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THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

Impact Investing in Bonds

MICHELLE ROGERS is an Executive Vice President and a Senior Portfolio Manager at Community Capital Management. In her role, Ms. Rogers is primarily responsible for client portfolio management and overseeing trading functions of the firm's products. She is also involved in portfolio research and new business development. Ms. Rogers was previously a Fixed Income Specialist at Wachovia Bank responsible for expanding and cross-selling products to new and existing clients. She began her investment career in 1993 and is an Associate Member of the CFA Institute and The CFA Society of South Florida, Inc. Ms. Rogers serves on the board of directors of the Broward Alliance for Neighborhood Development (BAND) and is a Member of the Southern Municipal Finance Society (SMFS), Women in Housing & Finance, and the Mortgage Bankers Association.

SECTOR — GENERAL INVESTING

TWST: Please start by giving us a history and basic overview of Community Capital Management.

Ms. Rogers: Community Capital Management was founded in 1998 by Todd Cohen, who is our current President and Chief Investment Officer, and Barbara VanScoy, who is Senior Portfolio Manager and Chair of the board for the adviser. We are a privately owned, SEC-registered investment adviser. We currently have 15 employees and approximately $1.5 billion under management.

In terms of the general history, Barbara was previously deeply involved in CRA research at another firm and Todd was heavily involved in mortgage securities. Together, they realized that the majority of CRA eligible investments were government-related securities that are nonindex eligible. Thus the idea of creating a fund came about that sought to produce competitive returns with lower risk than the benchmark while simultaneously helping banks obtain CRA credit. The fund was launched in 1999, and in 2001 the adviser was approached by a foundation who said, "We are looking to make investments in line with our mission, and it looks like you are doing that for banks. Would it be feasible to manage a separate account for us?" That is what prompted us to open up this investment style to foundations and religious organizations, then public funds, and in 2007 we created two new share classes of the fund — an institutional and retail share class.

TWST: You mentioned that banks received CRA credits. Would you please explain what CRA credits are?

Ms. Rogers: CRA stands for the Community Reinvestment Act, which was enacted in 1977 by Congress, and it was basically started to reduce discriminatory credit practices against low-income neighborhoods. In order to grow, banks needed to make sure they were meeting certain demands within these low and moderate income communities as well as the mid- and upper-level communities.

TWST: How is impact investing different from socially responsible investing?

Ms. Rogers: Impact investing basically deploys positive screening methods whereas socially responsible investing also incorporates negative screening and shareholder activism. For example, in socially responsible investing, if an investor is buying a stock, they may disagree with what the company is doing — let's say they are in the tobacco industry — and so the investor avoids purchasing that stock, thus negatively screening out stocks in their portfolio. The investor is avoiding companies involved in certain areas that they consider negative. Whereas for impact investing, it incorporates a positive screen. For example, if we have three bonds to choose from, we're going to look to see which one has a positive community impact and is aligned with the investor's mission. We are looking at bonds that produce positive action rather than eliminating companies that are involved in what may be considered negative actions.

TWST: Would you describe your investment philosophy and investment strategy for us?

Ms. Rogers: Basically, we invest in the government-related subsectors the bond markets traditionally excluded from major bond indices. We use a two-pronged approach when going through our selection process, so we participate in the subsectors of the bond market that usually have some kind of agency credit enhancement, but we're also looking at them from a community development or sustainability approach. We want to know the underlying community impact of that investment in addition to the financial merits of each security.

TWST: How do you actually select the bonds? What is the actual process you go through?

Ms. Rogers: Well, it's team managed, so basically what that means is that everyone in the portfolio management team works together. We all have a specific area of expertise. For example, some people specialize in community development research while others specialize in credit or trading or overall financial analysis. We take each potential investment and look at it in terms of each possible avenue. Once we have the product to look at, we start off by saying, "OK, does it meet our basic credit criteria?" Hence we put it into credit analysis. Then we look at what are the social merits and do a summary of that, explaining the social or impact components of the security. Then, we look at the fundamentals of the individual security. Throughout this rigorous process, we decide if it meets all of our impact and financial qualifications, and then decide if it is worth purchasing.

