

PROMISE & PRECAUTION

Impact Investing Amid AI Acceleration



TABLE OF CONTENTS

IMPACT INVESTING AT GEM	3
AI: THE BAD, THE GOOD, AND THE UNKNOWN	4
Investing Responsibly in AI	5
The Bad: How AI can Negatively Impact Stakeholders	7
The Good: How AI can Positively Impact Stakeholders	8
Quality of Life: AI in Healthcare	9
Economic Opportunity: AI in Education, Learning, and Development	10
Environmental Impact: Reducing AI's Footprint	11
The Unknown: What Comes Next	12
LIVING OUT OUR VALUES	13
Deepening Our Manager Diligence: A New ESG Questionnaire	14
Client Spotlight: RRF Foundation for Aging	15
Our Commitment to Diversity, Equity, and Inclusion	16
The GEM Foundation	17
Community Engagement	18
ADDITIONAL GEM RESOURCES	19
Endnotes	20
Important Notes	20

GEM'S IMPACT TEAM

**MEREDITH
HEIMBURGER**
Impact Advisor



**ELLY
BRINGAZE, CFA**
Investment Manager



ANN EUBANK
Senior Associate



IMPACT INVESTING AT GEM

Our work in impact investing began more than a decade ago, grounded in the belief that financial performance and stakeholder outcomes are interconnected and that GEM's clients can deploy capital toward positive social and environmental outcomes without lowering the bar for investment returns. Today, we build on that foundation by seeking opportunities where invested capital can drive measurable outcomes alongside strong financial returns. We focus on investments that address critical challenges—such as expanding healthcare access, improving workforce mobility, and strengthening education systems—while meeting our clients' long-term financial goals.

We apply our proprietary GEM IMP Framework to measure each investment's impact on five key stakeholders—customers, employees, communities, supply chains, and the planet—moving beyond traditional ESG risk mitigation to understand the outcomes actually experienced by people and the planet. We believe this approach has positioned GEM as a leader in rigorous, authentic impact measurement, helping our clients align their portfolios with their values.

Over the last decade, our innovative impact measurement approach and customizable portfolio solutions have helped clients deploy approximately **\$7.0 billion toward what we believe are positive social and environmental outcomes, representing 55% of GEM's assets under management**. Within our impact program today, 47% of managers are diverse-led or contribute meaningfully to racial or social equity¹

For readers interested in learning more about our methodology, we've written extensively about applying the GEM IMP Framework to globally diversified, multi-asset portfolios in our primer, [Impact Management for Complex Portfolios](#).



AI: THE BAD, THE GOOD, AND THE UNKNOWN

- Investing Responsibly in AI 5
- The Bad: How AI can Negatively Impact Stakeholders 7
- The Good: How AI can Positively Impact Stakeholders 8
 - Quality of Life: AI in Healthcare..... 9
 - Economic Opportunity: AI in Education, Learning, and Development...10
 - Environmental Impact: Reducing AI's Footprint..... 11
- The Unknown: What Comes Next..... 12

INVESTING RESPONSIBLY IN AI

This edition of our impact report builds on last year's discussion of investing in artificial intelligence. Since then, the conversation has evolved considerably, yet the core question remains: How can investors support AI's development and deployment in ways that maximize its benefits while mitigating its risks?

The pace of AI's advancement over the past year has been extraordinary: It has reshaped industries, redefined productivity, and challenged the status quo across nearly every sector of the global economy. AI carries meaningful potential to improve outcomes for people and the planet, yet it also introduces new and tangible risks to the environment, the workforce, and data privacy. A recent *MIT Sloan Management Review* column captured this duality in its title: "Will AI Help or Hurt Sustainability? Yes." That tension extends across sectors: AI is simultaneously unlocking transformative potential while introducing systemic risks to the very systems it seeks to improve.

This year's report examines AI investing through three lenses: *The Bad* and *The Good*—the known ways AI is already shaping the world today—and *The Unknown*, where its longer-term impact remains to be seen. We begin with the risks: AI's growing environmental footprint, its disruption of labor markets, and the data privacy and security concerns that expand alongside adoption. From there, we turn to the opportunity—we are invested in companies that leverage AI to expand and improve healthcare access and outcomes, accelerate workforce productivity, and strengthen education and lifelong learning outcomes, demonstrating AI's potential to deliver measurable benefits for customers, communities, and employees. In response to AI's negative externalities, we also seek to invest in companies working to offset these impacts, like those aiming to reduce the energy intensity of AI infrastructure and protect communities against fraud, cyberattacks, and data security breaches.

