Primers

THE IMPACT

Fixed Income

Investing for Impact

The ImPact is a membership network of family enterprises (family offices, foundations, and businesses) that are committed to making investments with measurable social impact. The ImPact provides families with the knowledge and network they need to make more impact investments more effectively, and uses sophisticated technology for data aggregation, analysis, and reporting to shift the narrative of impact investing from one of inputs (dollars committed) to outcomes (impact created). Our purpose is to improve the probability and pace of solving social problems by increasing the flow of capital to investments generating measurable social impact.

FIXED INCOME AND IMPACT INVESTING:
A PRIMER FOR FAMILIES

Fixed income (FI) is a cornerstone of traditionally balanced investment portfolios, offering stable income, varying liquidity, and a relatively low risk profile. Given the prevalence and diversity of FI investment opportunities, families who wish to create or expand an impact investment portfolio may find FI to be a good place to start.

Today, families are making FI impact investments across sectors, geographies, and return profiles. The purpose of this primer is to explore the different ways families make FI impact investments in order to achieve their impact and financial objectives. This primer is intended to be explanatory, and not a source of investment advice.

Key Characteristics

Here are some key characteristics of FI impact investments:

Familiarity: Most FI impact investments have all the familiar characteristics of traditional FI. This asset class is generally considered to be less risky and less volatile than others. FI impact investments can produce a high level of current income and generate market-rate financial returns.

Track Record: FI impact investments benefit from the maturity of the conventional FI market. This asset class boasts a long track record and existing investment infrastructure to accommodate immediate and large-scale impact investments. Many FI impact opportunities are within highly liquid markets and are accessible through investment vehicles without restrictive barriers to entry or exit.

Lower Risk: FI impact investments can be a good fit for a diversified portfolio, balancing risk. Many FI impact investments can provide stability in times of financial tumult, showing even lower correlation with other asset classes than their conventional counterparts.

Measurable Impact: FI instruments are often connected to specific projects, which simplifies the measurement of investments' social and environmental impact. For example, investors who provide debt financing for the construction of a solar power facility in Kenya can measure the impact of the project through the amount of energy generated; the number of people with first-time access to power; the reduction in emissions achieved by replacing diesel generators; and the number of new jobs created by the initiative.

Principal Motivations for Making FI Impact Investments

We see three key motivations that drive families to make FI impact investments:

Values Alignment

Families can align their investments with their values (or philanthropic mission) by incorporating social and environmental factors into their FI investment decisions. Families may apply "negative screens" to exclude certain investments from their portfolio(s), or proactively select

"Fixed income" is a type of investing that provides a return on investment in the form of fixed periodic payments and the return of principal (the originally invested money) at the end of a set time period ("maturity").

Impact fixed income can offer:

- ☑ Stable income
- ☑ Predictable returns
- ☑ Low risk profile*
- ☑ High liquidity*
- ☑ High impact at scale

*Risk profile and liquidity vary depending on the investment instrument, sector, and/or geography.

The dynamism of business and the scale of capital markets are necessary to address specific social and environmental challenges.

investments with positive social and environmental impact ("positive screening").

Social and Environmental Impact Drive Long-Term Outperformance

Social and environmental factors can be major drivers of investment risk mitigation and value creation. A growing body of research says that within public and private debt markets, companies with good environmental, social, and governance records enjoy lower costs of debt, higher debt ratings, and lower default rates.[1]

Using Business to Address Specific Social and Environmental Challenges

The dynamism of business and the scale of capital markets are necessary to address specific social and environmental challenges. For decades, family foundations have lent money to low-income housing developers to finance affordable housing development across the USA. Today, green bonds and project finance funds offer families an opportunity to address climate change by financing renewable energy or supporting projects that improve resource use efficiency.

FI Impact Investment Opportunities

FI impact investment opportunities include a remarkably diverse set of options across sectors, geographies, impact strategies, and financial return profiles. The kinds of impact investments families make depend on the objectives they set, the needs and constraints they face, and the nature of the entities through which they make investments. Here are some examples of the kinds of FI impact investments families are making:

Municipal Bonds

Local governments issue municipal bonds to fund projects for the public good such as roads, schools, hospitals, and water and energy infrastructure. Asset owners have traditionally purchased municipal bonds to preserve capital, maintain liquidity, and receive tax-efficient financial returns.

