

2017–2019 Strategic Plan





Introduction

We believe that investing can make the world more equitable and sustainable. We seek a world where capitalism is harnessed to address society's greatest challenges—where everyone has the power and ability to leverage their financial assets to increase opportunity across the globe.

Today, we see an impact investing industry on the brink of transformation, with unprecedented opportunities to tap into capital markets and address our world's growing social and environmental needs. Yet it lacks the necessary financial infrastructure to execute on this potential and runs the risk of remaining small, inefficient, and unable to live up to its promise.

Calvert Impact Capital (formerly Calvert Foundation) ended 2016 in a place of strength. We spent the previous three years focused on improving our core functions to fortify our business and position ourselves for growth. We have strengthened our balance sheet, scaled our operations to be self-sustaining, and focused our work.

Our goals for the next three years are ambitious. As we embark on the next phase of our organizational growth, we are focused on collaborative action. We are doers, and we want to continue to lead by doing. It is only through learning and experimenting that we challenge the status quo and lead a movement to use capital to change the world. This mentality is core to our new strategy.

What follows is the explanation and exploration of our business. It is couched in our organizational and industry history, and outlines our priorities over the next three years. A key tenet of our work is the ability to be nimble, and this strategy is no exception. It is not meant to be a static directive, but a living document, providing a framework to guide our work as it evolves and grows.

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The Evolving Industry Landscape

Calvert Impact Capital has always been shaped and challenged by the industry around it and our new strategy is similarly situated within the context of our current environment. The impact investing industry has experienced multiple stages of disruption and growth and finds itself at an interesting crossroads.

Starting around five years ago, the industry shifted from a narrowly defined space to a “big tent” mentality, welcoming all actors interested in the broad strokes of sustainability and positive change through finance. This approach has had its benefits; it has helped to move the industry further toward the mainstream and gain broader public exposure, and has provided a greater opportunity to shift more of the world’s economic assets for social and environmental good. At the same time, this all-inclusive approach has muddled the conversation, allowing many to ride the wave of excitement without being accountable to the foundational objectives of the work. It has created accusations of “impact washing” and attendant skepticism, in addition to debate over distinctions like “impact-first” versus “finance-first”.

We see a strong need for organization and orientation within what has become a crowded and confused space. To allow the overall impact investing industry to flourish, we need to distinguish between two key ecosystems that have emerged—one rooted in philanthropy and the other grounded in capital markets—and appreciate the different contexts in which they operate. This distinction could enable greater collaboration between actors across both ecosystems.

The first ecosystem, “philanthropy-plus”, is being built to augment philanthropic-oriented activity that is focused on specific populations and challenges. This includes the innovative work happening across the globe to think outside of the traditional grant-maker box to bring more sustainable solutions to bear on traditional challenges through the application of financial tools. These solutions are often tailor-made and built with the localized social or environmental outcome as the primary driver. The \$2 trillion of capital that makes up the global philanthropic market can be used as society’s risk capital to experiment with bringing market-driven solutions to new populations, old problems and in new forms.

The second ecosystem, “impact capital markets”, is actively trying to shift the behavior of the traditional capital markets (public and private capital markets)—estimated at over \$70 trillion—to finance scaled solutions to social and environmental problems. This work is no less couched in its mission to create impact, but is working to match the needs of communities with the needs of the markets to move capital through market infrastructure at scale. The objective of this work is to leverage our global economy to address structural inequities with the right investment products and structures; in other words, it can change the system instead of operating on its margins.

Neither of these ecosystems is better or worse than the other, but they are different. They engage different actors and leverage different types of capital that have varying expectations, tax implications, legal obligations, and regulatory oversight; and they require different infrastructure to succeed. When making this distinction, it is easy to see how the same aspects of impact investing—impact, risk, and return—look very different depending on the ecosystem.

We needed to distinguish between these two ecosystems in order to clarify our role in the broader industry as we embarked on the development of our new strategy. Our infrastructure is built to tap traditional capital markets and our work is firmly rooted in the second ecosystem, impact capital markets, to bring inclusive financial solutions to the global markets in pursuit of a more equitable and sustainable world.

