

Embracing Purpose in Impact Investing

Rally Assets' Portfolio Construction Approach in Private Markets

A CASE STUDY

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Embracing Purpose in Impact Investing: Rally Assets' Portfolio Construction Approach in Private Markets

This case study is part of a Canadian Purpose Economy Project series examining how Purpose Investing is applied in practice.

Prepared by [Rally Assets](#), a Canadian impact investment management firm with approximately \$400 million in assets under management, helping foundations, family offices, and institutional investors align their capital with social and environmental impact.

This case study illustrates how Rally Assets applies purpose investing in private markets — how purpose is defined, embedded into investment processes, and used to guide manager and investment selection, stewardship, and accountability.

At Rally Assets, purpose is the explicit articulation of intentionality, the reason capital is being put to work beyond financial return. It defines why Rally invests, what change it seeks to enable, and how it holds itself accountable for progress.

Impact reflects the measurable outcomes achieved; purpose expresses the **foundational intent** that shapes investment design, decision-making and stewardship leading to those outcomes.

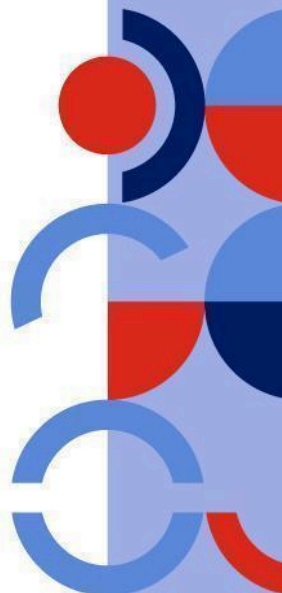
Rally Assets' purpose is to activate capital for a sustainable, equitable, and just society. It embeds this purpose into its mandates' investment policies and firm-wide practices by:

- Designing and managing impact portfolios that intentionally link investment strategy to purpose through social and environmental outcomes.
- Embedding purpose criteria within its due diligence, selection and monitoring frameworks.
- Supporting and amplifying diverse and underrepresented fund managers who share aligned purpose commitments.

It tracks progress in delivering on its purpose by measuring learning and reporting transparently on stated impact intentions.

What is Purpose Investing?

Purpose Investing is an investment approach that incorporates the assessment of a company's purpose - and how it is governed, implemented, and disclosed - into investment analysis, engagement, and capital allocation decisions, to help drive stronger societal outcomes.



Creating Purposeful Portfolios

It creates purposeful portfolios by embedding its purpose and purpose expectations into portfolio mandates, investment decisions, and manager selection and review.

Before selecting investments and fund managers, Rally Assets embeds purpose into its portfolio mandate – defining the types of impact outcomes the portfolio must achieve, the kinds of managers it will back, and the impact expectations that guide its capital allocation decisions.

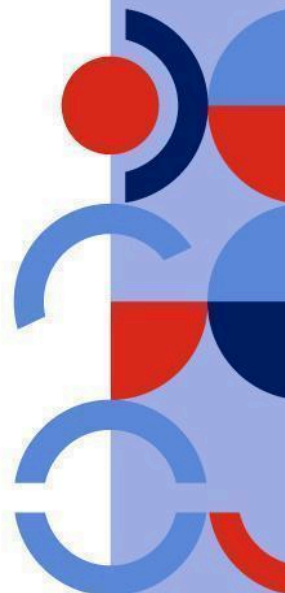
It then applies a purpose lens at the investment level. Every investment decision begins with a question of purpose expressed as: what problem are we addressing, and whose lives or environments will improve as a result?

In its investment process, it strives to clearly **articulate the purpose** behind each investment by developing an **impact thesis**. This thesis defines the specific **challenge** being addressed and the desired **impact**, directly linking both to the fund manager's overall purpose. By establishing an impact thesis at the investment level, it is better able to understand, communicate, and monitor progress toward its intended outcomes – and purpose – with greater clarity.

Impact intentionality, one of the core elements of the definition of impact investing espoused by GIIN (Global Impact Investors Network) and embraced broadly, is where it most clearly sees how purpose is anchored. It prioritizes managers whose intentionality and purpose are demonstrably linked to their investment actions. Purpose is a primary screen, not a secondary consideration. Its diligence process examines whether a **fund manager's purpose is clearly defined, intentional, and operationalized across the fund's strategy and governance**.

