

THE **IMPACT** INVESTOR

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Our spring 2019 issue of The Impact Investor newsletter is now available. We hope you enjoy the content we have included, which includes our 2018 Annual Impact Report and webinar; a Q&A with the Morgan Stanley Graystone group of Stephans Van Liew and Oiler; our new piece, The Women of Community Capital Management; a spotlight on the Clean Portfolio Project; and case studies on impact/ESG investments with a focus on resident amenities and programs. We always welcome ideas for future newsletters. If you have suggestions, please email jhorwitz@ccminvests.com.

NOW AVAILABLE

CCM'S 2018 ANNUAL IMPACT REPORT & WEBINAR REPLAY



Now in its sixth year of publication, we are thrilled to make our 2018 Annual Impact Report available, demonstrating our commitment to, and the ongoing advancement of, the impact/ESG investing arena. We are proud of our contributions to the field, including investing approximately \$9.2 billion since inception in impact/ESG initiatives on behalf of clients into vital economic developments such as affordable housing, disaster recovery, environmental sustainability, healthy communities, neighborhood revitalization, and transit-oriented development, to name just a few. Looking back on 2018, there were many noteworthy events that took place at our firm and we are excited to share those in the Annual Impact Report. To download a copy, please [click here](#).

We are also excited to include a replay of our webinar reviewing the report and sharing more detailed information on our impact metrics, outcomes, and customization capabilities. Webinar speakers David Sand, chief impact strategist, and Jessica Botelho, director of CRA and impact research, discussed our alignment to the United Nations' Sustainable Development Goals (SDGs), reviewed case studies of impact/ESG investments, and shared details of potential changes to the field in 2019. To listen to the replay, please [click here](#).

Q&A WITH MORGAN STANLEY GRAYSTONE: STEPHANS VAN LIEW AND OILER

Based in Chicago, the [Stephans Van Liew Oiler](#) group at Morgan Stanley Graystone Consulting believes that the market is evolving and clients will seek a different type of strategic consulting partner in the years ahead – one who can bring a more holistic view in providing advice and guidance and implicitly understands the relationship between investments and mission. This inspired their practice to create a highly differentiated consulting offering – one that is defined by deep engagement, exceptional research, a high degree of customization, and greater accountability for results. The group works with a national footprint of clients including nonprofits, healthy systems, foundations, religious institutions, and complex private wealth.

1. There is a lot of terminology used in the impact/ESG/responsible/sustainable space. How does your team define this type of investing?

Every dollar you send into the world makes an impact. There is a spectrum of approaches investors of all sizes can pursue for their portfolio to ensure their dollars are having the desired effect of meeting both their long-term financial and impact objectives. The spectrum starts with Restriction Screening and Environmental, Social and Governance (ESG) integration,



which seek to minimize objectionable impact. It then proceeds to Thematic Exposure and Impact Investing, approaches that target a specific positive impact; that is, those enterprises whose business model is creating targeted positive impact. Across these approaches, several prevalent themes emerge – faith-based investing, climate change and fossil fuel aware investing, gender lens investing (integrating diversity into financial decisions), and mission-aligned investing (activating investment

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portfolio to amplify the impact of a personal or organizational mission).

Every client is different and how they define impact objectives varies, as do the holistic investment solutions we implement on their behalf. Broadly, the industry is also constantly evolving.

As investment consultants, we have an important role to play, helping our clients activate their assets to further their mission and strengthen their good works. Our clients understand the powerful link between creating real value within their investment portfolio and creating real value for society... something we refer to as the “double bottom line result.”

2. How did the team initially get started in helping clients make responsible investments?

Our team’s impact journey began in 2008, when an existing private client established a foundation. They did not want to make grants to causes that would always be dependent on aid. They were very strategic in making sure their grants were designed in a way that would be catalytic to seed stage capital and would create increased social impact.

At the time, very few institutional wealth advisers had any depth or expertise in the area of impact investing. We initiated the discovery process with the aim of implementing a 100 percent impact-aligned portfolio. The process evolved rapidly and organically as we found like-minded people in the industry.

When our team moved our business from Merrill Lynch to Morgan Stanley, we were delighted to learn about Investing with Impact, which was launched in Morgan Stanley Wealth Management in 2012.¹

3. What percentage of your clients’ portfolios have an impact focus and how do you see that growing in the next five to ten years?

About 75 percent of our clients’ assets are in some way “mission-aligned,” whether that’s through positive screening, ESG strategies, or impact-focused investments.

We live in a world that is profoundly changing in ways we never thought possible. Within the

next five to ten years, global demand for food and water will increase as emerging economies begin to mature.

This new reality has sparked a growing awareness and need for action across both philanthropic and corporate communities – to not only use our limited resources more wisely, but to invest in solutions that will shape a new sustainable future, providing water, food, and energy for all. Our clients want to invest in those solutions and they fundamentally believe that in doing so, they will be preserving the world for future generations.

