

2022 Impact Report

CCM COMMUNITY CAPITAL
M A N A G E M E N T





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2022

Foreword

We are pleased to share our 2022 impact report, now in its 10th edition. We are so proud to celebrate over 23 years of managing impact investment portfolios and an entire decade of producing our annual impact report.

What started as an idea to recap our impact throughout the year for clients has expanded and grown over time to include enhanced detailed impact metrics and outcomes, impact-in-action case studies, firm-wide impact initiatives, and more. We continue to adapt and improve our annual impact report based on client feedback and internal discussions and are honored that so many other investment managers have followed our lead and published impact reports on their own respective activities. Our 10th annual impact report outlines the evolution of our impact investments and how we think about impact across all areas of our organization.

CCM Annual Impact Report: 2013 to 2022



2013



2014



2015



2016



2017



2018



2019



2020



2021



2022



It's amazing to see the evolution of our impact reports over the last decade and how we continue to find new ways to report on the positive impact of our investments to communities nationwide.

— **Jamie Horwitz**, Chief Marketing Officer

“The media backlash may be ongoing but at the end of the day, effective research and due diligence is critical for **any** investment — ESG or non-ESG.

— **David Sand**, Chief Impact Strategist

2022: Year in Review

Rising interest rates, high inflation, and geopolitical risks contributed to much uncertainty in the U.S. economy in 2022. The consensus seems to be that a global recession is likely to happen sometime in 2023. Coupled with a possible recession, climate risk is one of the greatest threats our world faces as it continues to devastate communities. Greenhouse gas concentrations continue to rise to record highs, and fossil fuel emission rates are now above pre-pandemic levels, after a temporary drop due to lockdowns.

2022: Year in Review

Despite continued evidence that our climate is changing, investment strategies supporting a transition to cleaner energy came under attack with much divisiveness and politicization in 2022. Irrespective of much misinformation regarding impact and environmental, social, and governance (ESG) investing, research still shows significant investor interest in helping to find solutions to climate change and other important impact areas like affordable housing and racial justice. Impact and ESG investing supporters, practitioners, and investors have been quick to use this attention to convert the misinformation into an education opportunity through increased transparency and communication while continuing to find ways to invest for positive outcomes.

The ongoing backlash of impact and ESG investing was just one challenge faced in 2022. This past year has been taxing on many levels. The S&P 500 Index had its worst first half of the year since 1970, losing almost 21% and ending the year down 19.44%. Bonds suffered as well. Looking back to 1977 using the Bloomberg US Aggregate Index (the Aggregate), over the last 45 years, bonds have fallen in value in only five calendar year periods, and the most significant decline prior to this past year was 2.9% in 1994. In 2022, the Aggregate was down 13.01%. With inflation and interest rates soaring last year, the bond market was anything but reliable.²

Another test in 2022 was Russia's invasion of Ukraine. Beyond the heart-wrenching suffering and humanitarian crisis in Ukraine, the entire global economy felt the effects of the invasion's contributions to already-strained supply chains and higher energy costs. Despite years of progress toward global peace, the world remains vulnerable to geopolitical aggression. While 2022 seemed fast and steady with its challenges, we are pleased to report several positive activities that took place at CCM in 2022 that have kept us motivated.

- The first follows on the crisis in Ukraine and how the capital markets have stepped in to help solve one of the invasion's many challenges. CCM invested \$3 million in the Council of Europe Development Bank's (CEB) Social Inclusion Bond whose proceeds will primarily be used to support Ukrainian refugees hosted by CEB member countries. The CEB is the first multilateral development bank to disburse grants to help its members meet the immediate needs of Ukrainian refugees for transportation, shelter, food, and medical care. Loans made with proceeds from the three-year notes could also be used by CEB member countries to support the longer-term needs of refugees and their host communities.



The Global Impact Investing Network's (GIINs) 2022 report, "Sizing the Impact Investing Market: 2022," estimates the size of the worldwide impact investing market to be USD 1.164 trillion, marking the first time that the organization's widely cited estimate has topped the USD 1 trillion mark.¹

CCM invested **\$3 million** in the Council of Europe Development Bank's (CEB) Social Inclusion Bond whose proceeds will primarily be used to support Ukrainian refugees hosted by CEB member countries.

CCM DEI Goal 3: Engage with the broader community to promote equity, social justice, and inclusion (i.e., local community volunteer activities, corporate social responsibility initiatives).

We are working with **Redfin** to calculate the estimated home values of the loans in the OWNS portfolio providing metrics on wealth creation. Based on OWNS's holdings in August when it celebrated its first anniversary, the loans had generated an average wealth effect of approximately \$44,000 per mortgage over the length of each loan's investment period through August 3, 2022. This compares to a median family wealth of \$36,100 for Hispanic Americans and \$24,100 for Black Americans.³



In 2022, we shared a new perspective, "Faith-Based Investing Guidelines," that shares brief overviews and updates of some faith-based investing guidelines.

- Next is our advancement of the third goal of our Diversity, Equity, and Inclusion (DEI) efforts. CCM partnered with the Urban League of Broward County to sponsor financial empowerment workshops, which are designed to educate on topics of money and wealth creation in an effort to close financial education gaps and provide a pathway to financial dignity. CCM employees also volunteered with HandsOn Broward to build kindness kits that were delivered to homeless shelters throughout our local community in addition to volunteering on-site at Broward Partnership for the Homeless. These are just a few activities that took place to promote DEI and help our community and are examples of how we think about and employ impact across all areas of our organization.
- In August, we celebrated the first anniversary of the Impact Shares Affordable Housing MBS ETF (NYSE: OWNS), of which we are the sub-adviser. OWNS launched in July 2021 and, to our knowledge, is the first and only publicly traded solution seeking to support the growth of affordable homeownership by creating financing for low- and moderate-income (LMI) borrowers. The ETF offers investors a capital markets solution to homeownership by facilitating the flow of capital to families, helping them to build home equity and reduce the historical wealth gap.
- In the fall, we joined the Catholic Impact Investment Collaborative's (CIIC) new membership program. CIIC's vision is to foster a world where capital is a transformative force for good, stewards the environment, and enhances both equality and human dignity. By sharing its experience and celebrating its Catholic faith and values, CIIC seeks to expand the stewardship of financial resources in service to people and planet. Faith-based groups have long led the way in using the power of capital to bring about change, and we are honored to be a part of CIIC and to have expanded our clients this past year to include other faith-based investors.
- Finally, we once again hosted our annual impact awards competition in December, now in its 6th year. This initiative is extremely rewarding in that we can support organizations helping those less fortunate in their community and share their story. The award competition includes five impact investments we invested in throughout the year with

2022: Year in Review

voting by you for your favorite impact story, and the winner receiving a \$10,000 donation. This year's winner is the Shirley Chisholm Family Residence, whose non-profit operator, Win, was awarded a \$10,000 donation from CCM. The Shirley Chisholm Family Residence is a transitional housing property for homeless families in Brooklyn, New York. It is a 12-story mixed-use residential property that provided 146 units of Tier II shelter, childcare and programming space for shelter residents, and 3,500 square feet of retail space. The property is operated by Win, the largest provider of family shelter and supportive housing in New York City. Win's non-profit mission is to transform the lives of New York City homeless families by providing holistic solutions of safe housing, critical services, and ground-breaking programs to help them succeed on their own.

In closing, we were thrilled to see clients, partners, and friends at industry conferences, workshops, and meetings throughout last year. After a quiet two years of COVID-19 lockdowns, it was wonderful to engage with colleagues, speak on panels, and participate in stimulating dialogue. We would not be where we are today without our clients, and we thank you for your ongoing support. Your investments are increasing the velocity of capital to underserved people and communities nationwide. We hope you enjoy reading our 2022 impact report and, as always, we welcome suggestions and ideas for future publications.

Impactfully Yours,

The CCM Team



Photo credit: <https://bklyner.com/one-fourth-avenue-family-homeless-shelter-is-open-other-to-open-in-the-fall/>



The winner of CCM's 2022 impact awards is the **Shirley Chisholm Family Residence** in Brooklyn, New York. Shirley Anita St. Hill Chisholm was the first African American woman in Congress (1968) and the first woman and African American to seek the nomination for president of the U.S. from one of the two major political parties (1972).

Photo credit: https://commons.wikimedia.org/wiki/File:Shirley_Chisholm.jpg



We are passionate about making a positive impact in our community and our clients' communities and are proud to have invested approximately \$13.8 billion in impact and ESG investments nationwide on behalf of our investors.

— **Alyssa Greenspan**, President and Chief Operating Officer

Mission, Vision, and Philosophy

Community Capital Management, LLC (CCM) was founded in 1998 and our flagship impact bond fund, the CCM Community Impact Bond Fund, was launched in August 1999. The earliest investors were banks looking to meet community development investing under the Community Reinvestment Act (CRA). Today, we work through a network of investment consultants and advisers and serve a wide variety of clients including faith-based investors, endowments, foundations, healthcare organizations, non-profits, public funds, insurance companies, and high net worth individuals.

Mission, Vision, and Philosophy

CCM is an independently owned investment adviser with \$4.0 billion in assets under management and a 23-year history of client customization and management of impact and ESG investment strategies. To date, we have invested approximately \$13.8 billion in impact and ESG investments across the U.S. on behalf of clients since the firm's inception in August 1999.

\$4.0B

in assets under management
as of 12/31/2022

\$13.8B

in impact and ESG investments
across the U.S. as of 12/31/2022



MISSION

Our mission seeks to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes.



VISION

Our vision is to be the premier impact investing manager with the highest level of client service and impact transparency.



PHILOSOPHY

We believe a fully integrated portfolio, one that includes impact and ESG factors, can deliver strong financial performance while simultaneously having positive long-term economic and sustainable outcomes.

“ We foster a collaborative environment that encourages professional and personal development among individuals with diverse backgrounds and talents.