Key areas of assessment include:

1. **Purpose Definition** – Is the fund manager's purpose clearly articulated as a statement of purpose or intent that informs its investment decisions, not merely a marketing or fundraising narrative? Is the purpose statement distinct from a vision or mission statement that sets out the organization's reason for existing to create a better world?
2. **Strategic Alignment** – Is the fund's investment strategy designed to deliver on that purpose through access to the right set of investment opportunities, presence of a team with the necessary qualifications, expertise or lived experience? Is the purpose reflected in business models, products, and stakeholder relationships?
3. **Governance and Accountability** – Is purpose embedded in fund manager governance, expressed through impact mechanisms such as board oversight on impact, incentive structures incorporating impact performance, involvement of impact committees or integration of impact in the existing investment committee structures?
4. **Measurement and Transparency** – Are there relevant and measurable metrics and processes to assess progress toward impact outcomes (reflecting the fund's purpose) at the fund level?



Rally Inclusive Impact Methodology (RIIM) **evaluates each investment's theory of change, mapping inputs, actions, and intended outcomes against the company's stated purpose. Quantitative outcome metrics are complemented by qualitative analysis of governance quality, organizational culture, and leadership commitment to purpose.**

Engagement and Evaluation

It treats purpose as an organization's enduring reason to exist, monitored, reinforced, and refined as needed over time. **All fund managers in its client portfolios undergo a baseline purpose and impact assessment during diligence, followed by annual monitoring to track changes in alignment and performance.**

In its private investments, it focuses on:

- Encouraging alignment between impact reporting and purpose intent.
- Providing impact measurement and management (IMM) support, coaching managers to better define and operationalize purpose.
- Advocating for stronger purpose integration in fund governance and reporting, when it participates in governance bodies such as Limited Partner Advisory Committee.

It has seen notable progress among the funds it works with, reflecting a growing commitment to transparency and accountability in pursuing purpose through impact management. For example, after its consistent engagement and feedback, one fund manager expanded its impact metrics to provide more detailed and reliable evidence for its progress in impact intentions in pursuit of its purpose, a positive example of the progress Rally's monitoring and dialogue can help drive.

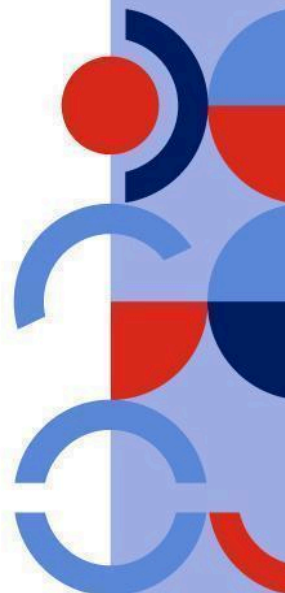
Benefits of Explicit Purpose

Formalizing purpose transforms it from an implicit value into an operational compass that guides investment choices, measurement and accountability.

Key benefits include:

- Clarity and alignment across stakeholders, reducing purpose drift.
- Strategic coherence across portfolios by ensuring all investments are aligned with the impact goals of the mandates, in service of their underlying purpose.
- Enhanced trust and credibility with investors, communities, and co-investors through transparent articulation of intent and outcomes.
- Improved learning and adaptation, as progress toward purpose can be systematically assessed and refined.

In short, explicit purpose turns good intentions into accountable action.



Lessons for the Field

Its experience suggests that purpose must be both principled and practical. Three lessons for investors stand out:

1. **Be clear.** One must start with a clear articulation of the change one seeks to make and the purpose behind it, then design investment strategy, measurement, and governance backwards from that intent.
2. **Measure and manage progress.** Integrating impact measurement frameworks such as the Impact Management Norms, Operating Principles for Impact Management, and UN SDGs enables purpose monitoring and consistent assessment across sectors and asset classes which influence Rally's engagement priorities and capital allocation decisions.
3. **Embed inclusion into purpose.** Committing to approaches like 2X Global, helps expand how purpose and justice are reflected in capital allocation, notably by applying best practices around working with BIPOC, first-time, and other underserved fund managers.