The bottom line is sustainable and impact investing is gaining momentum – 65 percent of individual investors expect sustainable investing to become more prevalent in the next five years. Companies are improving their competitive position by adjusting their business strategies to address long-term global themes such as climate change, health and well-being, inclusion, resource management, safety, and security.

4. What areas or themes are your clients most concerned about and how do you find investments that meet those objectives?

We recognize that building effective impact investing programs requires more time, greater sophistication, and a deeper level of manager due diligence to connect the dots between mission and investments. It also requires experienced practitioners who have embraced the client mindset and who can leverage the scale and capabilities of a firm like Morgan Stanley.

What makes us different is that we begin by asking the important question – how can these investments help our client achieve their broader mission and vision? Each of our clients looks at the world through a different lens – from those worried about the environment and climate change, to those looking to create opportunities for women and minorities. Others are passionate about supporting underserved and marginalized populations by providing education, affordable housing, and economic development.

We employ a variety of methods for evaluating quality ESG/SRI/Impact managers. Our firm’s trademarked Adverse Active Alpha and Value Score rank managers by markers of prospective performance, providing key perspective on manager quality. We study active managers’ skill by looking at their performance during adverse periods. By scoring a manager’s track

record of outperformance based on the degree of difficulty, we can see who rose to the top in difficult environments. We complement this by gauging manager quality at the intersection of current price and prospective value.

5. We hear a lot about millennials spearheading the transfer of wealth into responsible investments with other institutional clients also having a significant presence in the space, such as foundations and religious organizations. What will push the space even further from investors that still think you are sacrificing returns?

Investing with Impact is gaining momentum and scale because it can deliver meaningful impact alongside competitive financial return opportunities.

Among millennials, the demand is particularly pronounced: 75 percent of millennial investors believe their investments can influence climate change, and 90 percent want sustainable investing options as part of their 401(k) plans, according to a survey by the Morgan Stanley Institute for Sustainable Investing.

For decades, Catholic institutions, along with many other faith-based investors, have been leaders in matching their money with their moral convictions, pioneering socially responsible investing and using their means to create change and generate positive impact. Our faith-based clients were among the first to harness capital markets to influence corporate behavior through restriction screening and shareholder engagement. This trend continues to grow stronger with no signs of abating.

Given the momentum in sustainable investing, we are on track for a very different financial services and infrastructure world in the years ahead. In the future, we believe credit ratings will necessarily integrate environmental, social, and governance (ESG) issues; corporations will view sustainability factors as material; and investors will expect that their portfolios reflect their values.

¹ Investing with Impact is a comprehensive and holistic wealth solution for clients seeking to generate market-rate financial returns alongside positive environmental and social impact. With a robust suite of over 120 investment strategies and portfolio solutions, as well as proprietary reporting tools and analytics, our clients can advance broad sustainability solutions as well as mitigate climate change, support diversity and inclusion, promote community economic development, and more. Our client-centered approach has helped the families, individuals, and organizations we serve to invest in a way that aligns their personal or organizational values with their investments, leveraging the firm’s market position as a leading Wealth Management firm to empower our clients to Invest with Impact.

THE WOMEN OF CCM

The asset management industry has one of the lowest levels of representation among women. At CCM, we are proud to report as of this writing that 46 percent of CCM's team are women and 21 percent of the firm is owned by women.

Our new overview, The Women of Community Capital Management, highlights the backgrounds and experience of the women of CCM. Their broad and impressive skill sets, combined with their passion and commitment, have shaped our investment strategies, improved our marketing and communications efforts, and inspired our business to thrive in unprecedented ways. To download a copy, please [click here](#).



CCM IMPACT/ESG INVESTMENTS WITH A FOCUS ON RESIDENT AMENITIES AND PROGRAMS

Grace West Manor Apartments Newark, New Jersey

Grace West Manor Apartments is an affordable rental property that has 429 units, all of which receive Section 8 assistance. The property consists of a 12-story tower with 324 units designated for senior citizens and 21 townhomes with 105 units designed for families. The property is located at the southern edge of Newark's central business district, with easy access to transit, services, and downtown amenities. The property is located in a low-income, high-minority, and high-poverty census tract. The majority of the population residing in this census tract are minority households (99 percent) and 50 percent of the population lives below the poverty line.

The property is undergoing renovations, with expected completion in 2020. Improvements will be made to upgrade community spaces and units, enhance the safety and security of residents, and reduce the property's carbon impact. Common area improvements will include new furniture and finishes, a new fitness room, enhanced community and game rooms, lounge, computer workstation, and a medical exam room. The landscaping, irrigation, and outdoor areas will also be improved. Unit upgrades will include new kitchen counters and cabinets, Energy Star refrigerators and ranges, LED lighting, and low-flow faucets.