— James Malone, Chief Financial and Diversity Officer

Diversity, Equity, and Inclusion

The last few years have been turbulent with social unrest, racial divisions, and ongoing acts of antisemitism. It is frustrating and disheartening; however, we continue to look at the positive and focus on opportunities to create meaningful change within our organization. As we continue to employ impact across all areas of the firm, we are pleased to report measurable actions that took place in 2022 in our strategic DEI Plan.

CCM is committed to the principles of diversity, equity, and inclusion (DEI). We believe incorporating DEI policies and practices enhances results, and as such, we facilitate diversity in employee hiring, training, and promotion. We additionally incorporate DEI principles and practices in our investment processes. In an effort to cultivate an inclusive work environment, CCM developed a DEI Strategic Plan for Fiscal Years 2021–2024 to provide a blueprint to build upon. This plan includes measurable actions that are designed to help fully integrate diversity, inclusion, and opportunity in the strategic decision making of the firm; enhance organizational effectiveness; and meet future challenges.

At CCM, diversity is a collection of individual attributes

that together help our team pursue the firm’s objectives effectively. Diversity is a relational concept that shows up in the composition of our team and is measured on a collective whole. Inclusion is about a sense of belonging experienced by all our team members. It is about a work environment that makes everyone, regardless of who they are or what they do for the business, feel equally involved in and supported in all areas of the workplace.

DEI Committee

CCM's DEI committee is a small group of employees who champion DEI in the workplace. The group comprises members across the organization who help establish a supportive and welcoming workplace environment in which employees of all backgrounds and demographic characteristics can work together.



James Malone, CFA
Chief Financial & Diversity Officer



Alyssa Greenspan, CFA
President & Chief Operating Officer



Andy Kaufman
Chief Investment Officer

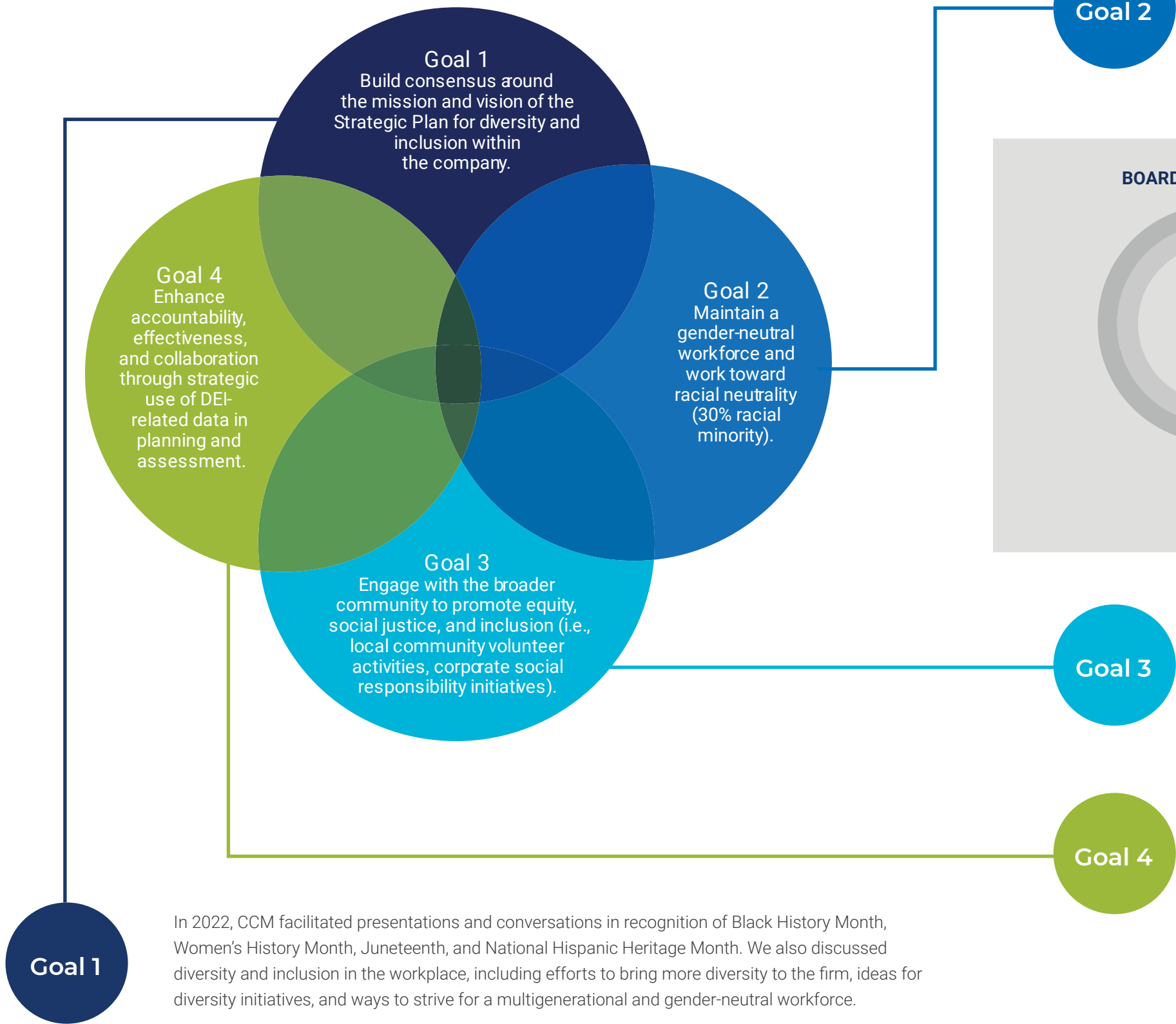


Priscilla Lozevski
Head of Operations

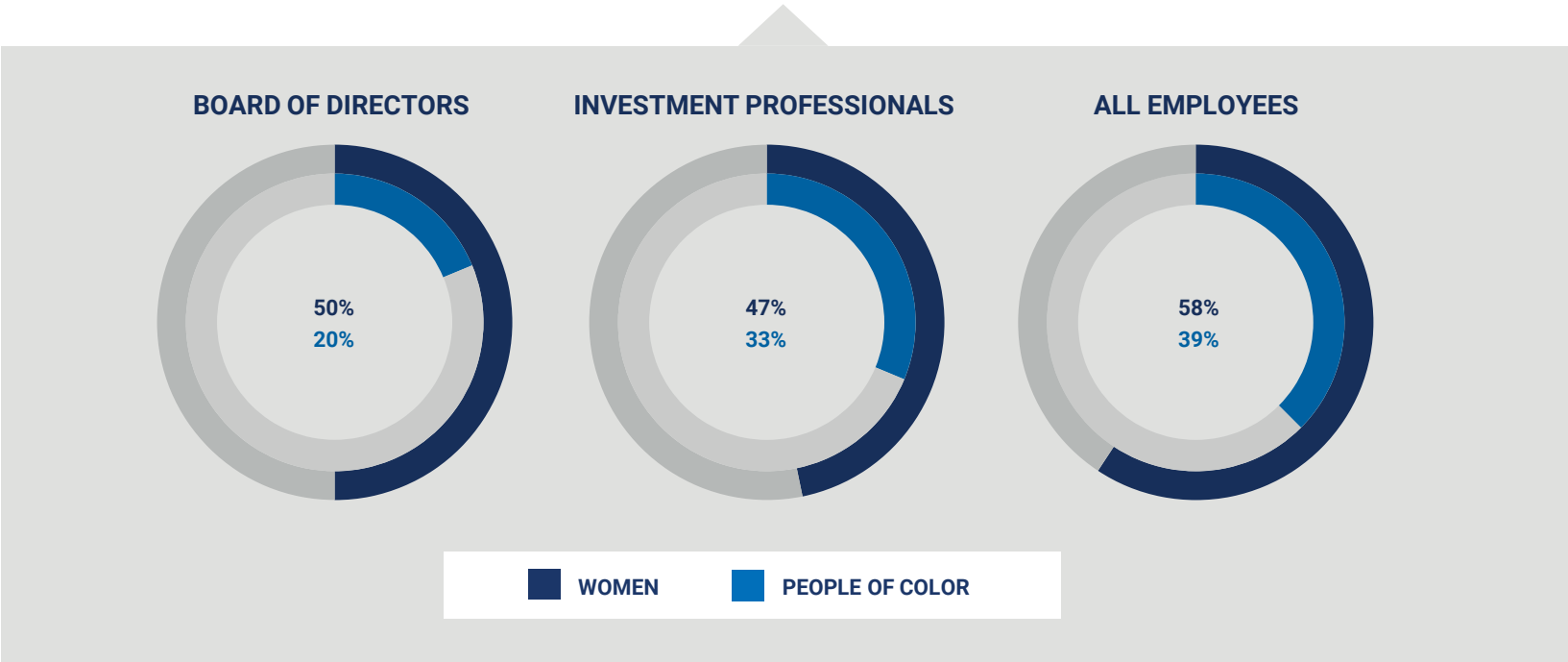


Amina Rubin
Impact Research and Reporting Associate

Goals from our 2022 DEI Plan



We believe that diversity of thought and background leads to better outcomes, particularly in the workplace. In keeping with this philosophy, four out of five new employees hired in 2022 are racial minorities. Our results-only culture, and corresponding flexibility around where employees live and work, has facilitated our diversity efforts, hiring employees in various parts of the country. Highlights of our gender and ethnicity diversity, as of December 31, 2022, are as follows:



Goal 3

In 2022, CCM partnered with the Urban League of Broward County to sponsor financial empowerment workshops. We also volunteered locally with organizations to help the homeless and at-risk youth and participated in fundraising events for a variety of non-profit organizations.



Goal 4

We continue to engage and receive feedback from our team on our DEI efforts. We track diversity data for employees, management, ownership, volunteer participation, and community engagement. We are working to track DEI data as it relates to our vendors and hope to have final results next year. In 2022, the DEI committee conducted a survey for CCM employees asking about the organization’s diversity and inclusion approaches and if they feel a sense of belonging at the firm. We were pleased to have a 90% participation rate along with positive results from the questions asked. We also asked for suggestions on DEI efforts and were pleased to hear that employees would like more team building exercises and experiences and enhancement of CCM’s mentorship programs. We will look to implement these suggestions in 2023.