Health Resources and Services Administration, which is under the U.S. Department of Health and Human Services. These primarily are low or moderate income areas where there is not an ample amount of medical facilities to service these people.

We have also done some SBA loans. One we were involved in was a loan for a company called **American Solar & Environmental Technology** in Pennsylvania. They design and install solar and energy panels. We really like SBA loans from a community-development perspective because they are focused on job creation and job retention.

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TWST: Why did you decide to focus on the subsector of the bond market you focus on?

Ms. Rogers: For community development, a major component is going to be small business loans or affordable housing. Many of our government bonds are financing SBA loans or HUD or Fannie Mae and Freddie Mac on the affordable housing side. Even if you look at sustainable investing, there's different government subsidies for that. So we selected the area that we believe has a strong impact and that is going to help improve communities.

TWST: You offer an individual account, but you also have a mutual fund. Please tell us about the mutual fund.

Ms. Rogers: When we started in 1999, it was started with just the CRA shares, which is primarily for bank investors. Then in 2007, due to increased demand from non-financial institutional investors and retail investors, we opened up an institutional and retail share class, and by and large it basically looks like an intermediate term bond fund with very high credit quality.

TWST: Please tell us about some of your specific investments right now and why you selected them.

Ms. Rogers: One of our investments from 2010 was in a Washington, D.C., community project. That was a very progressive project because it was a full comprehensive development plan, so our bonds in particular financed the portion of the community dealing with housing. The entire project included not only housing, but also job training and medical facilities and community development programs. The entire initiative is focused around going into primarily lower income neighborhoods and transforming them into more mixed income neighborhoods. We found that this is a more successful way at tackling low and moderate income cyclical problems.

More recently, we purchased another bond that was for Maine Medical Center. This is kind of interesting as well because obviously there is a big movement towards healthy communities and diseases that are more prone in lower income areas. The Maine Medical Center is in a medically underserved area, which is a designation provided by the

Highlights

Michelle Rogers discusses the investment strategy at her firm, which focuses on impact investing. The firm currently holds $1.5 billion in assets under management, and it seeks to produce competitive returns with lower risk than the Barclays Aggregate index, while simultaneously helping banks obtain Community Reinvestment Act credit. Ms. Rogers uses a two-pronged strategy, participating in subsectors of the bond market that usually have agency credit enhancement, and also looks at them for community development or sustainability approach. To manage risk, she structures portfolios to be within a narrow band from a duration perspective of the benchmark.

Another bond we purchased helped finance the Scott/Carver project in Miami which was also a HOPE VI project. HOPE VI is a homeownership opportunity for people everywhere and was a case where private and public financing united. HOPE VI is a grant through HUD and its objective is to revitalize blighted areas and create safe and more sustainable mixed income communities. They actually go into neighborhoods and interview the residents about what is missing from the neighborhood and what they would like added, such as a community center that is going to help their neighbors get together and start taking more pride in homeownership or the community. The Scott/Carver project actually did that and the public housing agency applied for American Recovery and Reinvestment Act funds, which I think everybody heard about when the big stimulus package was initially announced. So this is one of the projects that actually got it, and so far has been a very successful project.

TWST: Are you looking at any major changes in the fund, such as additional asset classes, in the near term?

Ms. Rogers: I think we are pretty happy with the way things are. We don't have any major changes in store. We are going to try to focus on the growth of the current asset classes and how to be more innovative and maybe how we relay our metrics.

TWST: How do you manage risk in the fund?

Ms. Rogers: As far as interest rate risk goes, that's mitigated by the way we structure the portfolios to be within a very narrow band from a duration perspective of our benchmark, which is the Barclays Agg. We have an asset allocation model that's very similar to that of the Barclays Agg, and we basically pair off with subsectors that are very similar in terms of structure. With regards to credit risk, we do a lot of due diligence at purchase, and then we have a monitoring process as far as how we look at the bond issuer, the debtors representing the loans, underlying collateral, the creditworthiness, if they have credit enhancements, and also if there are any national or local economic factors that would affect the issue.