Municipal bonds can generate social and environmental impact within a specific community or region that concerns a family. A new generation of technology-enabled investment platforms, such as Neighborly, are allowing asset owners to target the impact of their municipal bond purchases ever more precisely.

Corporate Bonds

Families can align their investments with their values by establishing criteria for inclusion and/or exclusion of corporate bonds in their portfolios based on specific environmental, social, and governance (ESG) factors. "Socially responsible" corporate bond funds may exclude, for example, companies that produce tobacco or weaponry, or that operate private prisons. "Sustainable" bond funds employ positive

Greenwashing: Know What You are Buying Into

Impact investors must do rigorous due diligence on the use of bonds' proceeds. While the proceeds from municipal bonds are used for public purposes, these projects can, for example, include prison construction or coal-burning power plants. Within the environmental bond market, there are no common standards to determine what actually qualifies as a green bond. Ensuring that bonds target a family's intended social or environmental impact can be challenging due to a lack of transparency around municipal bonds. In 2015, for example, the Massachusetts State College Building Authority issued a $94 million municipal "green bond" to finance the building of a parking garage. The building will meet minimum LEED-certified standards and offer a few electric-car charging stations, but some impact investors may find the impact of this bond offering unsatisfying.

screens to emphasize companies with strong environmental records and good corporate governance. US SIF provides a listing of their member firms' ESG-focused fixed income mutual funds with details on their financial and ESG performance.

Green Bonds

A green bond is a debt instrument issued to finance projects focused on climate change mitigation, adaptation, or other environmental opportunities. While development finance institutions like the World Bank dominate the green bond market, a growing number of corporations and municipalities see green bonds as a way to raise capital linked to environmental projects. In February 2016, for example, Apple issued a $1.5 billion bond to finance renewable energy, energy storage, and energy efficiency projects throughout its global operations.

Green bonds are relatively new products, and they lack standardization. Efforts are underway to develop strict eligibility criteria and reporting standards for the use of green bond proceeds. The International Capital Market Association's "Green Bond Principles" and Climate Bond Initiative's "Climate Bond Standards" are widely used guidelines for determining whether a bond qualifies as "green."[2]

Private Debt

Families can optimize their social impact within specific sectors and geographies by lending capital to mission-driven enterprises.

Some families intentionally seek concessionary financial returns in their direct lending. They do so to help NGOs expand their impact, or to invest in companies operating in sectors or geographies where market rates of return are not possible without compromising impact objectives. For instance, a number of families have invested in a loan fund managed by Root Capital, a nonprofit that provides financing to smallholder farmers in Africa and Latin America. In the USA and UK, families can support job creation and affordable housing in local communities by investing in Community Development Financial Institutions (CDFIs). These are private financial institutions dedicated to providing affordable lending for small businesses, microenterprises, nonprofit organizations, and low-income housing development.

Families who seek market-rate returns on their private debt can lend directly to growing mission-driven businesses, or invest through impact-focused private debt funds. These funds tend to lend to small- and medium-sized enterprises that create impact through their core product or service, or that create quality jobs within communities. Several families have, for example, invested in Community Investment Management, an investment manager that finances small-business loans through several technology-enabled lending partners.

Project Finance

Project finance involves the provision of debt capital for long-term infrastructure investments such as wind and solar farms, energy-efficiency projects, and water desalination plants. A project's assets collateralize the loan, and debt investors are paid back from the cash flows generated by each project. The market for project finance investments has grown significantly in recent years due to government regulations (e.g., tax credits for renewable energy projects), decreased clean technology costs, increased public demand, and the urgency of combating climate change. Many financeable projects (or even portfolios of several projects) are too small to access capital markets, leaving a financing gap that families can fill. Project finance investments typically have long-time horizons and can generate market-rate financial returns.

The risk and intended return profile of an investment often depends on its structure, geography, and sector.

Microfinance and SME Finance Funds

Microfinance and small- and medium-sized enterprise (SME) finance were two of the earliest and fastest growing sub-sectors of impact investing, and families continue to make significant investments in these fields. Microfinance and SME finance funds invest in financial institutions (MFIs) that provide savings, loans, insurance, and other financial services to low-income individuals or small- and medium-size enterprises in poor communities, enabling them to create and grow businesses. Historically, many microfinance funds have produced stable and predictable returns with low volatility and low correlation to the conventional market.[3] While the majority of MFIs operate in emerging and developing economies, there are a handful of MFIs based in the USA and Europe. One example is London-based Fair Finance, a social enterprise that offers a range of financial products and services designed to meet the needs of people who are financially excluded in the UK.