Our talented and hard-working team is critical to our success and includes diverse individuals committed to long-term relationships and exceptional client service. We are extremely proud of their dedication to making a positive impact to our organization and to communities nationwide.

Leadership



Todd Cohen
Founder, CEO



Alyssa Greenspan, CFA
President and Chief Operating Officer

Investment Team



Andy Kaufman
Chief Investment Officer



Kristin Fafard, CFA
Chief Investment Strategist



David Sand
Chief Impact Strategist



Elliot Gilfarb, CFA
Head of Fixed Income



Jessica Botelho
Director of Impact and CRA Research



Miriam Legrand
Director of Credit Research and PM



Thomas Lott
Portfolio Manager



Alex Alario, CFA
Portfolio Manager



Cayce Shawn
Trader



Shonali Pal
Junior Portfolio Manager



Allison Glansberg
Credit Analyst



Amina Rubin
Impact Research and Reporting Associate



Christian Calnan
Impact Research and Reporting Associate



Adele Macewen
Impact Research and Reporting Associate

Business Management



James Malone, CFA
Chief Financial and Diversity Officer



Stefanie J. Little
Chief Compliance Officer



Wei Wei, CFA
Senior Systems Architect



Yuhong Wang
Senior Application Developer

Operations



Priscilla Lozevski
Head of Operations



Alex Trifan
Operations Analyst



Kevin Gonzalez
Operations Analyst

Marketing



Jamie Horwitz
Chief Marketing Officer



Barbara Seaman
Sales and Marketing Specialist

Sales and Client Services



Martha Schuman
Sr. Client Portfolio Manager



Michelle DeLaCruz
Client Portfolio Manager



Victoria Glover
Consultant Relations Associate



Maria Leon
Client Service Manager



The evolution of our impact and our impact and ESG investing framework dates back to our beginnings working with banks and has expanded to include a variety of investors looking to align their portfolios for impact.

— **Andy Kaufman**, Chief Investment Officer

A Closer Look at Impact and ESG Investing at CCM

We have incorporated impact and ESG factors into our investment process since the inception of the firm’s first, flagship strategy in 1999. 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. This section takes a closer look at the evolution of our impact and our current impact and ESG investing framework.

Impact Evolution

Impact Evolution: Decoding the Lingo

Impact Investing: Impact investments are made with the intention of generating a competitive financial return while realizing measurable positive environmental and social benefits.

Community Investing: practice of using financial investments to help underserved communities and support community investment initiatives while earning a financial return.

Environmental, Social, and Governance Investing: ESG investing considers environmental, social, and governance factors alongside financial factors in the investment decision-making process.

Socially Responsible Investing (SRI): SRI considers both the investor’s financial needs and an investment’s impact on society through screening (negative and positive), shareholder advocacy, and community investing.

Mission-Related Investing (MRI): MRI typically refers to the use of investments by foundations as tools to achieve their philanthropic goals. They are usually market-rate investments.

Values-Based Investing (VBI): VBI is generally described as a strategy that reflects one’s personal beliefs by avoiding or increasing their portfolio’s exposure to specific companies, sectors, or business practices.

Faith-Baith Investing: Faith-based investing aligns religious views and goals with the strategic investment of financial assets. It integrates faith, legacy, and fiduciary standards.

1998/1999

Community Investing

Community investing is the practice of using financial investments to help underserved communities and support community investment initiatives while earning a financial return. CCM’s origin stems from the CRA, which was enacted in 1977 and requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including LMI neighborhoods. Many financial institutions will use the terms “community investing” and “community development” to describe their CRA investments. In the early years of CCM, this term was primarily used given our focus on banks making investments to satisfy their CRA investment test requirement.

2001

Direct Impact Investing and Mission-Related Investing

In 2001, we introduced the concept of “direct impact investing.” Little did we know back then that a similar term, “impact investing,” would become an industry-wide term six years later. *Direct* impact investing best explained the positive and direct impact our investments were having to communities nationwide. Around the same time, a foundation approached us to manage what it was calling a “mission-related investing” portfolio. Since 1996, its board had been discussing its 5% payout requirement and the foundation’s philanthropic goals and how the other 95% of the foundation’s assets could be invested in a way that furthered its mission, allowing the organization to have greater social impact than grant-making alone. Shortly thereafter, we began managing a portfolio of fixed income investments that were aligned with its mission. It was our first separate account *and* non-bank client. The demand for such type of investing grew, and investment management firms dedicated to various forms of mission-related investing joined CCM as industry leaders.

2005 and 2013/2014

Environmental, Social, and Governance Investing (ESG)

The term ESG was first coined in 2005 in a landmark study entitled, "Who Cares Wins." The report was the result of a joint initiative of financial institutions that were invited by United Nations Secretary-General Kofi Annan to develop guidelines and recommendations on how to better ESG issues in asset management, securities brokerage services, and associated research functions.⁴ While the term was coined early on, it didn't gain traction until 2013/2014 when the first studies were published showing that good corporate sustainability performance is associated with good financial results.⁵ We began incorporating the term ESG around the same time as it coincided with the launch of our liquid alternative strategy, which incorporated stocks. At the time, ESG was a term primarily reserved for equity strategies.

2007

Impact Investing

While the practice of impact investing was already in existence, the term didn't get coined until 2007 when the Rockefeller Foundation put a name to investments with the intention to generate both financial return and social and/or environmental impact. Similar to our concept of direct impact investing in 2001, the term impact investing gained broad traction and appeared to grab the industry by storm.

While impact and ESG are used broadly to describe our approach, we continue to use other terminology as it relates to specific investors such as mission-related investing for foundations or faith-based investing for religious organizations. To us, the definitions may have slight variations, but the intent and, thus, our philosophy remains the same — we believe that a fully integrated portfolio, one that includes impact and ESG factors, can deliver strong financial performance while simultaneously having positive long-term economic and sustainable outcomes.

Impact Framework

We look for affirmative, bottom-up expressions of impact and ESG qualifications across asset classes and select investments that align with one or more of 18 impact themes. Broadly speaking:

**Fixed Income**

For fixed income, we must have a high degree of confidence that the use of proceeds and/or the intent of the proceeds will result in positive environmental and/or societal outcomes as defined by one or more of our 18 impact themes.

**Equities**

For equities, we supplement in-house impact and ESG research with third party data to determine where potential holdings fall across four categories: strong positive impact, moderate positive impact, neutral impact, negative impact.⁶

Fixed Income

CCM manages fixed income impact investing portfolios for which CCM incorporates a thematic and geographic approach. When CCM launched its fixed income impact and ESG investing strategy in 1999, we developed a macro framework for measuring impact using six broad categories where each bond fell into one category. In 2015, we took a closer look at the positive impacts of each investment and recognized that we weren't showing their true impact by lumping each investment into one general classification. Since each investment has multiple positive societal outcomes, we restructured our impact metrics to include impact themes where each investment could align with more than one theme. The themes have grown over time and while the current themes are distinct and diverse, certain common characteristics can be found in all of them:

CCM's Impact Themes

Affordable Health and Rehabilitation Care



Affordable Housing



Arts, Culture, and the Creative Economy



Disaster Recovery, Resilience, and Remediation



Economic Inclusion



Education and Childcare



Enterprise Development and Jobs



Environmental Stability



Gender Lens



Healthy Communities



Human Empowerment



Minority Advancement



Neighborhood Revitalization



Poverty Alleviation



Rural Community Development



Seniors, Veterans, and the Disabled



Sustainable Agriculture



Transit-Oriented Development



For full descriptions of all CCM's impact themes, click [here](#).

Common Theme Characteristics

Each theme looks to have positive environmental and/or social outcomes that we believe are societal benefits as a result of capital provided by our investors.



We look for liquid investment opportunities that contribute to the portfolio's overall risk/return that are in alignment with each impact theme.



We must be able to measure, monitor, and track the expected positive outcome(s) in an effort to maintain transparency in our client reporting, which has become a trademark of the firm since its inception in 1999.