Rally Assets believes purpose can help translate intention into action by influencing who gets capital, how it is deployed and what outcomes it delivers.

Purpose in Practice: Sample Investment

For each investment Rally Assets makes, it develops overviews that clearly articulate the change the product issuer seeks to achieve, in pursuit of its stated purpose. Below are two examples of Rally's investments that embed purpose and intentionality into their investment strategies.

Example: Weave Community Capital Fund

Community bonds are an important way nonprofits, charities and co-operatives can secure funding for great local projects, but their use is limited as they are primarily targeted towards retail investors and are often too small for institutional and accredited investors. Weave Community Capital Fund, created by Tapestry Community Capital (whose broader purpose is to build and expand the community investment marketplace), is designed to address this structural challenge. By offering a large, pooled fund for accredited investors which enables them to support many projects across Canada with one investment, Weave is growing and accelerating the community bond market so issuers can develop and deliver affordable housing, clean energy, social services and more.

Example: Heartwood Trust

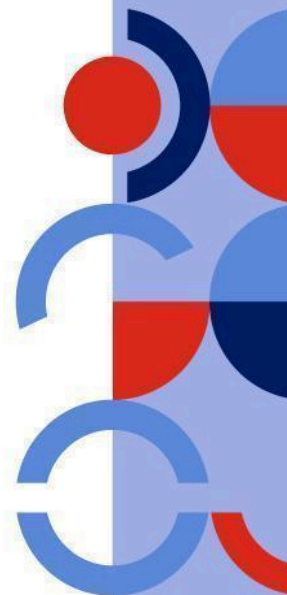
The supply of apartments classified as affordable is far below demand, leaving many low-income households in difficult situations. Meanwhile, current building practices are emissions intensive, creating a multi-faceted challenge. To address this challenge and further its broader purpose of advancing climate-safe housing that supports community well-being and long-term value, Heartwood Trust invests in the development of new low-carbon rental housing, shifting how housing is built and delivered.

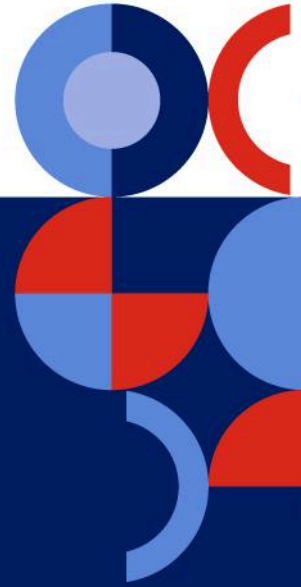


Rally Asset's Purpose Delivery

Rally Assets delivers on its purpose to activate capital for a sustainable, equitable, and just society every day.

It has achieved ~\$400M AUM and counting, investing across different impact areas, geographies and asset classes. Rally's investments further its purpose, spanning areas such as climate change mitigation, affordable housing, and financial inclusion, reflecting the breadth of opportunities emerging across Canada's impact investing market. Beyond capital deployment, Rally aims to play a catalytic role. It has supported and invested in many first-time and emerging impact fund managers, helping to expand the number of high-quality, purpose-driven investment opportunities. Through its investment management services, Rally Funds and Realize Fund I, Rally Assets channels investor capital toward investments that generate measurable social and environmental outcomes alongside financial returns.





ABOUT THE CANADIAN PURPOSE ECONOMY PROJECT

The Canadian Purpose Economy Project exists to accelerate the transition to the purpose economy. It engages national ecosystem actors to create an enabling environment for social purpose businesses to start, transition, thrive and grow. It convenes, connects, curates, and collaborates to drive the social purpose business movement in Canada toward an economy where social purpose business is the norm, attracting capital, talent, and partners. In this economy, businesses unlock all their assets, influence, reach and scale in collaboration with others to help Canada address its societal challenges and realize a flourishing future. We are grateful to Coast Capital, our Founding Purpose Champion, for their support. The Canadian Purpose Economy Project is a project of Canadian Business for Social Responsibility Education Foundation.

Subscribe to our updates at <http://www.purposeeconomy.ca> and sign our [Call to Purpose](#) to help us advance social purpose in business.