Calvert Impact™

Impact Investing

A Short Guide for Financial Advisors

Good for your **clients,**
Good for your **business,**
Good for the **world.**

"Impact investing can help take client relationships to the next level—making the relationship about more than statements and performance."

A New York-based advisor

WHAT IS IMPACT INVESTING?

Impact investments intend to create positive, measurable social and environmental impact alongside financial returns. They are designed to invest in the solutions people and planet need—like financing affordable housing, community services, clean energy, and environmental preservation.

Client demand for sustainable and impact investing is strong and growing:

- **85%** OF ASSET MANAGERS,
- **83%** OF ASSET OWNERS,[1]
- **79%** OF INDIVIDUAL INVESTORS AND,
- **99%** OF MILLENNIALS SAY THEY ARE INTERESTED IN IMPACT INVESTING[2]

But there's a large opportunity gap for advisors:

ONLY **56%** OF INVESTORS HAVE BEEN ASKED BY FINANCIAL ADVISORS ABOUT IMPACT GOALS[3]

This guide is meant to help advisors understand impact investing so they can seize this important opportunity for their clients and their practice.

> *"Talking about alpha and beta just doesn't capture a client's attention, but when I talk about their impact investments, the whole meeting changes."*
>
> A Minnesota-based advisor

1 According to Morgan Stanley's 2022 Sustainable Signals Asset Owner Survey: https://www.morganstanley.com/assets/pdfs/CRC-5066630-GSF_Sustainable_Signals_AM_AO_2022_report_FINAL.pdf

2 According to Morgan Stanley's 2021 Sustainable Signals report: https://www.morganstanley.com/assets/pdfs/2021-Sustainable_Signals_Individual_Investor.pdf

3 According to Morgan Stanley's 2021 Sustainable Signals report: https://www.morganstanley.com/press-releases/sustainable-signals

THE IMPACT MARKET IS GROWING

81% of Financial Advisors — Up from **77%** last survey

88% of Institutional Investors — Up from **71%** last survey

planned to increase their impact investments over the next year, according to Calvert Impact 2022 Investor Survey.

THAT INTEREST TRANSLATED INTO ACTION...

19% of Investors said they had made a recent impact investment in 2020. (Calvert Impact 2020 Investor Survey)

59% **3x** Increase — had made one in the past 2 years in 2022. (Calvert Impact 2022 Investor Survey)

Overall, the impact investment market grew from

$502 billion in 2018 to $1.16 trillion in 2021.[4]

WHO'S INTERESTED?

Do you have clients that are:

- Active in their church and/or community?
- Travelers that enjoy experiencing other cultures?
- Concerned with climate change and extreme weather?
- Healthy eaters that enjoy organic food?
- Philanthropic?
- Concerned about the world they're leaving for their children/grandchildren?
- Skeptical of the stock market or investing in general?
- Institutions with a mission?
- Companies that seek to have a positive relationship with the community?

If so, these are clients who may appreciate impact investing opportunities.

THE OPPORTUNITY FOR ADVISORS

Impact investing represents an important opportunity for advisors to add value for their clients and practice. Whether clients want to contribute to addressing the world's social and environmental challenges, invest in their community, and/or are considering their legacy, impact investing can:

- Provide value that deepens existing relationships
- Retain clients as they lose a partner, age and transfer wealth to the next generation
- Differentiate your practice to attract new clients
- Attract top-notch young talent to your advisory team

4 GIIN Sizing the Impact Investing Market 2022: https://thegiin.org/research/publication/impact-investing-market-size-2022/

IMPACT INVESTING ALLOWS INVESTORS TO:

Focus on meaningful opportunities to create:

- Affordable Housing
- Climate/ Environmental Solutions
- Healthy Communities
- Entrepreneurship & Good Jobs
- Gender & Racial Equity

Contribute to closing the funding gap for the UN SDGs:

And create tangible impact in the communities they care about, providing inspiring stories of the difference their capital is making across the country and around the world. *Sample investments from Calvert Impact Capital's portfolio:*

LIIF
Georgia

The Oxford Villages Townhomes is a resident-led cooperative located in Atlanta, GA in a historically underinvested neighborhood. With the support of LIIF, this complex originally constructed in 1974 is now a 188-unit 100% affordable housing community and home to many extremely low-income residents.

AFRICA GO GREEN
Africa

Before Bboxx Cook, Erick Moussa Djuma used charcoal to cook and prepare orders for his business, which took too long to light and prolonged the preparation time. With the support of Africa Go Green funding, Bboxx Cook helps Erick run his business more efficiently and allows him to cater to a wider range of customers.

INVESTORS' REASONS FOR INVESTING FOR IMPACT

57%
Environmental Sustainability

The Republic of Seychelles and the World Bank launched the Seychelles Blue Bond, which supports initiatives such as the Ocean Clean Up Project. Pictured are members of the project collecting debris from a boat wreck near the port of Victoria, Seychelles. The bond supports the expansion of marine protected areas, improved governance of fisheries, and development of the Seychelles' blue economy.

41%
Racial Justice & Equity

Our portfolio partner, Greenline Ventures, launched the Small Business Capital Fund I to finance small businesses in the US to benefit economically vulnerable communities and boost entrepreneurs of color and women-owned businesses.

33%
Renewable Energy

Sunwealth is a clean energy investment firm working to create a more resilient, secure, and equitable energy future by financing and managing a diverse array of community-based solar projects in communities across the United States.

25%
Gender Equity

Advance Global Capital provides debt financing to non-bank financial institutions to support SMEs in underserved countries, and has integrated a gender lens across the firm. One of their end clients, Austrofood, is a fruit producer in Ecuador. About one-third of their staff are women and they offer all employees paid time off.