Innovative Financing Structures

Some families use revenue-based or royalty-based financing to provide capital to small or growing businesses in return for a certain percentage of the businesses' ongoing revenues. Usually the returns to the investor continue until the initial investment and an agreed-upon multiple on investment are repaid; the better the company performs, the faster the debt is paid. These flexible structures allow investors to provide capital to early-stage enterprises and align their interests with the needs of entrepreneurs.[4] Several New England-based families have invested in Fresh Source Capital, a fund that provides debt and royalty-financing options to growth-stage food-related businesses in the USA helping to meet demand for local, sustainably sourced food.

Social Impact Bonds (SIBs) and Development Impact Bonds (DIBs) are new instruments that have some of the same attributes as bonds. In reality, these are not bonds but financial contracts in which a private investor funds an intervention to address a social challenge such as prison recidivism, homelessness, or education achievement gaps. If the intervention is effective, it should reduce future costs to an outcome funder (e.g., a local government). In this case, the outcome funder pays a fixed return on investment to the private investors in the SIB/DIB. If the intervention is not effective, investors risk losing their investment principal. While presenting promising innovations for funding social challenges, these instruments are new and currently lack the track record and infrastructure necessary for widespread private investment.

What to Expect on Returns and Impact

Financial Profile of FI Strategies

FI impact investments have a wide range of return profiles, from market-rate to concessionary. The risk and intended return profile of an investment often depend on its structure, geography, and sector.

It is certainly possible to construct a portfolio of FI impact investments with a risk and return profile commensurate with "conventional" FI portfolios.

Historical returns for ESG-screened municipal and corporate bonds are comparable or even superior to conventional market benchmarks. [5] Microfinance funds typically produce stable and predictable returns with low correlation to conventional investments. The returns are also comparable to historical returns for global bond portfolios. [6]

Direct debt investments can produce a range of returns, often depending on the intention of the investor. Some investors make debt investments intending to receive financial returns that are lower than those of conventional investments in the same asset class, sector, and geography. Such investments can help achieve specific objectives, such as helping nonprofit organizations scale their impact.

It is important to remember that "market-rate" is a dynamic and relative designation. In the early 2000s, CDFIs were considered concessionary investments as they targeted poorer households and offered smaller loans at low interest rates. However, during the financial crisis, CDFIs outperformed traditional banks largely as a result of their strong governance and commitment to responsible stewardship in the community.[7]

Impact of FI Strategies

FI instruments such as municipal bonds, green bonds, and private debt are often connected to specific underlying projects, making the measurement of social and environmental impact relatively straightforward.

Asset owners can assess the impact of their fixed income portfolios using several available methodologies. Here are some examples:

- Global Impact Investing Rating System (GIIRS), a project by the independent nonprofit B Lab, provides comparable ratings of debt funds' social and environmental impact that include an assessment of their underlying investments.
- HIP Investor rates 15,000 municipal, sovereign, agency, and corporate bonds globally, quantifying the human, social, and environmental impact of each investment relative to financial performance. HIP Investor also rates mutual funds, ETFs, and separate-account strategies on their underlying holdings.
- Aeris provides data, analysis, and ratings for Community Development Financial Institutions (CDFIs).
- Sustainalytics and Bloomberg provide research and assessment of how companies are performing across the environmental, social, and governance dimensions.
- Several companies provide ratings and third-party certifications for green bonds. The Climate Bonds Standards, developed by the Climate Bonds Initiative, offer environmental and financial guidelines for green bonds. A growing number of third-party verifiers help ensure that the bonds' assets meet the Climate Bond Standards. Oekom performs an ESG analysis of green bonds and their issuers on the secondary market and offers an *ad hoc* rating service for upcoming issuances.

When lending directly to social enterprises, working closely with investee companies can help ensure adequate impact reporting. Root Capital, for example, produces comprehensive quarterly and annual performance reports and impact dashboards that include metrics developed by the Impact Reporting and Investment Standards (IRIS) alongside financial performance data. These metrics include the number of producers affected, women farmers benefited, and land under sustainable cultivation, among others.[8]

Going Forward

Today, there is a diverse and growing FI impact investment marketplace. Here are five trends that could shape the growth of the market in the next several years:

- Impact measurement capabilities have improved significantly, increasing accountability among investee companies and fund managers and empowering investors and their advisors to compare companies and funds to create more impactful portfolios. This could lead to companies and fund managers competing on both impact and profit, creating a greater number of quality investment opportunities.