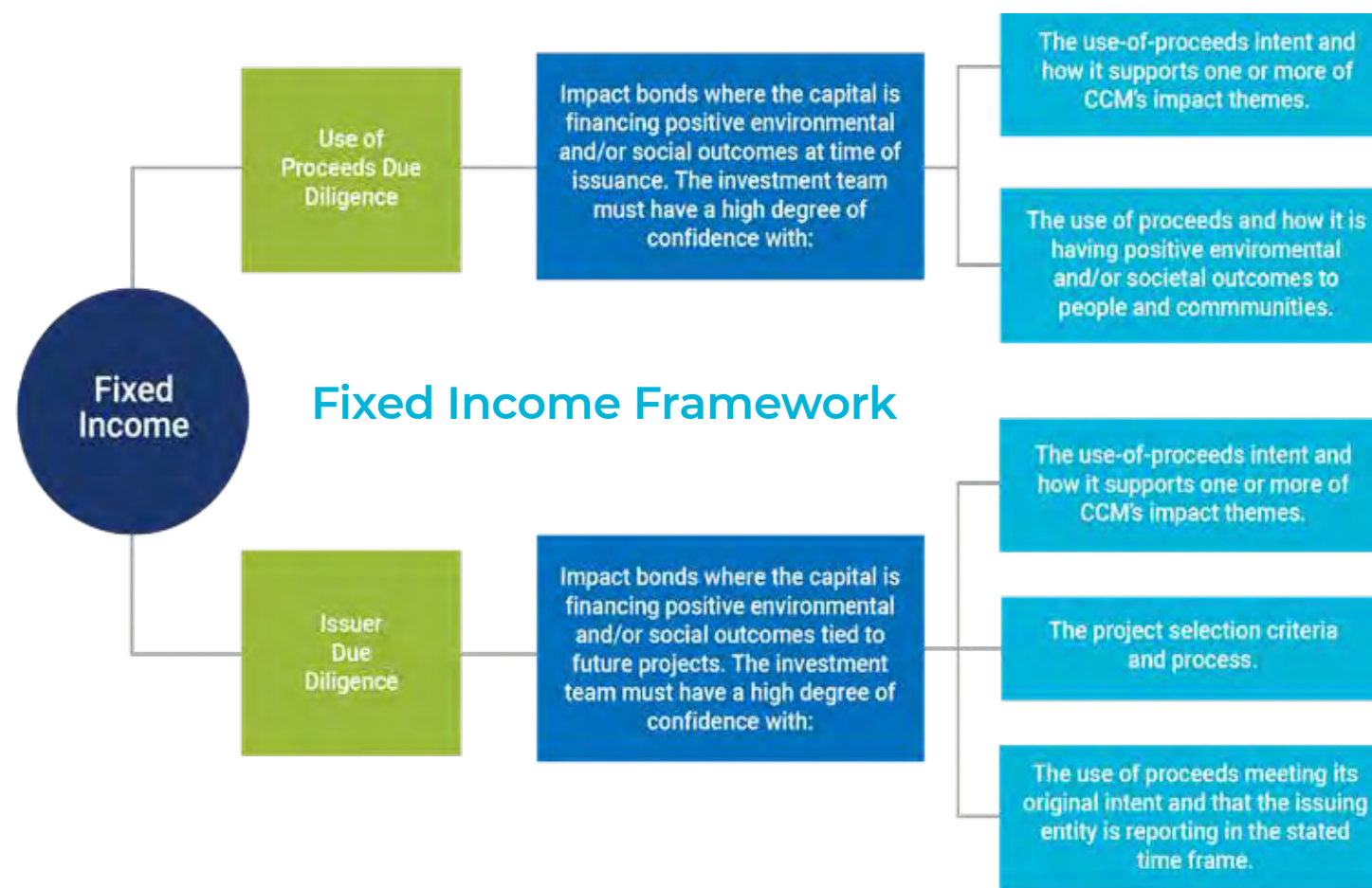


We must believe that market-rate opportunities will exist to allow client commitments to individual themes to be fulfilled over time.

We continually seek to advocate for greater investment product creation in support of our existing and future impact themes, and by communicating this need to the broader capital markets, we expect to play an ongoing, catalytic role in the creation of impact investment opportunities.

Fixed Income Framework

We measure, monitor, track, and report on the expected positive impact(s) and detail the quantitative and qualitative benefits of each fixed income investment. We additionally show how each investment aligns with one or more of our impact themes.



Fossil Fuel Free Framework

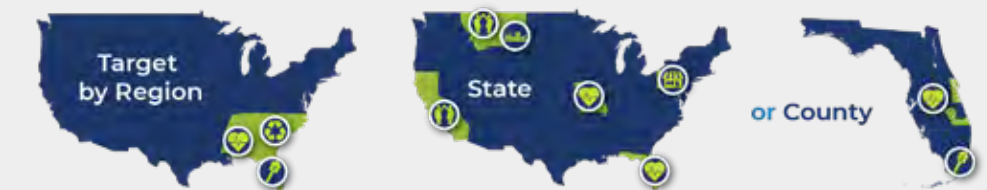
CCM invests in securities that we consider to be fossil fuel free. We may invest in a bond whose proceeds will be used to finance activities or projects in clean and renewable energy or other activities that may contribute to the transition to a more sustainable economy, even if the issuer's revenue or profits are partially derived from the fossil fuel sector.

Customizable Impact and Reporting

Our unique customizable impact allows clients meeting minimum requirements to align their investment capital in three ways:

Impact by Geography

Investments can target geographic regions down to the county level. Investors can choose multiple geographies within different counties, states, and/or regions with the investments supporting a variety of CCM's impact themes.



Investments by geography will support a variety of our current impact themes.

or

Impact by Theme

Investments can target one or more of CCM's impact themes. When a client selects this option, each investment will align with at least one of those specified impact themes. These investments can be anywhere in the U.S.



or

Impact by Initiative

Investments can target one or both of our impact initiatives: COVID-19 Relief or Minority CARES. These investments can be anywhere in the U.S.

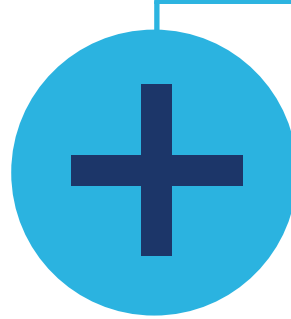


CCM has created a proprietary impact tracking and reporting system for our customized client impact reporting. Clients who choose to customize, whether in our flagship mutual fund or in a separate account, receive quarterly impact reports detailing a variety of impact metrics and outcomes. Our impact reports include a mix of quantitative data and qualitative details, also known as impact stories. Impact reports additionally aggregate the value of individual investments to illustrate the cumulative impact that the client's investments have over time. Impact reports are *in addition* to traditional financial reports that clients receive.

Equities

CCM evaluates common stock and preferred equity securities from an impact, ESG, and financial perspective.⁷ CCM supplements its in-house impact and ESG research with third party data to determine where potential holdings fall in the following four categories:

Companies that we believe significantly contribute to society, such as those that generate more than 50% of their revenue from a product or service that aligns with one or more of our impact themes.



Companies that have characteristics aligning with one or more of our impact themes and that we believe are a net benefit to society.

Companies that do not fall within the two categories above but where there exists the potential to be included in the two categories in the future.



Companies with excessive ESG-related risk, such as fossil fuel exploration and production or any activity related to coal, tobacco, chemical manufacturing, weapons, and prison management, among others. These securities are not eligible for investment.

Fossil Fuel Free Criteria: Common Stock and Preferred Equity Securities

- We do not invest in companies in the business of owning, extracting, producing, processing, or refining the fossil fuels of oil, gas, and coal (S&P Global definition: Companies that hold fossil fuel reserves, which are defined as economically and technically recoverable sources of crude oil, natural gas, and thermal coal).
- We do not invest in companies that are in the business of storage, transportation, exploration, or production of carbon-related fuels or energy sources.
- We do not invest in the common stock of companies that are in the oil or gas equipment and services businesses.
- Investments may be made in utilities that have current fossil fuel power sources above 15% but are actively transitioning to renewable sources.
- Investments may be made in companies that are pursuing alternative energy technologies or are in alternative energy sectors.
- Investments may be made in companies that are working to transition away from fossil fuels.

Proxy Voting Guidelines

As an active investor strongly concerned with corporate responsibility, we support communication with company management about organizational practices we would like improved. We engage in active, ongoing dialogue with clients to ensure that the views we express to corporations reflect our opinion and theirs as well.

We Support

- Corporate boards that include adequate representation for independent, women, and minority directors; we will withhold votes from all corporate board nominees that result in fewer than two women directors
- Shareholder resolutions calling for separation of the chief executive officer and board chair functions
- Corporate disclosure, reporting, and transparency resolutions, especially in regard to disclosure of climate risk and gender pay gap
- “Say on pay” and similar efforts to give a company’s owners a voice in management compensation
- Company benefits and/or compensation plans for all regardless of gender, race, age, or sexual orientation
- Policies that promote the voting power of the share classes offered to the public
- Companies that recognize the carbon intensity of their businesses
- Safe working conditions for all employees, suppliers, and contractors regardless of global location





We have seen significant growth in the demand for our pioneering impact and ESG investment strategies and continue to expand our impact metrics, outcomes, and stories.

— **Jessica Botelho**, Director of Impact and CRA Research

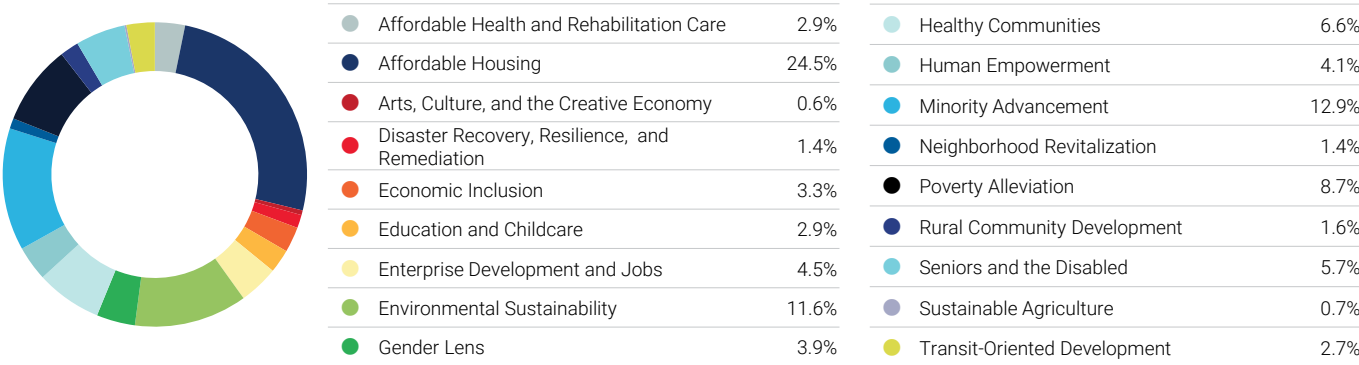
2022 Investment Impact

The firm has invested approximately \$13.8 billion in impact and ESG initiatives nationwide on behalf of clients, from inception through December 31, 2021. This includes approximately \$1.3 billion invested in 2022.