IMPACT INVESTING OFFERS A RANGE OF OPPORTUNITIES

There are many terms used to describe sustainable, responsible, and impact investing strategies. Investors looking for impact often start by considering environmental, social, and governance (ESG) factors and engaging corporations within the public markets. Impact investments are different, as the investment itself has the express purpose and intent of creating measurable solutions to social and environmental challenges.

	ESG Investments	Impact Investments
Options	Mutual funds, ETFs, stocks, bonds	Cash, fixed income/debt, venture capital, real assets, direct investments
Impact tools	Screening companies in or out, proxy voting, shareholder engagement	Finance communities and markets not served by traditional finance
Impact intent	Reduce harm & risk, improve corporate practices	Create solutions to social and environmental challenges
Impact reporting	Examples of changed corporate practices (ex. board representation, disclosure on political spending, understanding climate risk, etc.)	Measurable outputs (ex. affordable housing units built, jobs created, emissions reduced, etc.) and stories of lives changed for every investment

Impact Investment Options by Asset Class and Investor Type

Asset Class	Example Products	Retail	Accredited
Cash	• Checking & savings accounts, CDs at CDFI banks & credit unions	x	x
Fixed income	• Debt investment in impact notes • Debt investment in a loan fund • Debt investment in microfinance or small/medium enterprise fund	x	x x x
Private equity	• Equity investment in a community development venture capital fund		x
Real assets	• Equity investment in a community real estate fund • Equity investment in a farmland or conservation fund		x x
Direct investments	• Debt or equity investment in a private company • Online crowdfunding into community businesses and projects	 x	x x

INVESTMENT CONSIDERATIONS

Volatility/Uncorrelation
Impact investments often have less correlation to changes in interest rates and stock market fluctuations. Most impact investments did well during the 2008 housing and financial crisis, as they represent affordable housing and critical services that are often considered more defensive assets where demand might even increase in a recessionary environment.

Performance
Given the diversity of structures and approaches, as well as the uncorrelation, there isn't an accepted financial benchmark for impact investments. That said, investors consistently see them as performing in line with expectations, with many managers having track records of doing so.

Risk
Many impact investments have exposure to underserved and emerging markets, and therefore it is very important to evaluate the risk management process and track record of managers.

HOW TO START

Talk to your clients about what they care about and connect it to impact investment options. Getting up to speed on the entire impact investing industry can seem daunting, so focus on what is of interest to you and your clients. Impact investing will allow you to have better, more engaged conversations with your clients.

Areas to incorporate impact investing into your practice

Client Acquisition
- Market yourself as meeting a growing demand
- Distinguish what you can offer to new clients
- Offer a deeper conversation about values/interests

Client Service
- Report on impact outcomes (e.g. jobs created, carbon emissions reduced), not just financial performance
- Offer clients a more complete picture of their performance
- Engage the next generation on aligning their values and investments

Client On-Boarding
- Talk to your clients about their values/interests
- Introduce impact as a part of investment considerations
- Talk about a product that you've researched or invested in for yourself or a client, and see whether it or a similar product would be of interest

Client Events
- Host a speaker from the impact investing community
- Host an event at a community investment project
- Organize a tour of projects supported by investors

COMMON QUESTIONS

"Why aren't many impact investment options accessible to advisors?"

While there are thousands of impact investments, it is true most aren't yet available on brokerage platforms. That is changing as more impact managers and products develop track records and other characteristics needed to be accepted by firms. The Community Investment Note® is an example of a convenient impact option with CUSIPs, and Calvert Impact is working to help other products reach platforms.

You can help—brokerage and advisory firms need to hear demand for impact investments from clients and advisors.

"With many new entrants and use of similar words, how can I avoid greenwashing (or impact washing)?"

1. Understand how the manager and product seek to create impact;
2. Review their impact reports and methodology;
3. Ask if the manager has an Impact Principles disclosure and/or a third party impact assessment.[7]

7 Operating Principles for Impact Management: https://impactprinciples.org

WHERE CAN I LEARN MORE?

Some resources to get you started:

IMPACTASSETS — **ImpactAssets 50** https://impactassets.org/ia-50

GIIN — **Global Impact Investing Network** https://thegiin.org

US SIF — **US SIF** https://ussif.org

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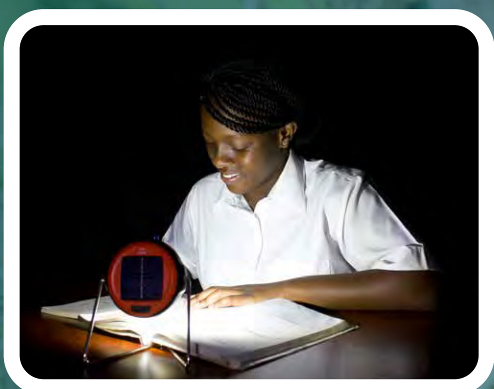

Calvert Impact is a global nonprofit investment firm that helps investors and financial professionals invest in solutions that people and the planet need. During its 28-year history, the Calvert Impact family of organizations has mobilized approximately $5 billion to build and grow local community and green finance organizations including through its flagship Community Investment Note™ issued by Calvert Impact Capital, Inc. In 2023, Calvert Impact launched the Cut Carbon Note, issued by Calvert Impact Climate, Inc., a product that aims to reduce carbon emissions and transform the way we build, and other products and services. Calvert Impact uses its unique position to bring the capital markets and communities closer together. More at calvertimpact.org.

This guide is for financial professionals only and is not an offer to sell or a solicitation of an offer to buy securities. The information herein is not intended to provide, and should not be construed as financial advice. Sample impact investments are listed for informational purposes only and should not be considered a recommendation to sell or to purchase any specific security.

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