

# Impact and ESG Investing Survey

2nd Edition | November 2020



# Impact and ESG Investing Survey

## 2nd Edition | November 2020

Thank you to everyone who participated in our 2nd Impact and ESG Investing Survey. The results are always informative and we very much appreciate your time and efforts in completing the survey.

We are excited to share the results from CCM's 2nd annual impact and ESG investing survey and that we more than doubled the response rate from last year's inaugural survey (105 responses in 2020 compared to 48 in 2019). The goal of our impact and ESG investing survey is to share data and insights in this growing space and we are pleased to see answers from a variety of investors and advisors including foundations, corporations, public funds, faith-based, CDFIs, impact funds, investment consultants, registered investment advisors, family offices, and individuals.

This year has been an unprecedented one for everyone. From the COVID-19 pandemic to increasing instances of racial injustice to partisan politics, 2020 will be a year we will never forget. These issues play an important role in impact and ESG investing and this year's survey included some new questions as a result. We have highlighted below several interesting data points.



### Consideration of Impact and ESG Factors

We are extremely pleased to see that 92% answered "yes" to the question: If you/your clients have not incorporated impact and ESG factors into investment decisions, are you/they considering it? We were pleasantly surprised by this result as it indicates that more investors may actually be making impact and ESG investments rather than just think about it.



### Performance

There are still many who think that impact and ESG investing means sacrificing returns. We have always believed this to be a false assumption and were happy to see that 92% of the responses said their impact investments were performing above or in-line relative to their expectations.



### Track Record

An overwhelming number of responses – 81% – tagged "track record/reputation/returns" as the factor most important in identifying an impact and ESG manager. We feel this question would have a similar response rate if asked about a traditional manager and that the same important qualifications should be looked at when evaluating any kind of investment manager.



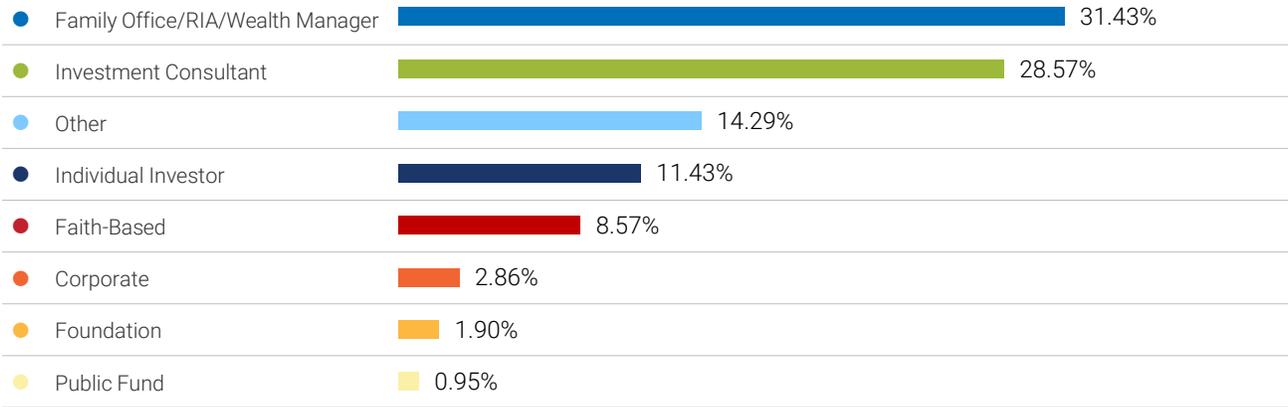
### Minority Advancement

Approximately 67% of the responses said "yes" that they are currently making investments supporting minority advancement and an overwhelming 93% of the responses said "yes" to the question of whether impact and ESG investments can help narrow economic and social disparities for minority communities. Given the ongoing instances of racial injustice this year and the importance of economic equality, we anticipate these numbers continuing to increase over the coming years.