Additional funds will be used to further expand the property's social and recreational programs such as Zumba, art and exercise classes, senior wellness and game days, children's programming, a community choir, holiday

parties, and Black and Hispanic History month activities. Residents will have access to enhanced educational and awareness programs such as senior safety, fraud prevention, disaster preparation, breast cancer, lung cancer, and stroke awareness programs, health and vision screenings, and nutritional programs.

Grace West Manor Apartments has a **Walk Score** of 78 from walkscore.com, which is considered very walkable, where most errands can be accomplished on foot. Walk Score's mission is to promote walkable neighborhoods. Walkable neighborhoods are one of the simplest and best solutions for the environment, overall health, and the economy. Per a study in the American Journal of Preventative Medicine, people in walkable places weigh six to ten pounds less than those in less walkable places.



Walk Score measures the walkability of any address using a patented system. For each address, Walk Score analyzes hundreds of walking routes to nearby amenities. Points are awarded based on the distance to amenities in each category. For more information, visit <https://www.walkscore.com/methodology.shtml>.

Eden Palms San Jose, California

Eden Palms is a Low-Income Housing Tax Credit Property consisting of 45 two-bedroom, 57 three-bedroom, and 43 four-bedroom townhouses across 28 buildings. In connection with the Low Income Housing Tax Credit allocation, the Borrower executed a regulatory agreement restricting all of the 143 residential townhouses to tenants earning at or below 60 percent of Area Median Income (AMI). Two townhouses are reserved for property managers. Further, at least 58 townhouses must be reserved for tenants earning at or below 50 percent of AMI for a 55-year compliance period. The property is located

in a low-income, high-minority, and high-poverty census tract. In this census tract, 90 percent of the population are minority households and 21 percent of the population lives below the poverty line.

Each townhouse features a fully-equipped kitchen, in-unit washer and dryer, and private entrance. The community offers educational and social services such as adult drop-in hours for the computer lab, after-school computer assistance, community events, culturally relevant events, financial literacy programs, homework club programs, self-enrichment activities for seniors and the disabled, summer programs, tax assistance, and voter registration assistance.

Residents have access to an 8,000 square foot community building which includes an auditorium, teen room, computer center, day care facility, library, and management office. The landscaped outdoor space includes a basketball court, five tot lots, expansive lawn, garden area, and a playground for the day care center. The larger community fosters a small community feel as small clusters of the townhouse units surround the community "town center," with each cluster having its own private yard.



SPOTLIGHT ON THE CLEAN PORTFOLIO PROJECT



In our ongoing efforts to network with and spotlight like-minded organizations, we are featuring The Clean Portfolio Project in this newsletter. We are proud to be a partner of The Clean Portfolio Project which takes a total portfolio approach to fossil-free investing in integrated climate solutions. With the input of an expert advisory panel, the Project creates model portfolios that help individuals and institutions not only divest from fossil fuels but also invest in diversified solutions to climate change. The portfolios build upon Croatan Institute's framework of total portfolio activation, encouraging investors to re-allocate capital to high-impact opportunities across asset classes.

The Project was born out of a collaboration with the Social Capital Markets Conference (SOCAP) in

2015, which led to the development of the initial Divest-Invest Clean 15 portfolio that was released at SOCAP16 in San Francisco. The Clean 15 portfolio highlights 15 investable strategies across five major asset classes in themes ranging from renewable energy and sustainable infrastructure to organic agriculture and clean technology. The Project is now in a new phase of work, developing even more diversified portfolios, with exposure to new asset classes, broader selection criteria, and a wider array of investment strategies. The Institute is currently seeking additional sponsors to support the expansion of the Clean Portfolio Project and associated investor events taking place around the country. For more information, please [click here](#).

CCM SPRING/SUMMER 2019 EVENT SCHEDULE

CCM will be at the following conferences this spring/summer:

Confluence Philanthropy's 9th Annual Practitioners Gathering

March 4-7 | Brooklyn, NY

NCRC Annual Conference

March 11-12 | Washington, DC

Lynn University Social Impact Forum

March 25 | Boca Raton, FL

Bond Buyer National Municipal Bond Summit

March 25-27 | Nashville, TN

22nd Annual Foundation, Endowment & Northwest Not-for-Profit Symposium

Presented by The Cascade Group at Morgan Stanley, Clark NuberPS, and The Non-Profit Leadership Program at Seattle University

March 27 | Seattle, WA

UBS Sustainable Investing Forum

April 16-17 | New York City

National Association of Affordable Housing Lenders (NAAHL) Conference

June 5 | Washington, DC

Catholic Health Association of the United States

June 9-11 | Dallas, TX

US SIF 9th Annual Conference

June 10-12 | Minneapolis, MN

Leadership Conference Women Religious (LCWR)

August 13-15 | Scottsdale, AZ



VISIT CCMINVESTS.COM TO:

- ✓ Download our 2018 Annual Impact Report
- ✓ Listen to a replay of our recent webinar on our 2018 Annual Impact Report
- ✓ Read more about "The Women of Community Capital Management"

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