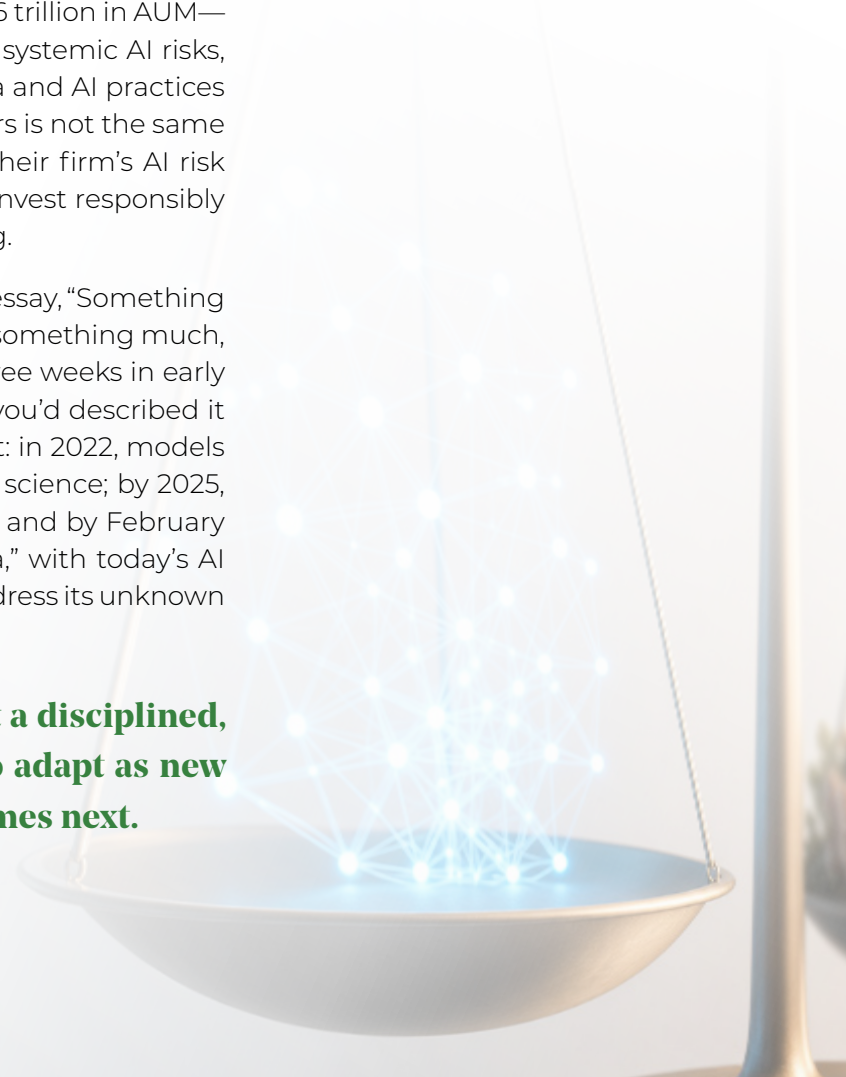


INVESTING RESPONSIBLY IN AI

We are not alone in the view that investors must engage with both the promise and the associated risks of AI. A recent report from Reframe Venture, Project Liberty Institute, and Impact VC—covering more than 200 investment firms and representing \$6 trillion in AUM—found that 88% of investors believe they have a responsibility to consider systemic AI risks, and nearly three-quarters believe companies with strong responsible data and AI practices are likely to be more financially successful. But *believing* that AI risk matters is not the same as being well equipped to assess it: only 14% of surveyed investors rate their firm's AI risk assessment capabilities as “good.”ⁱⁱ The question is no longer whether to invest responsibly in AI, but how to do so in a landscape this unprecedented and fast-moving.

AI entrepreneur Matt Shumer captured the moment well in his recent viral essay, “Something Big is Happening,” arguing we are in the “*this seems overblown*’ phase of something much, much bigger than Covid.”ⁱⁱⁱ Shumer reminds us that over the course of three weeks in early 2020, “life rearranged itself into something you wouldn’t have believed if you’d described it to yourself a month earlier.” He then traces the pace of AI’s own rapid shift: in 2022, models could not do basic arithmetic; by 2024, they could explain graduate-level science; by 2025, some of the world’s best engineers were relying on AI to write their code; and by February 2026, new models made everything before them “feel like a different era,” with today’s AI becoming so sophisticated that it is helping to build itself. As we work to address its unknown impacts, we may very well rely on AI to help us manage them.