# Impact and ESG Investing Survey Results

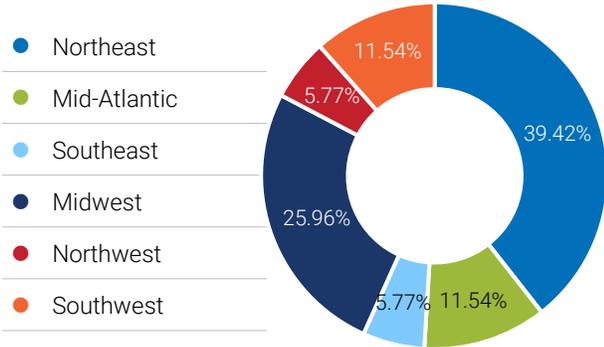
## 1 Type of Investor

Results ordered high-to-low

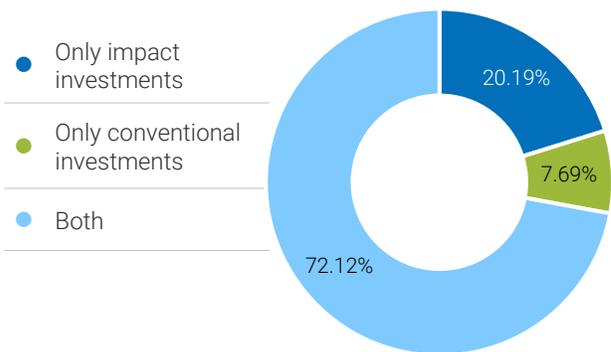


- Other responses:
- Financial advisor/broker
  - Nonprofit impact investment fund
  - ETF
  - CDFI
  - Financial planner & personal finance educator
  - Investment advisor
  - Asset manager
  - Impact PE firm
  - Financial planner
  - OCIO
  - Not-for-profit investment fund
  - Investment company (mutual fund)
  - Bank
  - Private, non-traded REIT
  - Registered investment advisor

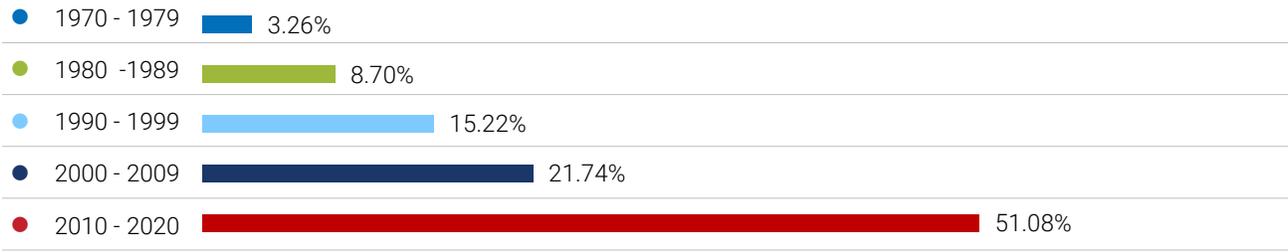
## 2 Where are you located in the U.S.?



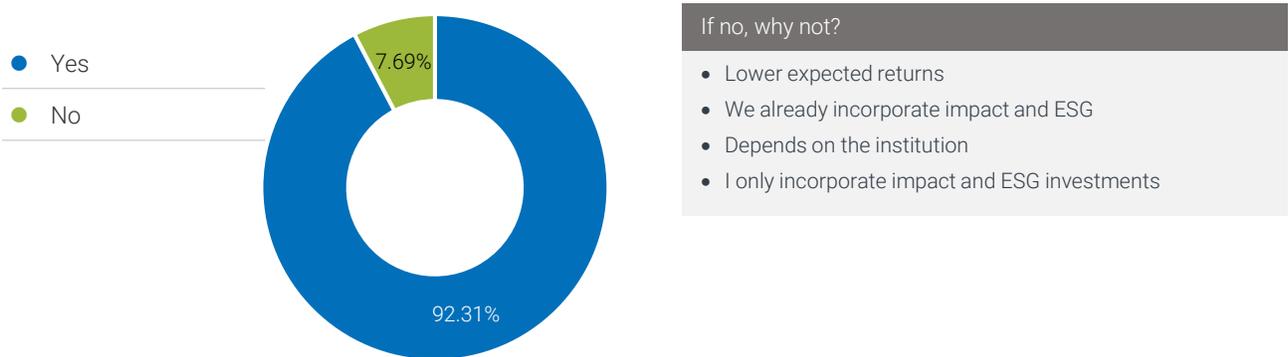
## 3 Do you/your clients make conventional investments, impact investments, or both?