- Intermediaries are responding to growing client demand for impact investment opportunities, offering access to a variety of FI instruments through mutual funds, separate accounts, ETFs, and debt funds.
- Investors could see more opportunities to invest for impact in cities and counties they care about as municipalities issue a greater number of bonds to finance local projects. Investors could also work directly with municipalities to finance projects they are passionate about through municipal bonds or Social Impact Bonds, should SIBs prove to be an effective structure for funding social impact.
- The market for climate change solutions is growing rapidly. Green bonds are going mainstream and an increasing number of opportunities in clean technologies, water, and energy efficiency are becoming available globally via project finance and other debt instruments. As cities around the world look for funding for action on climate change mitigation and adaptation, the number of investment opportunities to address environmental issues locally through municipal bonds will grow.
- The growth in financial innovations, such as revenue-based financing, creates more options for investors to support early-stage companies that do not have clear exit strategies, without taking on the risk of equity investment.

APPENDIX A

Example Investments

DOMINI SOCIAL BOND FUND

ASSET CLASS	SECTOR	GEOGRAPHY	IMPACT STRATEGY	RETURN PROFILE
Public Equity	**Education**	Sub-Saharan Africa	Product-Based	**Market-Rate**
Fixed Income	Environmental Conservation	Middle East & North Africa	People-Based	Concessionary
Private Equity	Sustainable Consumer Products	Central & South America	Place-Based	Off-Market
Venture Capital	**Housing & Community Development**	Asia & Oceania	Process-Based	
Real Assets	Agriculture & Food	Eastern Europe & Russia	Behavior-Based	
Hedge Funds	**Energy & Resource Efficiency**	Western Europe	Model-Based	
Social Impact Bonds	Safety & Security	**USA & Canada**	**ESG-Screened**	
Cash	**Healthcare & Wellness**	Emerging Markets	**SRI-Screened**	
	Access to Finance	Developed Markets		
	Employment & Empowerment	Global		
	Base of Pyramid Services			
	Sustainable Infrastructure			
	Sustainable Banking			

The Domini Social Bond Fund invests primarily in fixed income securities issued by government agencies, states, municipalities, and corporations that support community development efforts with a focus on affordable housing, community revitalization, education, and healthcare. The fund invests primarily in USA securities. In this fund, Domini excludes certain bonds according to standards of social responsibility (SRI Screens), and applies a positive environmental, social, and governance (ESG) screen to include bonds with specific impact attributes. The fund targets market-rate financial returns.

ENTERPRISE COMMUNITY LOAN FUND

ASSET CLASS	SECTOR	GEOGRAPHY	IMPACT STRATEGY	RETURN PROFILE
Public Equity	Education	Sub-Saharan Africa	**Product-Based**	Market-Rate
Fixed Income	Environmental Conservation	Middle East & North Africa	**People-Based**	**Concessionary**
Private Equity	Sustainable Consumer Products	Central & South America	**Place-Based**	Off-Market
Venture Capital	**Housing & Community Development**	Asia & Oceania	Process-Based	
Real Assets	Agriculture & Food	Eastern Europe & Russia	Behavior-Based	
Hedge Funds	Energy & Resource Efficiency	Western Europe	Model-Based	
Social Impact Bonds	Safety & Security	**USA & Canada**	ESG-Screened	
Cash	Healthcare & Wellness	Emerging Markets	SRI-Screened	
	Access to Finance	Developed Markets		
	Employment & Empowerment	Global		
	Base of Pyramid Services			
	Sustainable Infrastructure			
	Sustainable Banking			

Enterprise Community Loan Fund (ECLF) is a Community Development Financial Institution (CDFI) that provides financing to organizations creating affordable homes that are connected to jobs, transit, quality schools, and health care in communities underserved by traditional financial institutions. ECLF funds organizations in the USA and offers a three-pronged impact strategy, creating impact through the product it funds (low-income housing), the specific places it serves, and the people who benefit from its funding (low-income families). Investors who lend to the ECLF do so at interest rates below market rates, so its return profile is "concessionary."