Impact Investment Metrics

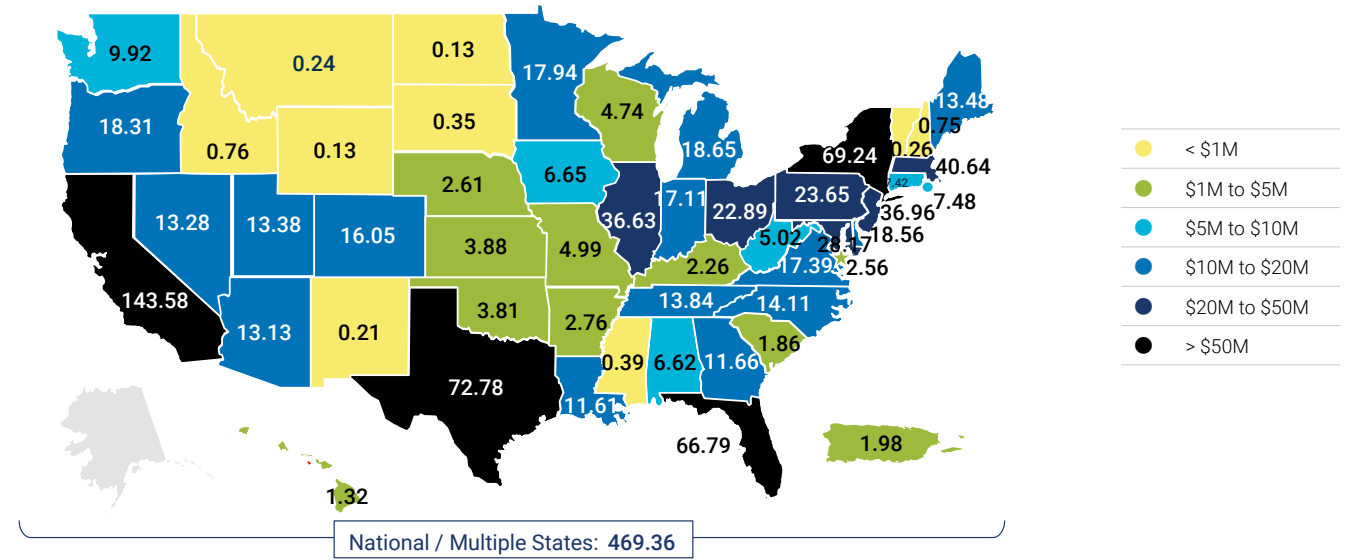
Impact by Theme

Impact by Theme shows impact metrics across all fixed income investments as of December 31, 2022, and how they align with multiple impact themes.



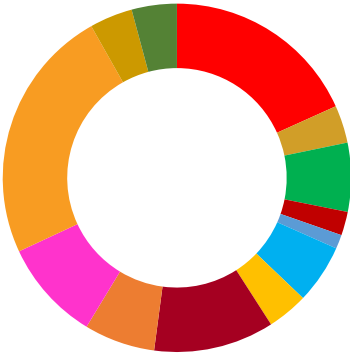
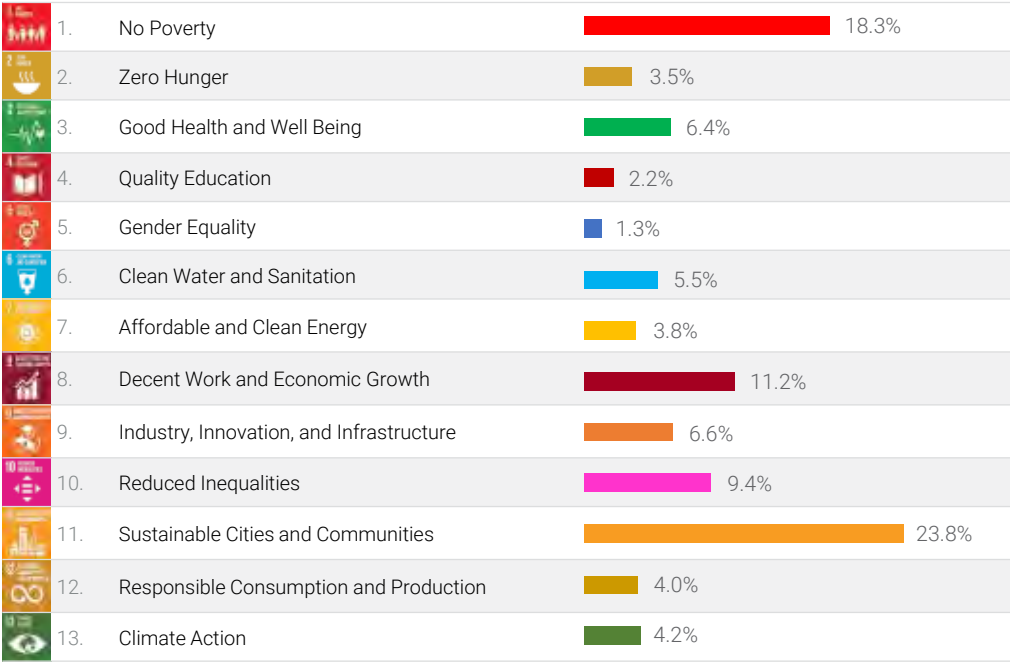
Impact by Geography (in \$millions)

Impact by Geography shows investment impact by state for all fixed income investments purchased in 2022 on behalf of clients.



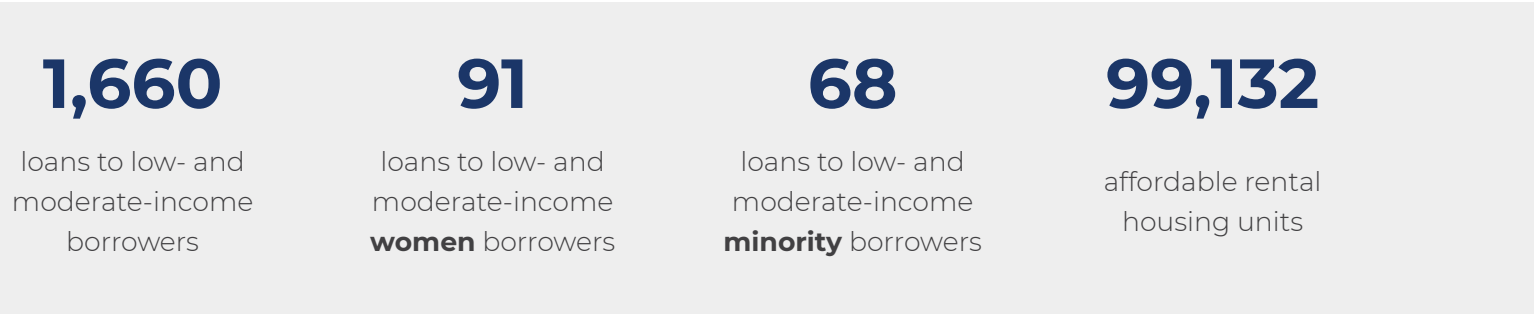
Impact by Sustainable Development Goals (SDGs⁸)

Many of CCM’s impact themes overlap with the SDGs according to the SDG framework. The data below shows fixed income holdings as of December 31, 2022, and their overlap with the SDGs.



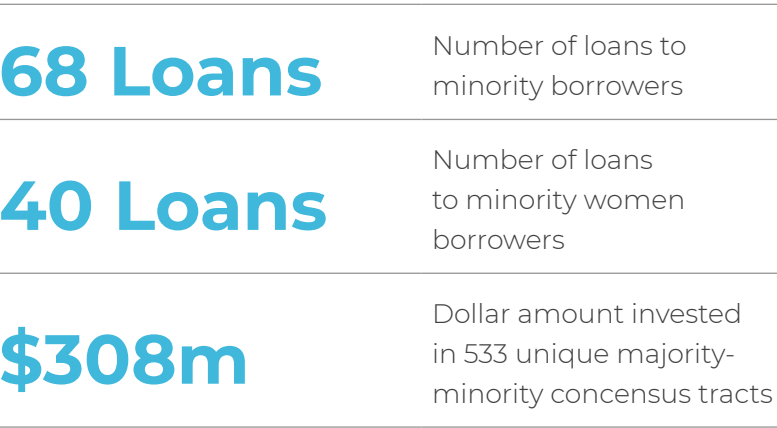
Impact by Affordable Housing

CCM’s fixed income holdings purchased *in* 2022 had the following impact:



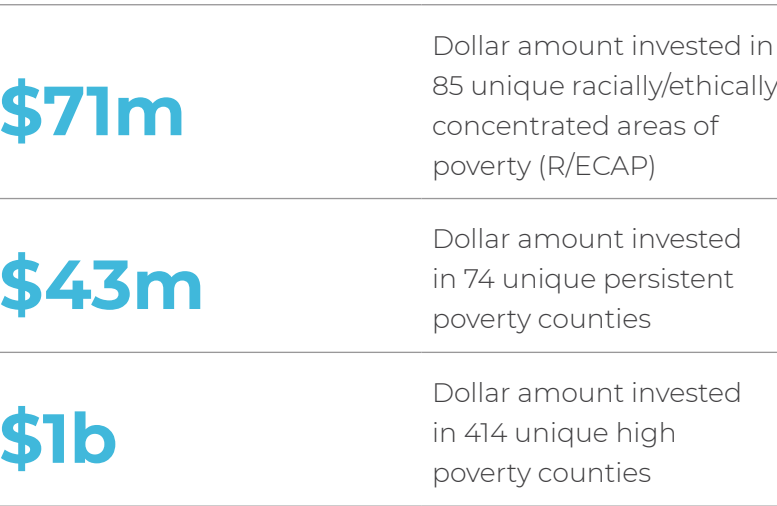
Impact by Minority Advancement

CCM’s fixed income holdings purchased in 2022 had the following impact on minority advancement:



Impact by Poverty Alleviation

CCM's fixed income holdings purchased in 2022 had the following impact on poverty alleviation:



50%

A majority-minority census tract has a population that is at least 50% minorities, which means that more than half of individuals in the census tract are minorities, i.e. Black, Asian, Hispanic, AsianPacific Islander, and/or Native American.

To assist communities in identifying **racially/ethnically concentrated areas of poverty (R/ECAPs)**, HUD has developed a census tract-based definition of R/ECAPs. The definition involves a racial/ethnic concentration threshold and a poverty test.⁹

Impact Classifications and Designations

Many of our impact themes include data-driven designations from federal government, federal agency, and/or third-party classifications. These include:

Area Median Income (AMI)

AMI is the midpoint of a region’s income distribution — half of families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds set relative to the area median income — such as 50% of the area median income — identify households eligible to live in income-restricted housing units and the affordability of housing units to low-income households.