**4** If you/your clients incorporate impact and ESG factors into investment decisions, when did you start?

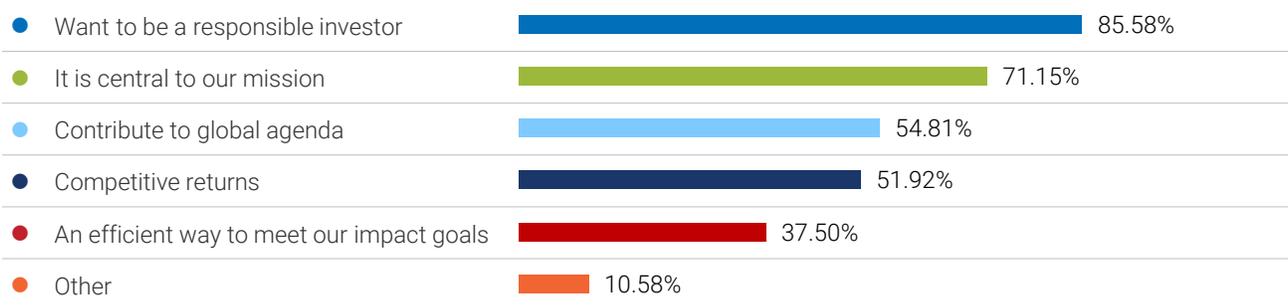


**5** If you/your clients have not incorporated impact and ESG factors into investment decisions, are you/they considering it?