With AI’s future impact remaining uncertain, we believe that a disciplined, stakeholder-centered approach, paired with a willingness to adapt as new information emerges, will be essential to navigating what comes next.



THE BAD: HOW AI CAN NEGATIVELY IMPACT STAKEHOLDERS

The same forces that make AI so transformative also generate real costs—for the planet, for workers, and for the people whose data and decisions AI increasingly shapes. These risks are not hypothetical, and they are not evenly distributed.

AI's **environmental footprint** is one of the most visible and often discussed concerns. The buildout of AI infrastructure has driven a surge in data center construction, with US data center spending growing nearly 190% since the end of 2022.^{iv} That growth has translated into rising electricity demand, water consumption for cooling, and pressure on local grids—with electricity costs climbing sharply in regions hosting heavy data center development and political pushback emerging around permitting, affordability, and grid expansion.

We are also watching as **workforce disruption** moves in real time from forecast to evidence. A recent Harvard study found a 22% reduction in entry-level job postings at firms adopting AI, with no comparable effect on senior roles.^v The implication is that AI's near-term labor impact may fall hardest on early-career workers and on the populations most reliant on entry-level roles for economic mobility—even as productivity gains accrue to firms and more senior employees.

Data privacy and **security risks** have compounded as AI systems train on, store, and reason over ever-larger volumes of personal and proprietary data. With technology continuing to outpace regulation, there are limited guarantees around the collection, use, sharing, or storage of customer data, and the surface area for fraud, cyberattacks, and data breaches is expanding alongside AI adoption.

Finally, AI's **reliability**—including the **biases** embedded within it—remains a serious concern. Reports of biased decision-making in healthcare, hiring, and lending have raised questions about whether AI systems are equipped to make consequential judgments fairly and accurately.

Where AI is deployed to expand access or improve outcomes, the quality of the underlying model is not a technical detail; it is the difference between meaningful benefit and harm at scale.



THE GOOD: HOW AI CAN POSITIVELY IMPACT STAKEHOLDERS

The risks of AI are real and warrant attention, but they are only one part of the story. The same technological forces creating environmental strain, labor disruption, and data exposure concerns are also producing tools that can meaningfully expand access, accelerate learning, and reduce harm.

We believe responsible AI investing requires holding both truths at once: taking the risks seriously while recognizing the genuine progress AI is making possible.

Within GEM's portfolio, companies that leverage AI are already expanding healthcare access and quality, creating economic opportunity, and reducing AI's own environmental footprint. The following examples illustrate where we see AI working in service of stakeholder outcomes rather than at their expense.



THE GOOD: HOW AI CAN POSITIVELY IMPACT STAKEHOLDERS

Quality of Life: AI in Healthcare

Healthcare is one of the most compelling domains for AI to benefit **Customer** and **Community** stakeholders, with applications spanning cost reduction, expanded access, and improved quality of care. Several companies in GEM's portfolio are advancing this work:

Vibrant

Vibrant, an AI-powered operating system for independent clinicians practicing personalized medicine. By automating administrative workflows, the platform shifts practitioner time from paperwork to patient care.

Chai Discovery

Chai Discovery, a drug discovery platform that uses AI to predict and reprogram interactions between biochemical molecules. The technology supports pharmaceutical companies in designing novel treatments, compressing drug development timelines, and pursuing therapies for previously intractable conditions.

OVERJET

Overjet, an AI platform for dental providers designed to improve diagnostic accuracy, support patient understanding, and streamline administrative workflows.

THE GOOD: HOW AI CAN POSITIVELY IMPACT STAKEHOLDERS

Economic Opportunity: AI in Education, Learning, and Development

The same technology disrupting entry-level work is also reshaping how workers train and access new roles. We see meaningful potential for AI to benefit **Employees** through education, workforce development, and skills training, as evidenced by these GEM portfolio companies:

The logo for Stepful, featuring the word "Stepful" in a bold, dark blue sans-serif font.

Stepful, an AI-powered learning platform that trains workers for entry-level healthcare positions. Its virtual, interactive curriculum is designed to make healthcare training accessible to historically underserved communities and to students balancing other responsibilities.