Distressed or Underserved Census Tracts

Non-metropolitan middle-income geographies located in counties with: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20% or more; or (3) a population loss of 5% or more in a five-year period preceding the most recent decennial census.

High Minority Census Tract

A high minority census tract is one where minority households represent over 85% of the population.

High Poverty Counties

High poverty counties are those that have a poverty rate greater than 20% per the Federal Financial Institutions Examination Council (FFIEC), which is tracked annually.

HUBZone

HUBZone is a U.S. Small Business Administration (SBA) program for small companies that operate and employ people in Historically Under-utilized Business Zones.

LMI Census Tract

A property or business in a low-income census tract is where the median family income (MFI) of residents residing in the census

tract is less than 50% of the MFI of the MSA or non-MSA. A property or business in a moderate-income census tract is where the median family income of residents residing in the census tract is greater than or equal to 50% and less than 80%.

Low- and Moderate-Income (LMI)

A low-income person is someone whose total annual income is less than 50% of the area median income (AMI) or average income for the community where they live. A moderate-income person is someone whose total annual income is above 50% but less than 80% of the AMI or average income for the community where they live.

Majority-Minority Census Tract

Majority-minority census tracts are those where minority households represent over 50% of the population.

Medically Underserved Areas

Medically Underserved are areas or populations designated by HRSA (U.S. Department of Health and Human Services, Health Resources and Services Administration) as having too few primary care providers, high infant mortality, high poverty, and/or high elderly population.

Metropolitan Statistical Area (MSA)

MSA geographical region with a relatively high population density at its core and close economic ties throughout the area.

Persistent Poverty County (PPC)

PPCs are defined by Public Law 112-74 (enacted on December 23, 2011) as counties where 20% or more of their population lives in poverty as measured by the U.S. Census Bureau (1990 and 2000 decennial censuses, and 2006–2010 American Community Survey).

Racially or Ethnically Concentrated Areas of Poverty (R/ECAPs)

The U.S. Department of Housing and Urban Development (HUD) has developed a census tract-based definition for R/ECAPs that must have a non-white population of 50% or more. Regarding the poverty threshold, neighborhoods of extreme poverty are census tracts with 40% or more of individuals living at or below the poverty line. Because overall poverty levels are substantially lower in many parts of the country, HUD supplements this definition with an alternate criterion. Thus, a neighborhood can be a R/ECAP if it has a poverty rate that exceeds 40% or is three or more times the average tract poverty rate for the metropolitan/ micropolitan area, whichever threshold is lower.

Walk Score®

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. CCM tags investments that have high Walk, Bike, and Transit Scores above 70.

- Walk Scores of 90–100 are considered a “Walkers Paradise” where daily errands do not require a car and Walk Scores of 70–89 are considered “Very Walkable” where most errands can be accomplished on foot.
- Bike Scores of 90–100 are considered a “Biker’s Paradise” where daily errands can be accomplished on a bike, and Bike Scores of 70–89 are considered “Very Bikeable” where biking is convenient for most trips.
- Transit Scores of 90–100 are considered a “Rider’s Paradise” where world-class public transportation is available, and Transit Scores of 70–89 are considered “Excellent Transit” where public transit is convenient for most trips.

Workforce Housing

The Urban Land Institute defines workforce housing as housing that is affordable to households earning 60% to 120% of AMI. Workforce housing typically includes middle-income workers such as police officers, firefighters, teachers, and health care workers. Households who need workforce housing may not always qualify for housing subsidized by the Low-Income Housing Tax Credit (LIHTC) program or the Housing Choice Vouchers program (formerly known as Section 8), which are two major programs in place for addressing affordable housing needs.

Data Links

- <https://www.planetizen.com/definition/area-median-income-ami>
- <https://www.ffiec.gov/cra/distressed.htm>
- <https://www.ffiec.gov/geocode/help3.aspx>
- https://www.federalreserve.gov/consumerscommunities/cra_resources.htm#:~:text=A%20low%2Dincome%20communi%20means,of%20the%20area%20median%20income
- <https://www.census.gov/programs-surveys/metro-micro/about.html#:~:text=The%20general%20concept%20of%20a,ocial%20integration%20with%20that%20core>
- <https://www.sba.gov/federal-contracting/contracting-assistance-programs/hubzone-program>
- <https://data.hrsa.gov/tools/shortage-area/mua-find>
- <https://ruralhome.org/our-initiatives/persistent-poverty/>
- https://hudgis-hud.opendata.arcgis.com/datasets/56de4ed-ea8264fe5a344da9811ef5d6e_0/explore?location=39.514096%2C-121.736028%2C3.51
- <https://www.walkscore.com/>
- <https://ced.sog.unc.edu/2018/07/what-exactly-is-workforce-housing-and-why-is-it-important/#:~:text=in%20their%20communities,->



We love to share our impact stories! If you would like an example of an impact story benefiting your community or that supports one of our impact themes or initiatives, please email info@ccminvests.com to request a sample.



Impact themes this investment helped support:

- Affordable Health and Rehabilitation Care
- Affordable Housing
- Disaster Recovery, Resilience, and Remediation
- Economic Inclusion
- Education and Childcare
- Enterprise Development and Jobs
- Gender Lens
- Human Empowerment
- Minority Advancement
- Poverty Alleviation
- Rural Community Development
- Seniors, Veterans, and the Disabled

This investment is part of our Minority CARES Initiative.

Impact Investment Stories

Impact investment stories are one of the best ways to understand and appreciate the positive impact of our investments. The fixed income examples in this report cover a variety of subsectors, impact themes, geographies, and impact initiatives. While data is important, it is the story behind the investment that really has an impact. Equity examples highlight what makes them an impact and ESG story and how they align with one or more of our impact themes.

FIXED INCOME
The Council of Europe Development Bank – Ukraine¹⁰

Sector: Corporate Bonds

About

The Council of Europe Development Bank (CEB) is a multilateral development bank with an exclusively social mandate. It finances social projects, responds to emergency situations, and contributes to improving the living conditions of the most disadvantaged population groups with a goal of promoting solidarity in Europe.

Impact

In June 2022, the CEB issued a \$1 billion Social Inclusion Bond to bolster its response to the social crisis unfolding due to the war in Ukraine and to help its member states assist millions of refugees. The CEB is the first multilateral development bank to disburse grants to help its members meet the immediate needs of Ukrainian refugees for transportation, shelter, food, and medical care. Loans made with proceeds from the notes could also be used by CEB member countries to support the longer-term needs of refugees and their host communities.

In line with the CEB’s commitment to provide flexible, fast-disbursing loans to address the significant financial needs of countries receiving large inflows of Ukrainian refugees, the bank intends to allocate proceeds from the notes to make eligible social loans according to its Social Inclusion Bond Framework in these sectors: social housing for low-income

people, education and vocational training, health and social care, and support to micro-, small-, and medium-sized enterprises to create and preserve viable jobs.

- Social housing for low-income people: projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing to provide decent housing for low-income people
- Education and vocational training: projects concerning education, including vocational training, and related basic infrastructure with the aim to provide access to education and vocational training
- Health and social care: projects concerning health and related infrastructure with the aim to improve and protect public health ensure the universal access to healthcare services for all patients, in particular assisting vulnerable populations
- Support to micro-, small- and medium-sized enterprises (MSMEs) for the creation and preservation of viable jobs: projects facilitating access to credit for MSMEs for the prime purpose of promoting the creation and preservation of viable jobs. These loans may also finance entities exercising craft activities or family enterprises engaged in regular economic activity

The CEB intends to publish a report detailing the allocation and impact of bond proceeds each year until the proceeds have been fully allocated. The report will include the size of the loan portfolio, the total amount of proceeds allocated, the amount of proceeds that remain unallocated, and the geographical distribution of the projects at the country level. The CEB will also report on the social impact of the projects that were financed with the Social Inclusion Bond proceeds, and the corresponding United Nations Sustainable Development Goals (SDGs) the projects address, including certain quantitative indicators. The bank expects to allocate all proceeds within two years of issuance. The reporting will be publicly available on the CEB’s website.



FIXED INCOME

Minnesota Housing Finance Agency Social Bonds

Sector: Taxable Municipals

About

The Minnesota Housing Finance Agency (MHFA)¹¹ is Minnesota’s statewide housing finance agency established in 1971 to provide access to safe, decent, and affordable housing and to build stronger communities across the state. MHFA’s mission is to promote and support successful, sustainable homeownership for families, individuals, and communities.¹¹ MHFA seeks to create a more equitable and inclusive housing system by prioritizing:

- Programs related to down payment assistance and closing costs
- Targeted outreach to Tribal Nations, Indigenous communities, communities with job growth but limited housing supply, and historically disinvested communities in the tri-city metropolitan area and statewide
- Strategic partnerships with non-profit and community organizations to promote collaborative initiatives such as the Enhanced Home Ownership Capacity Initiative
- Diversity and cultural competency initiatives such as hiring more employees from communities most impacted by housing disparities and pursuing a minimum 75% retention rate of employees who identify as BIPOC, individuals with disabilities, and veterans
- Working with families experiencing systemic barriers to homeownership, such as poor credit, criminal histories, evictions, racial identity, and more, and identifying and implementing solutions to support equitable access to housing
- Setting and reaching learning goals to BIPOC households along with bilingual services
- Engagement in inter-agency governmental initiatives to mitigate displacement, homelessness, and environmental injustice



Impact

MHFA will use proceeds of the 2022 Series E Residential Housing Finance Bonds to purchase single-family mortgage loans for low- and moderate-income homebuyers in Minnesota. To support equitable access to affordable housing and housing stability for historically underserved populations in the state, MHFA is prioritizing homeownership for Black, Indigenous, and people of color (BIPOC) households. Improving access to financing for eligible borrowers increases access to an essential service and promotes social equity. The Series E bonds will finance loans under MHFA’s Start Up Program, which focuses on first-time homebuyers. All program loans to be financed through the Series E notes will be screened according to Minnesota Housing’s Start Up Program procedure manual. Requirements include:

- Borrowers must be first-time homebuyers
- Borrowers’ income must meet limits (very-low-, low-, or moderate-income)
- Purchased home must not exceed purchase price limits

The Series E notes are intended to benefit low- and moderate-income individuals and families in Minnesota who are pursuing homeownership. The program loans are also expected to benefit minority populations who are historically underrepresented as homeowners. The program loans and down payment assistance loans may also benefit borrowers with disabilities, borrowers who care for people with disabilities, as well as households in lower income areas and areas of chronic economic distress. The program loans may be made to households in Targeted Areas. A Targeted Area is defined as 1) a census tract in which 70% of families have incomes less than 80% of the statewide median family income, or 2) an area of chronic economic distress.