**6** What motivates your organization/your clients to make impact and ESG investments? (Check all that apply)

Results ordered high-to-low

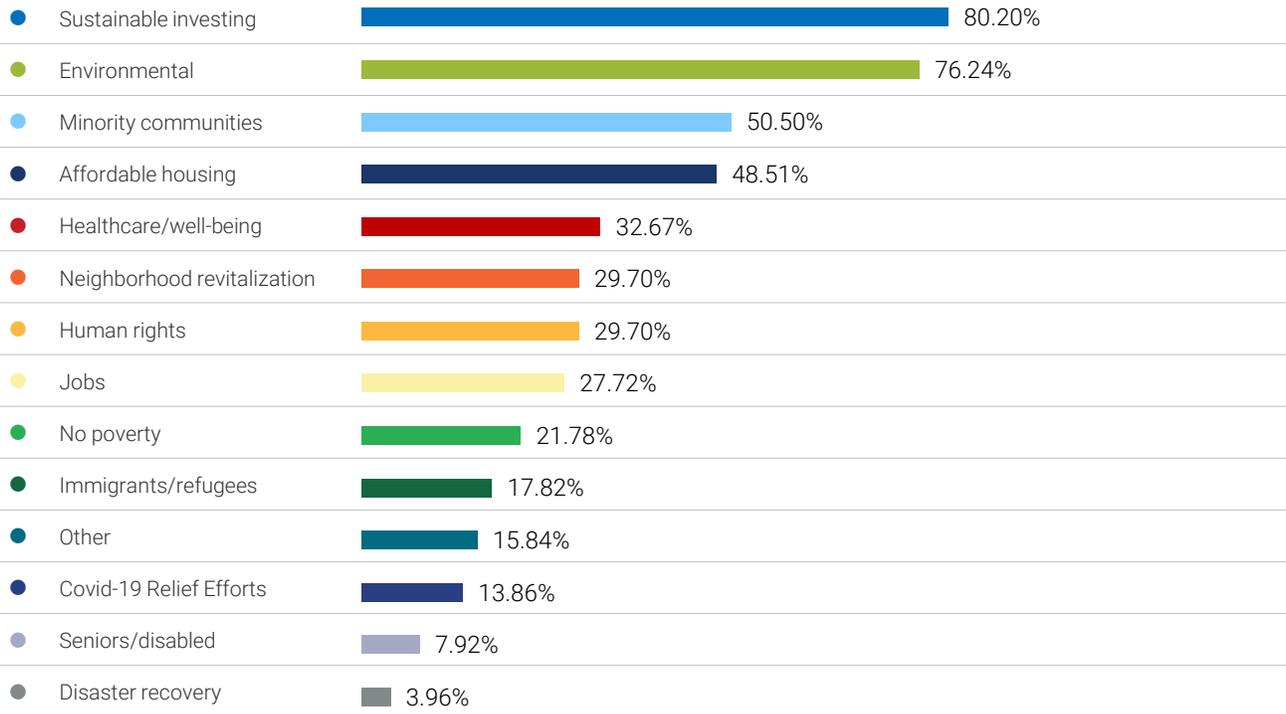


- Other responses:
- Societal benefit
  - Client demand
  - Donors are asking about it
  - The climate crisis has the capacity to end the march of human civilization
  - Mitigate risk
  - Makes for better long-term results
  - Align capital with what is important and invest in what is important
  - It is the best way to save capitalism from itself
  - Matches clients' core values
  - Powerful way to affect change
  - Risk management
  - Want to be a responsible investor

7

What impact area(s) does your overall organization invest in most? (Check all that apply)

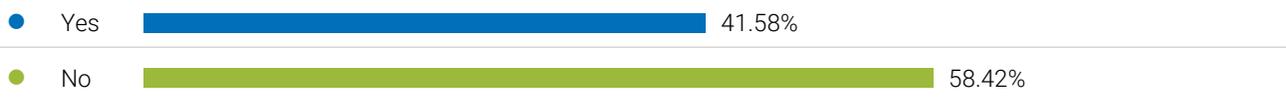
Results ordered high-to-low



- Other responses:
- Negative screening
  - Renewable energy
  - Impact lending
  - Financial inclusion
  - Gender equity
  - Fossil fuel free investments
  - Economic opportunity for all
  - Housing and food
  - Governance virtue and wisdom
  - Women and minorities
  - Faith-based
  - ESG factors based off of multiple data aggregators

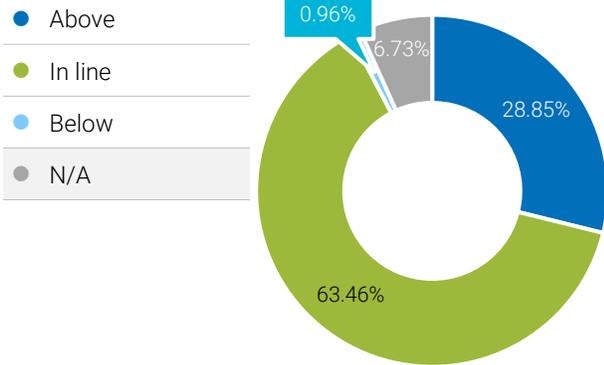
8

Are there any concerns regarding impact and ESG investments coming from board members/staff, or your clients directly? If so, what are they?

