the standard application fee, was paid to be considered for this certification.

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, 2022. 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 SIXTEEN

Increase in Equity Value: Calculation as of 12/31/2022. Uses expense savings seen at each property immediately after the utility project is installed and 2021 YE Direct Cap Rates. It also includes assets that have been sold and the data is not specific to a given year. \$23.6M in value created over \$259.1M 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, 2022, 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.

2022

ANNUAL IMPACT REPORT



Signatory of:



Principles for
Responsible
Investment

IA 50[®]
2023
MANAGER

IA 50
2020
MANAGER

IA 50
2019
MANAGER

IA 50
2017-2018
MANAGER