The logo for Edmentum, featuring the word "edmentum" in a lowercase, bold, black sans-serif font with a colorful horizontal bar above the letters.

Edmentum, an online K-12 curriculum provider that uses AI to develop adaptive educational programming and surface data-driven insights on student performance for educators. The company emphasizes durable skills and college and career readiness, and offers targeted courses for teachers on responsible AI use in the classroom.

The logo for Upwage, featuring a stylized blue and green icon followed by the word "upwage" in a lowercase, bold, dark blue sans-serif font.

Upwage, a recruitment platform that uses AI to expand economic opportunities for hourly workers. The platform provides workers with greater transparency and flexibility to find roles aligned with their needs, while enabling automated applicant screening that lowers recruitment costs and time to hire for employers.

THE GOOD: HOW AI CAN POSITIVELY IMPACT STAKEHOLDERS

Environmental Impact: Reducing AI's Footprint

AI's environmental externalities are not only risks to be acknowledged; they are also opportunities for investment. We are invested in companies addressing the **Planet** and **Supply Chain** consequences of AI's growth, working to reduce energy consumption and bring greater visibility to the supply chains powering the AI buildout:



Polargy, an industrial tech company that designs products that reduce carbon emissions at data centers. Its solutions, including hot- and cold-aisle containment systems, are designed to reduce the energy required to cool data center servers.



MAS, a manufacturer of custom thermal management products for data centers and other industrial sites. Its technology aims to limit excess heat generation, reducing the energy needed to cool a facility.



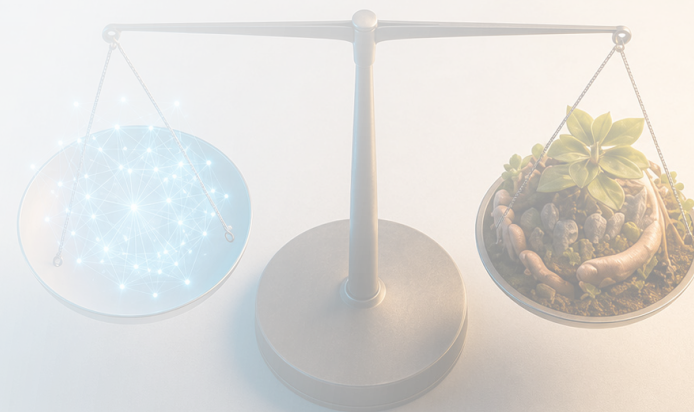
Altana, an AI-powered supply chain management platform that maps potential ESG issues across global value chains. The platform helps companies and regulators by identifying suppliers linked to issues like poor labor practices, environmental damage, and other environmental and social risks.

THE UNKNOWN: WHAT COMES NEXT

AI's longer-term impact on people, the planet, the economy, and civilization itself is, in many respects, still being written. The technologies, applications, and speed of adoption shaping AI's trajectory are outpacing both the frameworks designed to assess them and the regulation intended to govern them.

We do not pretend to know how that will resolve. And so, we are committed to the discipline of paying close attention: continuing to evaluate AI-related risks and opportunities as they emerge, refining our impact underwriting as evidence evolves, and engaging directly with our managers on how they are navigating an environment that is changing in real time.

Investing responsibly in AI will not be a static exercise. The questions our clients, our managers, and we ourselves are asking today will not likely be the same questions in five years—in fact, we imagine some of the most important questions are yet to be posed. We approach this uncertainty as a reminder that disciplined, stakeholder-centric investing matters most when the path forward is least clear.



LIVING OUT OUR VALUES

While our investment work represents the most direct way we aim to drive measurable impact for clients and stakeholders, GEM's commitment to impact extends beyond the portfolio. We also strive to live out our values as a firm through how we engage with our managers, partner with our clients, support our community, and uphold the trust our clients place in us.

- Deepening Our Manager Diligence: A New ESG Questionnaire ... 14
- Client Spotlight: RRF Foundation for Aging 15
- Our Commitment to Diversity, Equity, and Inclusion 16
- The GEM Foundation 17
- Community Engagement 18

DEEPENING OUR MANAGER DILIGENCE: A NEW ESG QUESTIONNAIRE

This year, GEM introduced a new structured questionnaire for managers designed to deepen our understanding of how they assess and manage ESG-related considerations like sustainability risk, climate, AI, and impact. The results establish an important baseline:

48%

of respondents integrate sustainability risks into their investment process

50%

of respondents maintain a formal ESG policy or other documentation of ESG processes and responsibilities

39%

of respondents identify and assess climate-related risks in their investments

We view these findings as a useful starting point: we intend to issue this questionnaire annually, allowing us to track how manager ESG practices evolve over time and deepen our understanding of how sustainability is incorporated by the managers we entrust with our clients' capital.