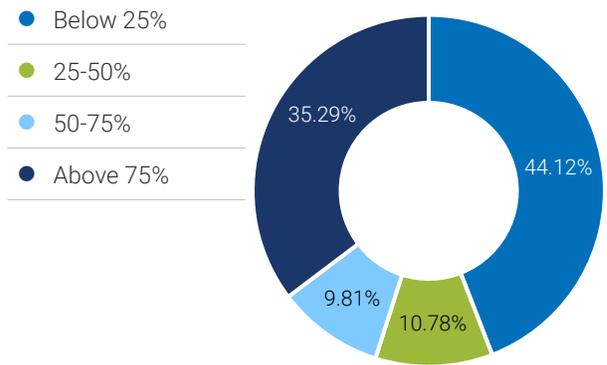


- If yes, what are their areas of concerns?
- Social and environmental
  - If we are doing enough specifically as it relates to Black Lives Matter
  - Financial returns
  - Regulations and fiduciary duty
  - Remove the myth of lower returns
  - Divestment conflicts with the Board's understanding of their fiduciary duty
  - Environment, gender equity, racial justice
  - Climate change
  - Greenwashing
  - Do they meet DOL definition of fiduciary duty
  - Donors want to have a local impact
  - For some clients there is still not 100% buy-in on impact and ESG
  - Board members representing the community are reluctant to apply their own values as a proxy for the entire community
  - Reporting and verifying
  - Limited options
  - Environmental justice
  - Balancing risk, reward, and impact is a challenge
  - Not enough local investments
  - Measurement of intentionality
  - Benchmarking challenges and willingness of investors to be forthcoming with ESG information

**9** How are your impact and ESG investments performing relative to your expectations?

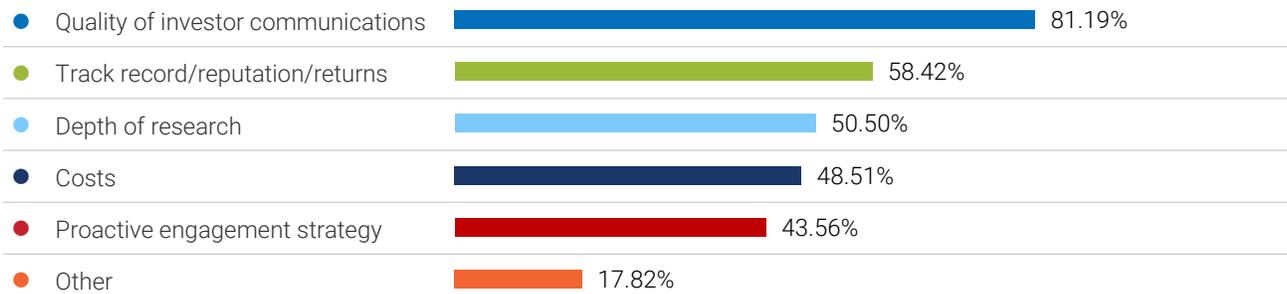


**10** What portion of your/your client's overall investment is in impact and ESG investments?



**11** What factors do you/your clients think are most important in your impact and ESG manager? (Check all that apply)

Results ordered high-to-low



- Other responses:
- Robust impact measurement practices
  - Fiduciary duty
  - Comprehensive world view
  - Demonstration of commitment
  - Costs
  - Track record of firm
  - Ability to demonstration ongoing monitoring and measurement of impact
  - Ability to customize targets, themes, and geographies
  - Impact reporting
  - Authenticity and firm level commitment to impact and ESG investing
  - Issue specific factors
  - Aligning money with values
  - Mission of the investment manager