GENERATE CAPITAL

ASSET CLASS	SECTOR	GEOGRAPHY	IMPACT STRATEGY	RETURN PROFILE
Public Equity	Education	Sub-Saharan Africa	**Product-Based**	**Market-Rate**
Fixed Income	Environmental Conservation	Middle East & North Africa	People-Based	Concessionary
Private Equity	Sustainable Consumer Products	Central & South America	Place-Based	Off-Market
Venture Capital	Housing & Community Development	Asia & Oceania	Process-Based	
Real Assets	Agriculture & Food	Eastern Europe & Russia	Behavior-Based	
Hedge Funds	**Energy & Resource Efficiency**	Western Europe	Model-Based	
Social Impact Bonds	Safety & Security	**USA & Canada**	ESG-Screened	
Cash	Healthcare & Wellness	Emerging Markets	SRI-Screened	
	Access to Finance	Developed Markets		
	Employment & Empowerment	Global		
	Base of Pyramid Services			
	Sustainable Infrastructure			
	Sustainable Banking			

Generate Capital is a project finance company that develops and operates sustainable energy, water, and agricultural infrastructure projects. Generate is based on an "infrastructure as a service" model: Generate owns clean infrastructure assets and leases their functionality to customers. For example, Generate funds the implementation of battery power storage systems for businesses, allowing the businesses to lease the functionality of the systems without having to invest in the development costs themselves. Unlike most other players in the project finance space, Generate is not a fund; its investors have an equity stake in Generate, which owns project assets on its balance sheet. Generate targets market-rate returns for its investors.

CIM ENTERPRISE LOAN FUND

ASSET CLASS	SECTOR	GEOGRAPHY	IMPACT STRATEGY	RETURN PROFILE
Public Equity	Education	Sub-Saharan Africa	**Product-Based**	**Market-Rate**
Fixed Income	Environmental Conservation	Middle East & North Africa	People-Based	Concessionary
Private Equity	Sustainable Consumer Products	Central & South America	Place-Based	Off-Market
Venture Capital	Housing & Community Development	Asia & Oceania	**Process-Based**	
Real Assets	Agriculture & Food	Eastern Europe & Russia	Behavior-Based	
Hedge Funds	Energy & Resource Efficiency	Western Europe	Model-Based	
Social Impact Bonds	Safety & Security	**USA & Canada**	ESG-Screened	
Cash	Healthcare & Wellness	Emerging Markets	SRI-Screened	
	Access to Finance	Developed Markets		
	Employment & Empowerment	Global		
	Base of Pyramid Services			
	Sustainable Infrastructure			
	Sustainable Banking			

Community Investment Management (CIM) is a San Francisco-based firm focused on the growing field of “marketplace lending”—technology-enabled, non-bank lending platforms that allow investors to directly fund individual or business loans. CIM partners with select marketplace lenders to finance small business loans in the USA CIM pursues product- and process-based impact strategies: The fund’s investments expand access to finance for job-creating small businesses, and CIM adheres to set principles of responsible and transparent lending. The CIM Enterprise Loan Fund targets market-rate financial returns for its investors.

BLUEORCHARD MICROFINANCE FUND

ASSET CLASS	SECTOR	GEOGRAPHY	IMPACT STRATEGY	RETURN PROFILE
Public Equity	Education	Sub-Saharan Africa	**Product-Based**	**Market-Rate**
Fixed Income	Environmental Conservation	Middle East & North Africa	People-Based	Concessionary
Private Equity	Sustainable Consumer Products	Central & South America	**Place-Based**	Off-Market
Venture Capital	Housing & Community Development	Asia & Oceania	Process-Based	
Real Assets	Agriculture & Food	Eastern Europe & Russia	Behavior-Based	
Hedge Funds	Energy & Resource Efficiency	Western Europe	Model-Based	
Social Impact Bonds	Safety & Security	USA & Canada	ESG-Screened	
Cash	Healthcare & Wellness	**Emerging Markets**	SRI-Screened	
	Access to Finance	Developed Markets		
	Employment & Empowerment	Global		
	Base of Pyramid Services			
	Sustainable Infrastructure			
	Sustainable Banking			

The BlueOrchard Microfinance Fund is a Luxembourg-based fund that invests in microfinance institutions (MFIs) in emerging and frontier markets around the world. The impact objective of the fund is to expand financial inclusion around the world—to create access to financial services such as loans, savings, and insurance for people and businesses in poor and middle-income countries. The BlueOrchard Microfinance Fund targets market-rate financial returns for its investors.