TWST: What do you see as the most important trends in the economy as a whole and how do you see them impacting investment strategy over the next several years?

Ms. Rogers: We believe that interest rates will stay at a low level, and we are definitely positioned defensively in the event of rising rates. But so far, historically, our performance has shown that any kind of uncertainty within the macroeconomy actually benefits our performance, and so it doesn't seem as though there is going to be lot of certainty any time in the near term, so we would anticipate that low rates and the uncertainty should continue to benefit our performance.

TWST: Is the public becoming more interested in impact investing?

Ms. Rogers: Yes, absolutely. I think that there has been a lot of interest for impact investing, and we've definitely seen a lot more traction over the last two to three years, especially from nonfinancial institutions such as foundations and religious organizations.. This shows the increasing interest in this type of investing.

TWST: Given the current economic climate, what advice you would give to investors looking at becoming involved in impact investing?

Ms. Rogers: My first part of advice to everyone is always to make sure you have a good due diligence process in place, no matter what kind of investing you are doing, and be very clear on whoever you're using with what your objectives are. I know that that sounds kind of broad but that's really so important, because a lot of times with socially responsible investing, the same kind of due diligence process isn't followed, and I think that that's probably one of the most critical points.

TWST: Is there anything you would like to add?

Ms. Rogers: I think one of the very important benefits to our strategy is our pioneering research process, which adds an additional layer of transparency by combining community impact research with rigorous financial analysis. This additional analysis of the bond proceeds should benefit investors by providing more transparency, which is a very important topic right now.

TWST: Thank you. (LMR)

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SBA: Small Business Administration
HUD: U.S. Department of Housing and Urban Development
Barclays Agg: Barclays Capital Aggregate Bond Index
Duration is stated in years and is a measure of a bond's interest rate sensitivity. It measures the expected change in the value of a fixed income security that will result from a 1% change in interest rates.

As of 12/31/11, the average annual total returns for the CRA Qualified Investment Fund CRA Shares for 1-year, 5-year, 10-year and since inception (August 30, 1999) were 6.90%, 5.26%, 4.89% and 5.30%. Past performance does not guarantee future results. Other share classes have different returns. Performance reflects fee waivers and expense limitations that had been in effect. The Fund is not currently waiving any fees or expenses. Current performance may be lower or higher than the performance data quoted. An investor's investment return and principal value will fluctuate, so that your shares when redeemed may be worth more or less than your initial cost. To obtain the most recent month-end standardized performance, call1-877-272-1977. The total annual operating expense for the CRA Shares is 0.96%.

As of 12/31/11, the quality composition for the Fund is: 82.1% in Government/Agency; 6.9% in AAA; 9.4% in AA; 1.1% in A; 0.4% in BBB; and 0.1% in BB. This excludes money markets. Government/Agency includes mortgage-backed and asset-backed securities that are issued by the U.S. Government and government agencies. As of 12/31/11, a total of 0.002% of the Fund's assets was not rated. All rated securities are rated by S&P, Moody's, and/or Fitch. If a security is rated by more than one of these organizations, the lowest rating assigned is shown. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

As of 12/31/11, the Maine Medical Center and the Scott/Carter Project represented 0.03% and 0.43%, respectively, of the Fund's assets. American Solar & Environmental Technology was purchased for a separate account client. Holdings are subject to change. Current and future holdings are subject to risk.

Mutual fund investing involves risk including the loss of principal. Bond and bond funds are subject to interest rate risk and will decline in value as interest rates rise. The Fund is not diversified.

Carefully consider the risks, investment objectives, charges and expenses of the Fund before investing. The prospectus contains this and other important information. Call 866-202-3573 for a prospectus. Please read the prospectus carefully before investing.
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