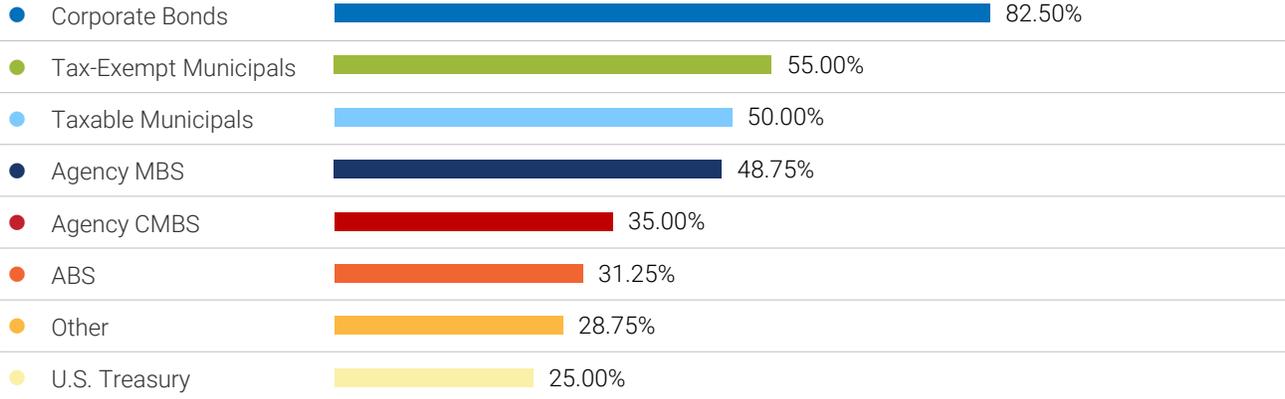
**12** Are you/your clients familiar with impact and ESG investing strategies available within fixed income?



13

If you answered 'Yes' to question 12, what impact and ESG sector(s) do you/your clients invest in? (Check all that apply)

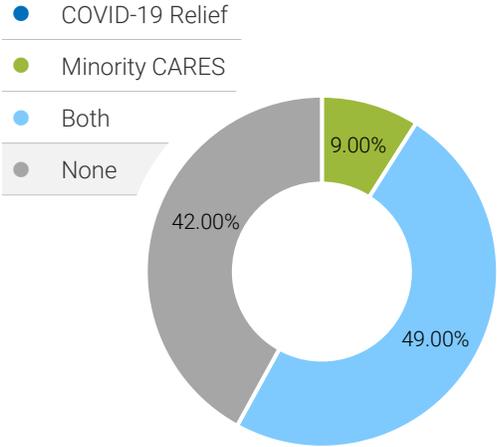
Results ordered high-to-low



- Other responses:
- If not a corporate or municipal bond ladder, then typically an open-end ESG and/or impact bond fund
  - We changed guidelines and do not have a dedicated strategy
  - Private debt, promissory notes, and CDFIs
  - Only CCM
  - Sovereign bonds, multilateral development bank bonds
  - Impact notes and mutual funds
  - Private placements
  - CRA Qualified Investment Fund
  - Alternative investments
  - Green bonds
  - Global blue bonds
  - Real estate
  - Microfinance
  - None yet
  - ETFs

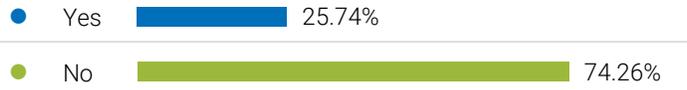
14

As a result of strong client demand, CCM launched two initiatives in 2020, COVID-19 Relief and Minority CARES. Are you interested in learning more about these initiatives?



15

In 2020, have you/your clients made any impact investments supporting COVID-19 relief efforts?



- If yes, what type of investments?
- Non-profits
  - Minneapolis Lake Street rebuild after community unrest and fires
  - Debt and grant investments
  - Open-end fixed income mutual fund
  - UNICEF Bridge Fund
  - Donor advised funds
  - CDFIs
  - Private equity funds
  - Follow on equity to existing impact investments
  - CRA Qualified Investment Fund
  - Emergency disaster loan funds
  - Food and beverage loans
  - All community foundations have launched significant COVID-19 aid funds
  - Local small business support
  - We have worked with our partners on providing relief to residents and investing in property operations to protect property management staff and residents