CLIENT SPOTLIGHT: RRF FOUNDATION FOR AGING

RRF Foundation for Aging is a private foundation dedicated to enhancing the quality of life for older adults. GEM has served as RRF's Outsourced Chief Investment Officer since 2009, and, in recent years, we have expanded our partnership to encompass mission-related investments (MRIs) as a part of RRF's growing spectrum of capital.

Working closely with RRF's Impact Investing Taskforce, we developed a Mission Alignment Framework—a structured set of screening criteria used to consistently evaluate how each potential MRI advances RRF's mission. The framework anchors our manager sourcing efforts and supports RRF in deploying capital with both financial and mission objectives in view.

One commitment in the MRI portfolio is **Town Hall Ventures**, a venture capital firm partnering with founders who are addressing long-standing healthcare challenges facing older adults and other underserved communities. Representative portfolio companies illustrate the framework in practice:

- **Machinify**, an AI-enabled payment integrity platform that helps health insurers automatically review and process medical claims, reducing billing errors, fraud, and unnecessary costs.
- **Su Vida**, a company providing neighborhood-based, culturally competent primary care for older Latinx adults.

In addition, a recent commitment to **Magnify Ventures** extends the MRI portfolio into companies in the care economy, aiming to transform life, work, and care for modern families. In parallel, RRF is building a Program-Related Investment (PRI) platform to further support older adults through concessionary capital, broadening their spectrum of capital between market-rate strategies and grants.

Sixteen years into our partnership, we remain proud to support RRF in activating its assets in service of its mission and the older adults it serves.



RRF Mission Alignment Framework assesses three key factors:

Aging Population Served

Do these investments seek to improve the lives of older adults?

Equitable Outcomes

Do these investments drive more focused outcomes for older adults from underserved populations?

Geographic Scope

Where are these investments having an impact?

OUR COMMITMENT TO DIVERSITY, EQUITY, AND INCLUSION AT GEM

GEM remains deeply committed to supporting and uplifting the communities where we live and work. We believe a team rich in diverse backgrounds and perspectives makes us better investors and better partners, and this shapes how we hire, engage professionally, and work to improve our Charlotte community and beyond. This commitment is advanced in part by GEM's DEI Committee, which integrates diversity, equity, and inclusion principles into our business strategy and identifies partnerships that create meaningful impact for our firm and community.

Partner Spotlight: Latin Americans Working for Achievement (LAWA)

LAWA is Charlotte's first organization dedicated to advancing education and quality of life for Latino students. Through partnerships with schools, colleges, and corporate sponsors, LAWA provides scholarships, workshops, and mentorships to help students achieve high school graduation and post-secondary success, while also guiding families through college, vocational, and career pathways.



2025 Partnership Highlights:

- Funded **student scholarships**, including a renewable four-year scholarship. GEM's inaugural LAWA Scholar, Cairo Tineo, enrolled at the University of North Carolina at Chapel Hill in 2025 to pursue a degree in finance.
- Hosted a **panel discussion** focused on DEI partnerships and community impact alongside leaders from LAWA and ALPFA—the Association of Latino Professionals in Finance and Accounting, another organization focused on upward mobility in the Latino community.
- Led a **LinkedIn and networking workshop**, helping students build professional presence and career readiness skills.

THE GEM FOUNDATION

Established in 2013, the GEM Foundation is an employee-led committee that makes philanthropic grants to Charlotte-based nonprofits. In 2025, the Foundation granted a combined \$115,000 across three organizations:



Charlotte Bilingual Preschool seeks to prepare Spanish-speaking children for success in school and in life by providing superior dual-language, multicultural early childhood education. The school serves more than 800 children and families annually through dual-generation programming that offers children a foundation for academic success and empowers parents with critical skills and resources. The Foundation's funding will support a new classroom expansion that will serve 18 additional preschoolers and more than 200 additional parents through dedicated family programs.



Heart Math Tutoring helps elementary students build strong foundational math skills through individualized, volunteer-delivered tutoring. The program serves more than 1,100 students across 23 Charlotte-area elementary schools and is designed to drive measurable gains in math proficiency. The Foundation's grant fully funded one of Heart Math's Program Coordinators, ensuring ongoing staffing and program execution.