The **Series E** notes have been designated as Social Bonds as defined by the International Capital Markets Association (ICMA) and verified as such by Kestrel Verifiers. The Series E notes fulfill requirements of three of the Social Bond Principles: affordable housing, access to essential services, and socioeconomic advancement and empowerment. By increasing access to financial services that enable vulnerable populations to own property, MHFA’s program loans support certain of the UN Sustainable Development Goals (SDGs), specifically SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, and 11: Sustainable Cities and Communities.

Impact themes this investment helped support:

- Affordable Housing
- Minority Advancement
- Poverty Alleviation
- Rural Community Development
- Seniors, Veterans, and the Disabled



This investment is part of our Minority CARES Initiative.



Image Source: <https://goodshepherdcommunity.com/housing/moore-building/>

Impact themes this investment helped support:

- Affordable Health and Rehabilitation Care
- Affordable Housing
- Environmental Sustainability
- Healthy Communities
- Minority Advancement
- Poverty Alleviation
- Seniors, Veterans, and the Disabled
- Sustainable Agriculture

FIXED INCOME

The Moore Building at Good Shepherd Ecumenical Retirement Center¹²

Sector: Agency CMBS

About

The Moore Building at Good Shepherd Ecumenical Retirement Center is an affordable housing property for seniors and people with disabilities in Little Rock, Arkansas (Pulaski County). All 199 residential units receive Section 8 assistance. The property is in a high-minority, high-poverty census tract where 83% of the population are minorities and 24% live below the poverty line.

Impact

Since 1979, Good Shepherd Ecumenical Retirement Center has been providing a quality, affordable living experience to seniors in a faith-based community based on the mission of its founders, the bishops, and general presbyter of the Arkansas Catholic, Episcopal, United Methodists, and Presbyterian Churches. It is committed to supporting the independence, well-being, and dignity of its residents.

The Moore Building was the first housing property at Good Shepherd Community, which has since grown to encompass five facilities on 140 acres in a park-like setting in West Little Rock. The Moore Building is a seven-story complex offering affordable apartments for seniors and adults with disabilities. Other properties in the community offer market-rate apartments for seniors, an assisted living facility, a residential care building, and a development of affordable cottages for seniors.

Amenities in the Moore Building include a beauty salon, gift shop, library, chapel, computer room, billiards room, and a gym with a trainer on staff. A nutritious noon meal is offered six days per week. Local transportation is provided, and residents can also choose to receive physical therapy on-site. Raised community garden beds are available for residents who wish to garden. All utilities are included in the rent. Fully accessible apartments are available for people with disabilities.

FIXED INCOME

Friends Guild House West¹³

Sector: Agency CMBS

About

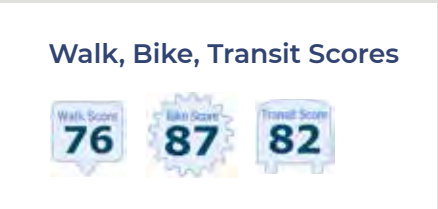
Friends Guild House West is an affordable rental property for seniors in Philadelphia, Pennsylvania. All 100 units receive Section 8 and the property is in a moderate-income, high-minority, high-poverty census tract where 90% of the population are minorities and 33% lives below the poverty line. Friends Guild House West offers one- and two-bedroom apartments near public transportation, a bike sharing station, grocery stores, pharmacies, restaurants, and recreational areas. Community amenities include a community room, laundry facility, library, patio with a grill, on-site management, and controlled access to the property. Apartments are accessible to people with disabilities, and gas, water, electricity, trash removal, and sewer utilities are included in the rent.

Impact

In addition to being an affordable rental housing property in a high minority and high poverty census tract, the property features a Friends Rehabilitation Program food pantry and Greener Partners' Guild House Farm. The food pantry is a choice food pantry that allows guests to choose for themselves what products they receive, and SNAP screenings and nutrition/cooking classes are also offered at the site. Greener Partner's Guild House Farm is a half-acre site that includes a production garden, high tunnel, orchard, and community garden for residents to grow food for themselves. The majority of food grown at the farm is donated to the residents of Friends Guild House West, and the remainder of the food is used in educational programs at schools throughout Philadelphia, donated to community food pantries, sold at farmer's markets in the area, or sold to restaurants and grocery stores. Additionally, food and nutrition programs are taught at the farm. In 2017, the impact of the farm included the harvest and donation of 5,135 pounds of produce, 385 hours of youth programming, 64 seniors participating in the programming, and teen leadership presented off-farm programs at seven organizations.

Impact themes this investment helped support:

- Affordable Health and Rehabilitation Care
- Affordable Housing
- Education and Childcare
- Environmental Sustainability
- Healthy Communities
- Minority Advancement
- Poverty Alleviation
- Seniors, Veterans, and the Disabled
- Transit-Oriented Development



This investment is part of our **Minority CARES Initiative**.

Image Source: <https://www.publichousing.com/>

Impact themes this investment helped support:

- Environmental Sustainability

EQUITIES

Veolia Environment¹⁴

About

Veolia Environment designs and provides solutions for managing natural resources. The company's reach is broad, employing approximately 220,000 people and providing services globally. Veolia's services directly impact how important resources are managed. In February 2022, Veolia further expanded its footprint by acquiring an increased stake in Suez. Suez's business is remarkably similar to that of Veolia. This deal is expected to add €10 billion to Veolia's revenue. As part of the agreement, Veolia will acquire Suez's Latam, Spain, U.S., Australia, and U.K. assets, further expanding the company's global footprint. Larger scale, and increased efficiencies should lead to further investment, innovative technologies, and better management of resources in these regions.

Impact

The company's water segment works with local authorities and industrial customers to control all stages of the water cycle. This includes the production and delivery of drinking water, collection, treatment and recycling of wastewater, and resource management. The waste segment provides collection, treatment, recovery, and recycling services to manage solid or liquid non-hazardous or hazardous waste. The energy segment provides services to municipalities and industrial customers to optimize purchasing, balance energy mix through the inclusion of renewable energy, and make necessary changes to improve energy efficiency. Veolia's businesses play an important role in protecting and conserving natural resources. In 2021, Veolia provided 79 million people with drinking water, 61 million people with wastewater service, and produced nearly 48 million megawatt hours of energy and treated 48 million metric tons of waste.

EQUITIES

Darling Ingredients

About

Headquartered in Irving, Texas, with a global presence of more than 270 facilities and over 14,000 employees, Darling Ingredients (NYSE: DAR) is the largest publicly traded company turning edible by-products and food waste into sustainable products and is a leading producer of renewable energy.¹⁵

Impact

Darling Ingredients sources animal by-products and uses them to produce specialty ingredients such as organic fertilizers and green energy fuel. The company also collects recycled cooking oils and processes them into feed ingredients and provides environmental services such as grease trap collection and disposal services for restaurants. Darling's primary business activity of collecting and repurposing animal-based products that would otherwise be discarded provides significant environmental benefits. Not only are the by-products disposed of in a