## 16

### Has the COVID-19 pandemic changed your organization's/your client's impact area(s) of focus?

● Yes  23.23%

● No  76.77%

#### If yes, how so?

- Looking for small business and community infrastructure – local food, housing, community renewable energy projects and job training
- Community foundations established specific funds to assist with challenges related to COVID-19
- More healthcare focused
- Elevated racial and economic justice
- My focus has changed from environment, sustainable food systems, and refugees to include domestic community support
- There is a much greater focus in providing working capital/bridge financing to contractors, particularly small/diverse contractors, so they can get back to work
- Looking at social factors more closely
- Elevated social themes
- Always have been focused on higher impact investment affecting environmental and social justice issues
- It has increased the client awareness of the necessity of investing in companies whose "DNA" includes social responsibility and looking out for the welfare of the communities they serve
- It has increased our urgency to deploy funds in support of affordable housing, economic inclusion, and small business support
- Racial inequality and social justice issues have been magnified by COVID-19
- Greater focus on racial diversity at the asset manager level
- The pandemic gave my partner and I time to focus on moving our firm from traditional investing to impact focused investing – we plan to have our default investment strategy be SRI

## 17

### How do you think impact and ESG investing can help COVID-19 relief efforts?

- Investing in charitable organizations providing capital to assist those in need due to job loss
- Targeting minority communities which have been hardest hit and enabling access to credit
- Re-direct investment funds that would otherwise bolster wall street centric investment pools into capital that goes into community-based investments that provide essential services in housing, food, local energy solutions, and small business lending/job training
- By continuing to support healthy communities, access to healthcare, and investment in jobs
- Getting information, PPP equipment, vaccines to poorer/underserved communities
- It identifies communities most in need and solutions that are inclusive
- Find ways to expand healthcare coverage to underserved communities while bringing down the cost of delivery
- Support frontline workers by furthering the conversation around traditional labor issues, increase pay/benefits/safety
- Supporting companies taking care of their employees
- Slowing deforestation will help avoid future diseases coming from wild animals to people, such as COVID-19
- Getting capital flowing, where the big/traditional lenders are hunkered down
- Pressure corporations to act responsibly

## 18

### Do you/your clients currently make any investments supporting minority advancement?

● Yes  66.67%

● No  33.33%

#### If yes, how so?

- Community-oriented investment vehicles including mutual funds and notes
- Investment in CRA Qualified Investment Fund and Minority CARES
- Low-income housing
- Investing in minority managers
- We launched a campaign to get the companies in which we invest to make commitments re: pay equity
- Donations and volunteering
- VCs who invest in companies catering to minorities both in terms of products and services in addition to investing in companies run by people of color
- ESG profile of companies, particularly ones that support minority advancement in policies
- Investments supporting small women- and minority-owned businesses
- PRIs and CDFIs
- Investing in private equity geared toward supporting enterprises in specific geographical areas

## 19 Do you/your clients think that impact and ESG investing can help narrow economic and social disparities for minority communities?

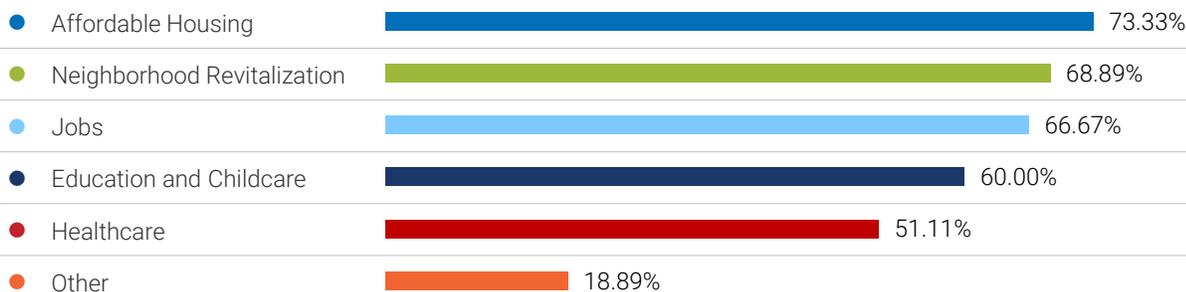


If yes, how so? If no, why not?