APPENDIX B

Glossary

Asset Class: A group of investments that share common profiles of risk, liquidity, and return. Analysts generally group investments into four major asset classes: cash, fixed income, public equities, and alternative investments. Within alternative investments, popular sub-asset classes are private equity, venture capital, and real estate/real assets.

Concessionary/Below Market-Rate of Return: An investment that intentionally generates lower-than-average financial return for investments of its type (i.e. comparable asset class, sector, and geography) is considered to be "concessionary" or "below market-rate." Historically, foundations and other philanthropic entities have made concessionary investments in order to support nonprofits with strong revenues, such as low-income housing developers and social enterprises.

ETF (Exchange Traded Fund): A security designed to mimic the performance of an index (e.g., the S&P 500), commodity, or collection of assets. ETFs are a popular example of "passive management"—ETF managers attempt to replicate the performance of their relevant index, not outperform it (as "active" managers do).

Exit: Liquidation of holdings by an investor, usually by selling an asset to convert it into cash.

Liquidity: The measure that shows how quickly an investment can be bought or sold with little or no impact on price. Cash is the most liquid asset, followed by publically traded stocks and bonds. Private investments are less liquid than publically traded assets because they are harder to sell.

Market-Rate of Return: The average rate of return for a particular set of comparable investments.

Mission-Related Investments (MRIs): Investments made from the endowment of a philanthropic organization that are intentionally aligned with both the philanthropic mission of the foundation and the financial objectives of its endowment investment strategy (e.g., perpetual capital preservation).

Risk: The chance that an investment's financial return will be different than what was expected. Risk includes the possibility of losing some or all of the value of the original investment.

Program-Related Investments (PRIs): Investments made from a philanthropic organization's annual charitable distributions (i.e., alongside grants) into nonprofit or for-profit organizations that intend to generate some financial return. According to USA tax law, the primary purpose of a PRI must be to accomplish some element of the philanthropic organization's tax-exempt purpose. PRIs can generate market rates of financial return to the foundation, but financial return cannot be the primary purpose of the investment.[9]

Secondary Market: A market where investors purchase securities or assets from other investors, rather than from the issuing companies themselves.

Social Enterprise: An organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. Social enterprises can be structured as for-profit or nonprofit entities, and may take the form of cooperatives, mutual organizations, social businesses, or charitable organizations (Confluence Philanthropy).

Volatility: A statistical measure that refers to the amount of uncertainty or risk about the size of changes in an investment's value. A lower volatility, for example, means that the value of a security does not fluctuate dramatically, but changes at a steady rate over a period of time

Endnotes

[1] A study of bonds issued by 582 USA corporations between 1996 and 2005 demonstrated that "companies with environmental concerns and poor environmental management had a higher cost of debt, lower bond ratings and lower issuer ratings. For more information, refer to Bauer, R. and Hann, D., 2011. 'Corporate Environmental Management and Credit Risk', Working Paper, Maastricht University. " Barclays' analysis also showed that in the past eight years, "bonds with high ESG ratings have modestly outperformed their lower-rated peers." For more information, see http://ftalphaville.ft.com/2015/11/26/2145911/nothing-but-a-g-thang.

[2] To learn more about green bond issuances and market standards, visit Climate Bonds Initiative's site athttp://www.climatebonds.net. Carbon Disclosure Project (CDP) is also focused on researching green bonds, especially as a financing tool for cities. For learn more, visit http://www.cdp.net.

[3] For microfinance fund listings and performance data, visit http://www.symbioticsgroup.com.

[4] A demand dividend model is a form of revenue-based financing designed to provide flexible financing to meet the needs of early-stage enterprises by matching debt payments to cash flows (rather than revenue) of investee companies. For more information, see https://centers.fuqua.duke.edu/casenotes/2013/09/19/socap13-the-demand-dividend.

[5] Barclays MSCI Global ESG Index for fixed income shows annualized returns of 6.15% from 2007 to 2012, comparable to Barclays Aggregate Global Index for the same time period of 6.10%. For more information, see https://www.msci.com/resources/pdfs/Barclays%20MSCI%20ESG%20Fixed%20Income%20Indices%20-%20FINAL.pdf.

[6] Symbiotics Microfinance Index (SMX) tracks global fixed income funds which target microfinance institutions in developing countries. From 2003 to 2013, the SMX showed an average annual return of 3.87%, with a volatility of only 0.61% over the 10-year period. Over the same 10 years, JPMorgan Global Bond Index slightly outperformed the SMX with a 4.3% annual return and cumulative growth of 52.4% versus 46.2% for SMX, but with a much higher volatility of 2.97%. For more information, see Symbiotics reports at http://www.syminvest.com.