Alexander Youth Network is one of North Carolina's leading providers of mental and behavioral health services for children, offering a continuum of care that includes residential treatment, day programs, therapy, and foster care. Our grant supported the construction of a new all-weather playground pavilion at Alexander's Charlotte campus, where the organization serves more than 250 children. The pavilion provides a dedicated year-round space for play, exercise, and positive socialization, enhancing the therapeutic environment for both children and staff.

Beyond the Foundation's grantmaking, our employees donated more than \$45,000 to 73 nonprofit organizations in 2025 through GEM's philanthropic-matching program.

COMMUNITY ENGAGEMENT

In 2025, 98% of GEM employees engaged in community service or volunteer activities. Service is integral to our firm culture, and we are proud to support change-making organizations in our area through event sponsorships and volunteer opportunities organized by our Community Engagement Committee.

Volunteer Highlights

Clean the Queen City

25 Earth Day event volunteers



Heart Math Tutoring

129 hours logged



Sponsorships Highlights



Digi Bridge

Let's Imagine More Breakfast



Roof Above

True Blessings Luncheon



Social Venture Partners

SEED20

ADDITIONAL GEM RESOURCES

Guide to Impact Investing



Impact Measurement for Complex Portfolios



Investing for Equity



ESG ≠ Impact Investing



ABOUT GEM

GEM is an independent investment management firm that provides customized solutions for long-term investors worldwide. Since 2007, we have sought to deliver superior risk-adjusted returns to our clients by combining disciplined investment research and active portfolio management with exceptional service and enduring partnership. With a global platform, broad institutional investment capabilities, and an experienced team, we design portfolios to meet the unique needs of each investor we serve.

For more information, visit www.geminvestments.com.



ENDNOTES

ⁱ All data included in this report related to GEM clients, team, and portfolio exposures is as of January 1, 2026. Managers are considered diverse if (a) 25% or more of the firm founders/owners are non-white and/or non-male and/or (b) 25% or more of the key decision-makers for the strategy in which GEM invests are non-white and/or non-male. Managers are considered as having a racial or social equity lens if they score a 1 or 2 on GEM's proprietary equity scales, the details of which can be provided upon request.

ⁱⁱ Oliver Nixon and Elad Vromen, Reframe Venture, Project Liberty Institute, Impact VC, Responsible AI: The VC Perspective, March 2026.

ⁱⁱⁱ Matt Shumer, Something Big is Happening, February 11, 2026.

^{iv} The Census Bureau, August Construction Spending, August 2025.

^v Seyed M. Hosseini and Guy Lichtinger, Harvard, Generative AI as Seniority-Biased Technological Change, September 2025.

IMPORTANT NOTES

The enclosed materials are being provided by Global Endowment Management, LP ("GEM") for informational and discussion purposes only and do not constitute investment advice, or a recommendation, or an offer or solicitation, and are not the basis for any contract to purchase or sell any security, or other instrument, or for GEM to enter into or arrange any type of transaction as a consequence of any information contained herein. Any such offer or solicitation shall be made only pursuant to a confidential private placement memorandum ("Memorandum"), which will describe the risks and potential conflicts of interest related to an investment therein and which may only be provided to accredited investors and qualified purchasers as defined under the Securities Act of 1933 and the Investment Company Act of 1940.

GEM is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. More information about GEM's investment advisory services can be found in its Form ADV Part 2, which is available upon request.

Unless otherwise noted, any opinions expressed herein are based on GEM's analysis, assumptions and data interpretations. We cannot guarantee the accuracy of this information, and it should not be relied upon as fact. GEM does not accept any responsibility or liability arising from the use of the presentation. No representation or warranty, express or implied, is being given or made that the information presented herein is accurate or complete, and such information is at all times subject to change without notice.

GEM reserves the right to modify its current investment strategies, exposures and techniques based on changing market dynamics or client needs.

The third-party sources of information used in this presentation are believed to be reliable. GEM has not independently verified all of the information and its accuracy cannot be guaranteed.

This presentation may include forecasts, projections, or other predictive statements based on currently available information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. Actual performance results may differ from those presented. No guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

© 2026 GEM Intellectual Property Holdings, Inc. All Rights Reserved. This material may not be used by any person for profit without our express written permission. Endowments, foundations and other nonprofit organizations may use this material without limitation or restriction.