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Provide needed capital for minority owned businesses/communities allowing them to thrive in communities</li> <li>• Availability of credit has certainly been an inhibiting factor for growth historically</li> <li>• By redirecting capital into community-based impact sectors vs. the money first wall street derivative-type investment pools</li> <li>• Because we believe in the impacts that investments like Minority CARES has</li> <li>• We look for managers that are diverse or minority owned</li> <li>• Corporate engagement and better disclosure</li> <li>• Active engagement with management to implement supportive policies and standards</li> <li>• Non-financial elements of investments can incorporate such issues, and could/should be highlighted for investors who care about the matter</li> <li>• Financial inclusion</li> <li>• One example is providing investment into areas of the market and population underserved by traditional lending channels</li> <li>• Community focused impact private equity</li> </ul> | <ul style="list-style-type: none"> <li>• Yes, but impact investing alone will not make the difference – we need better government policy and intervention to address systemic inequality and a shift from GDP growth/capitalism at all costs and instead a focus on the economic and social wellbeing of all citizens</li> <li>• Improved infrastructure</li> <li>• Access to capital</li> <li>• Incentives and consulting/mentoring to support minority owned businesses and incentives to help with affordable home ownership</li> <li>• Place-based investments</li> <li>• As a country we have actively kept minority residents from programs and opportunities that generated wealth for white Americans (if we would make a similar national commitment to building minority homeownership and wealth with scaled housing production and subsidized financing, we could create a next generation of minority wealth as we did for an earlier generation of white families)</li> <li>• Supporting companies who have aggressive hiring and promotion practices for underrepresented communities</li> </ul> |
|--|---|

## 20 Are there specific impact areas you/your clients would like to see an investment focus on as it relates to minority advancement? (check all that apply)

Results ordered high-to-low



Other responses:

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Equitable pay</li> <li>• Mental health</li> <li>• COVID-19 relief</li> <li>• Reparations</li> </ul> | <ul style="list-style-type: none"> <li>• Food/agriculture</li> <li>• All of the above</li> <li>• Environmental justice</li> <li>• Climate resiliency</li> </ul> | <ul style="list-style-type: none"> <li>• Renewable energy</li> <li>• Equity building</li> <li>• Charter schools</li> <li>• Board and C suite representation</li> </ul> |
|--|---|--|

## About CCM

Community Capital Management, Inc. (CCM) is an investment adviser registered with the Securities and Exchange Commission. Headquartered in Fort Lauderdale with employees in Boston, Charlotte, the New York City area, and Southern California, CCM was founded in 1998 and manages \$3 billion in assets. The firm believes a fully integrated portfolio – one that includes environmental, social, and governance (ESG) factors – can deliver strong financial performance while simultaneously having positive long-term economic and sustainable impact. CCM's strategies utilize an innovative approach to fixed income and equity investing by combining the positive outcomes of impact and ESG investing with rigorous financial analysis, an inherent focus on risk management, and transparent research. For more information, please visit: [www.ccminvests.com](http://www.ccminvests.com).

*Community Capital Management, Inc. (CCM) is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply a certain level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the adviser. Past performance is not indicative of future results. CCM has distinct investment processes and procedures relating to the management of investment portfolios. The firm's strategies are customized, rather than model-based, and utilize an innovative approach to fixed income and equity investing by combining the positive outcomes of impact and environmental, social, and governance (ESG) investing with rigorous financial analysis, an inherent focus on risk management, and transparent research. Bonds are subject to interest rate risk and will decline in value as interest rates rise. Stocks will fluctuate in response to factors that may affect a single company, industry, sector, or the market as a whole and may perform worse than the market. A sustainable investment strategy which incorporates impact investing and/or ESG criteria may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.*

Copyright © 2020 Community Capital Management. All Rights Reserved.