[7] *Impact Investing: A Primer for Family Offices*. December 2014. World Economic Forum, http://www.weforum.org/reports/impact-investing-primer-family-offices.

[8] See Root Capital's performance reports at http://www.rootcapital.org/our-impact/performance-reports.

[9] For the IRS' definition of Program Related Investments, see https://www.irs.gov/Charities-&-Non-Profits/Private-Foundations/Program-Related-Investments.

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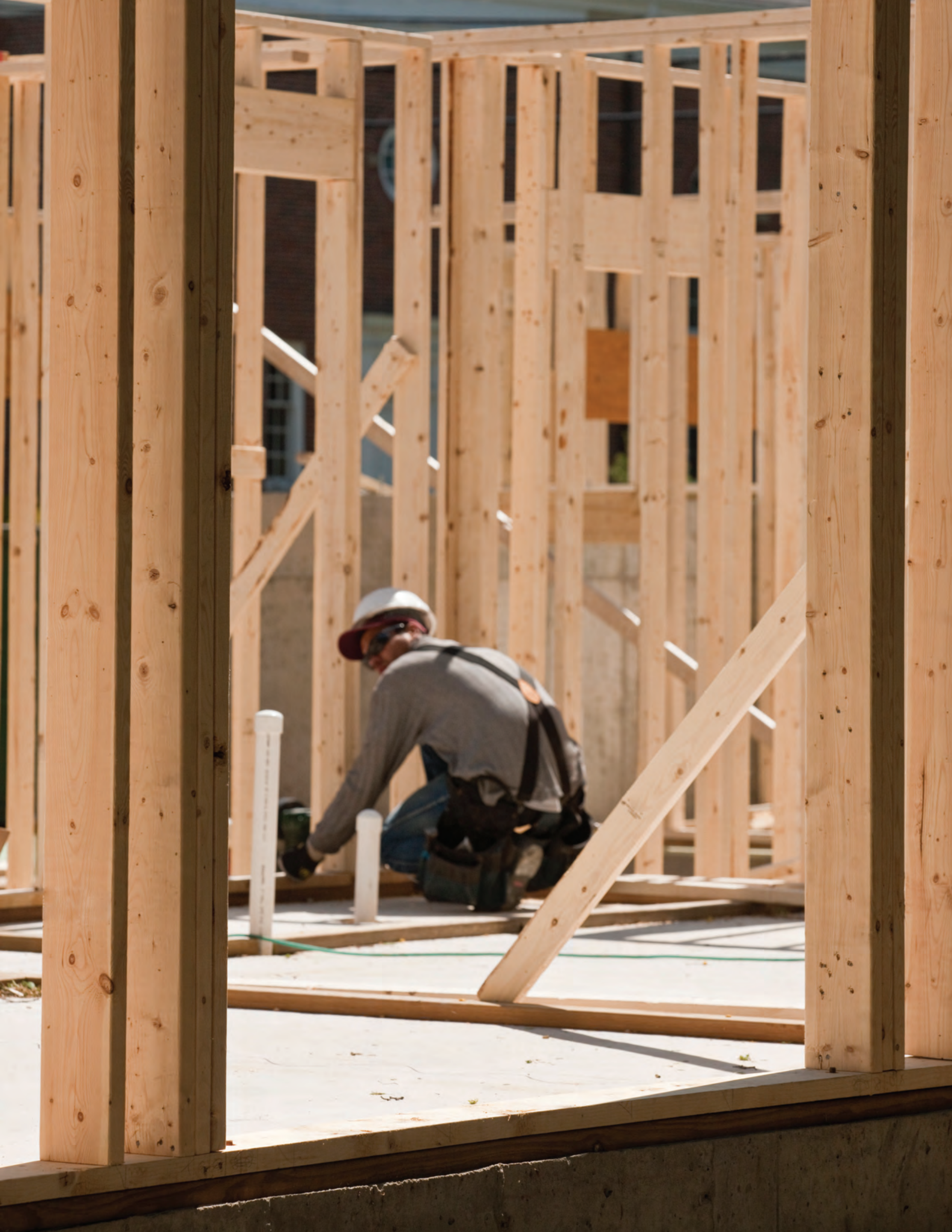

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