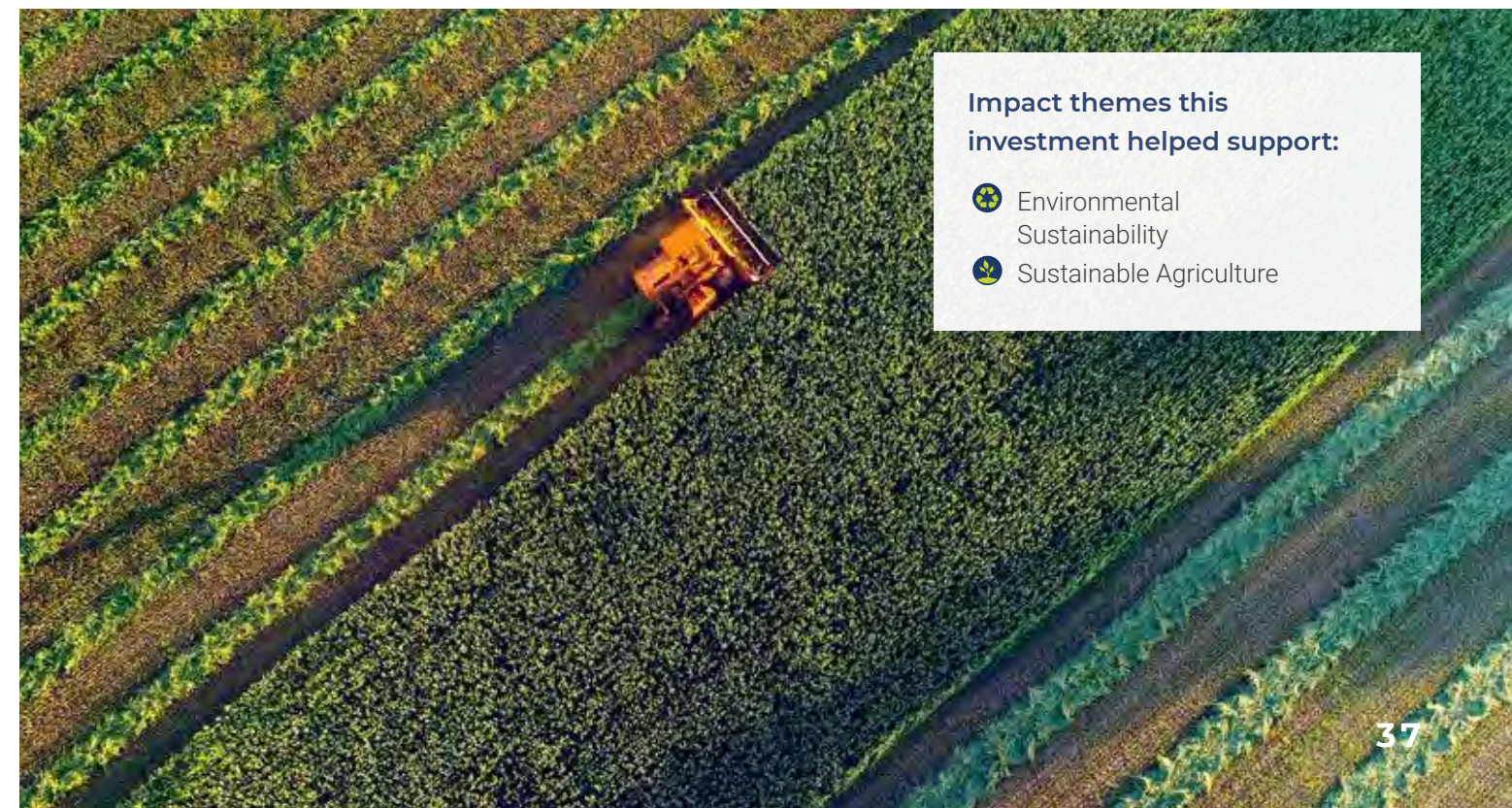


responsible way, but Darling has also converted this waste into valuable ingredients that represent significant markets. The company's business activities directly contribute to increasing the sustainability of the agricultural industry and the circular economy.

Darling also owns a significant interest in Diamond Green Diesel, which is a joint venture that operates a renewable diesel plant in Louisiana. This joint venture is an important positive contributor to the environment. Renewable diesel is a transportation fuel that is interchangeable with petroleum-based diesel but reduces greenhouse gas emissions by up to 85%. Diamond Green Diesel's renewable diesel plant converted waste fats and oils into 372 million gallons of biodiesel in 2021. Investments in capacity expansion are expected to increase total annual production capacity to approximately 1.2 billion gallons of renewable diesel starting in 2023.

Impact themes this investment helped support:

- Environmental Sustainability
- Sustainable Agriculture



Impact in Action

How we think about impact across all areas of our organization includes impact in action such as collaboration, community involvement, and thought leadership. More details on these actionable impact items are shared below.

Collaboration

Collaboration with like-minded organizations and engagement in impact investing is extremely important to us. In 2022, we signed on to the ICCR investor statement on expectations for jobs and communities in the low-carbon energy transition and the PRI letter to the SEC on the climate disclosure rule. In our initial year as part of the Net Zero Asset Managers initiative (NZAM), we submitted target disclosures with reporting against those targets to be provided in March 2023. We became one of the first groups of financial intermediaries to join the Catholic Impact Investment Collaborative's (CIIC) new membership program in 2022 and continue our involvement in other membership organizations, including the GIIN, Confluence Philanthropy, and the Interfaith Center on Corporate Responsibility (ICCR). CCM is also participating in the Impact Frontiers fixed income working group of the Impact Management Project. One other area of collaboration is our engagement with issuers on impact bonds. Often times, our investment team will have meetings or calls with investor relations and/or management about corporate issues and what we would hope to see in social, green, or sustainability deals coming to market. We anticipate this type of engagement to grow given our impact investing focus and specialized role in the industry.



Community Involvement

As a business, we feel it is extremely important to give back to the communities in which we operate. Each year, we donate to charitable causes and offer employees paid time off for volunteering and mentoring in addition to organizing firmwide volunteer activities. Highlights of some of the organizations CCM employees volunteered their time in 2022 include HandsOn Broward, Urban League of Broward County, and the United Nations Foundations in addition to time with local youth sports leagues. Highlights of some of the organizations CCM donated to in 2022 include the YWCA Metropolitan Chicago Racial Justice League, Junior Achievement of South Florida, Women United of the United Way of Broward County, Serendipity Women's Mental Wellness Foundation, the Jason Taylor Foundation, Feeding South Florida, the United Way of Florida Disaster Recovery Fund for hurricane relief, the UN Foundation for Ukraine relief efforts, Take Paws Rescue, Movember¹⁶, and Sheridan House Ministries.

Movember has become an annual tradition at CCM. Movember is the leading charity changing the face of men's health. Employees "grow a mo" and raise funds and awareness for men's health.



CCM team members worked with HandsOnBroward, volunteering at Broward Partnership for the Homeless.



CCM is a proud sponsor of the Urban League of Broward County which empowers communities and changes. James Malone, CCM's chief financial and diversity officer, spoke at one of their events.



CCM team members support and participate in the Lexus Corporate Run.

Thought Leadership

As our impact report has grown, so too have our efforts in promoting and educating impact and ESG investing. We continuously look for new ways to share thought leadership including perspectives, reports, videos, and podcasts. Our impact institute, launched in 2021, houses our written content including surveys, reports, newsletters, and more. These are all part of our ongoing efforts to educate and share resources in the impact and ESG investing arena.



2021 Impact Report

Impact and ESG Investment Resources



The Growth of Impact Corporate Bonds



The Women of CCM



The Importance of Affordable Housing



4th Annual Impact and ESG Investing Survey



Overview of Rulemaking



Fixed Income Customization



7th Edition CRA Investing Survey

Newsletters



Fall 2022 Community Investor Newsletter



Fall 2022 Impact Investor Newsletter



Spring 2022 Community Investor Newsletter



Spring 2022 Impact Investor Newsletter

Perspectives



Guide to Raising Institutional Assets



Top 5 Trends in Impact and ESG Investing



Impact and ESG Investing Backlash



An Unsettled Bond Market



Gender and Affordable Rental Housing



An Overview of Gender Lens Investing



Balance Sheet Activism



Update on Diversity, Equity, and Inclusion



Core Fixed Strategy Overview



Compounder Strategy

“The mission of CCM’s impact institute is to propel collaboration and explore advancement in the space by providing a forum for impact investment insights, thought leadership, and education.

— Todd Cohen, Founder and CEO



Looking Ahead

2023

Looking forward, we see three key trends taking place in 2023 in impact and ESG investing. First is the steady drumbeat of anti-ESG sentiment, primarily politically motivated, trying to demonize responsible investing. While these attacks are generally unfounded, biased, and without merit, we believe that any “anti-ESG” discussion is another opportunity for education and have been vocal in discrediting those straying from the facts.

Looking Ahead

Turning to the cloudier portions of our crystal ball, the second trend for 2023 is an uptick in interest for investments supporting racial and climate justice. We anticipate broad changes to investment policies intensifying investors’ commitments to investments promoting racial justice, inclusion, diversity, climate change mitigation, and sustainability initiatives. We continue to increase our work with clients committed to these vital impact areas.

The third trend in impact and ESG investing we see taking place in 2023 is an increase in the number of corporations activating their balance sheets for impact. We believe this will be a turning point in impact investing as corporations can play a critical role in addressing societal issues by leveraging their balance sheets in innovative ways. Given the size and scope of many corporations’ statements of financial position, this could be a game changer for the impact and ESG investing industry.

In regard to trends and forecasts in the capital markets for 2023, we feel that the U.S. Federal Reserve has a particularly good chance of engineering a “soft-ish” landing that will help bring down inflation even further. Despite high inflation in 2022, consumers overall continued to spend; however, signs have emerged that higher prices are taking their toll, particularly on lower income households. We believe that geopolitical headwinds will continue to contribute to high and volatile energy costs, helping to further slow the economy. While the uncertainty should contribute to further volatility in the capital markets, one thing is certain; interest rates going into 2023 are significantly higher than they were going into 2022. The combination of higher current interest rates, declining inflation, and an economic slowdown on the horizon should provide a more attractive environment for fixed income in the year ahead.

We greatly appreciate your interest in CCM and this report. As always, we will continue to work with clients and advisors to remain at the forefront of impact and ESG investing.

- ¹ <https://thegiin.org/research/publication/impact-investing-market-size-2022/>
- ² <https://www.forbes.com/sites/gai/2022/09/22/is-this-the-worst-year-ever-for-bonds/?sh=28ca06892b4f>
- ³ We will look to calculate wealth creation values moving forward so long as we can obtain the necessary data from Redfin or another online real estate brokerage company; <https://www.urban.org/research/publication/closing-gaps-building-black-wealth-through-homeownership>.
- ⁴ https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2FFinancial_markets%2Fwho_cares_who_wins.pdf
- ⁵ <https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/?sh=1ea8de911695>
- ⁶ We evaluate common stock and preferred equity securities from an impact, ESG, and financial perspective. The following types of securities are utilized mainly for hedging purposes and, as such, are not subject to impact or ESG review: options, futures, short positions, closed-end funds, and exchange-traded funds (ETF).
- ⁷ The following types of securities are utilized mainly for hedging purposes and, as such, are not subject to impact or ESG review: options, futures, short positions, closed-end funds, and exchange-traded funds (ETF).
- ⁸ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
- ⁹ https://hudgis-hud.opendata.arcgis.com/datasets/56de4edea8264fe5a344da9811ef5d6e_0/explore
- ¹⁰ <https://coebank.org/en/>
- ¹¹ <https://www.mnhousing.gov/sites/Satellite?c=Page&cid=1358904711497&pagename=External%2FPage%2FEXTHomeLayout>
- ¹² <https://goodshepherdcommunity.com/housing/moore-building/>
- ¹³ <https://www.guildhouseapartments.com/>
- ¹⁴ <https://www.veolia.com/en>
- ¹⁵ <https://www.darlingii.com/>
- ¹⁶ <https://us.movember.com/?home>

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