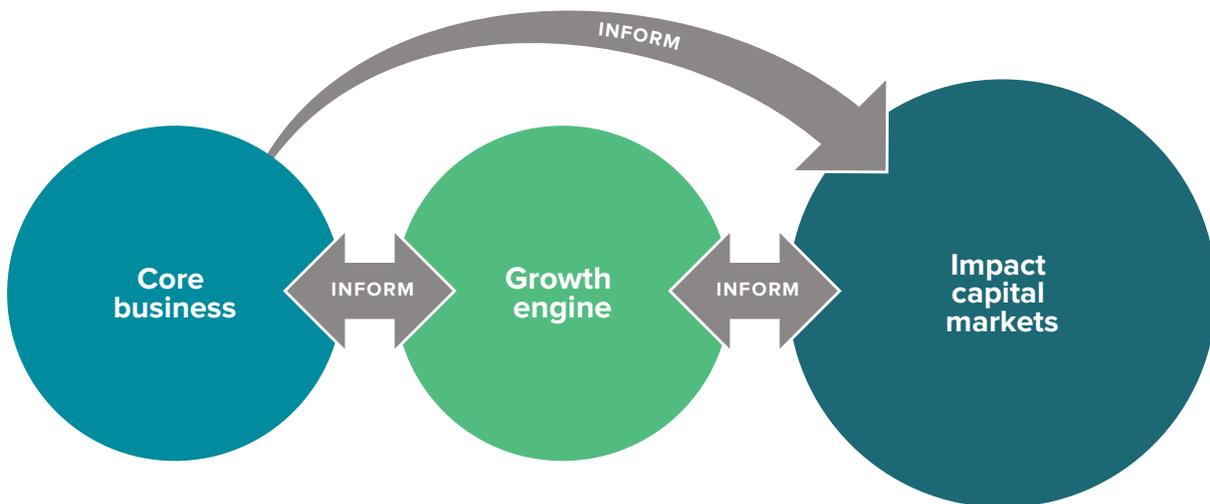
To reflect our role in the impact capital markets and position our business more accurately, we made the strategic decision to rename. The “Foundation” in our name was consistently misleading. We believe that Calvert Impact Capital better represents who we are and what we hope to accomplish going forward.

2017–2019 Strategy

In response to this evolving industry context and in service to our existing and future investors and borrowers, our 2017–2019 strategy is two-pronged:

1. We will continue to strengthen and grow our existing business to remain an active intermediary of capital for our investors who are looking to use their assets to reach communities left behind by traditional financial markets. We believe the field needs strong examples of self-sufficient, experienced models of market intermediation and we hope that our demonstration entices others to enter.
2. We will leverage our experiences and strengths to seek new ways to grow our business and expand the impact investing industry, in collaboration with others. To start, we will look to (a) play an active role in creating more efficient markets to streamline and increase the flow of capital into the sectors and populations we serve, and (b) share our knowledge and experience in a systematic way to advance industry practices and expand investor audiences.

These two prongs are inextricably linked, with our core business informing our new growth priorities and our growth function continuing to inform and broaden our core business. Both our core business and growth priorities aim to inform the impact capital markets, seed new ideas, and advance the field overall.



Core Business: Portfolio Strategy

Calvert Impact Capital's global portfolio is built to serve sectors and geographies whose needs are not met by traditional capital markets. We seek to prove that limited access to capital is often driven by perceived risks that, if understood and addressed, can be mitigated and overcome. We invest through and alongside mission-driven financial intermediaries, funds, and enterprises to customize our capital to the needs and risks of the sector or geography they serve, while creating replicable and scalable organizations and financial structures. Over time, we have seen sectors in our portfolio like community development finance and microfinance mature to where the intermediaries in these sectors can access traditional capital markets. Our portfolio strategy attempts to continue this evolution of credit-worthiness in other key impact sectors where our capital, flexibility, and creative approach can have a lasting impact.

Our portfolio activity falls into three major categories and nine impact sectors:

- 1) Increase access to critical services and developing communities. This includes our investments in affordable housing, health, education, and community development;
- 2) Expand access to capital. This includes our investments in financial inclusion, small business finance and sustainable agriculture;
- 3) Invest in efforts to reduce the impact and effects of climate change. This includes our investments in environmental sustainability, renewable energy, and climate resiliency.



Affordable Housing



Community Development



Education



Environmental Sustainability



Health



Microfinance



Renewable Energy



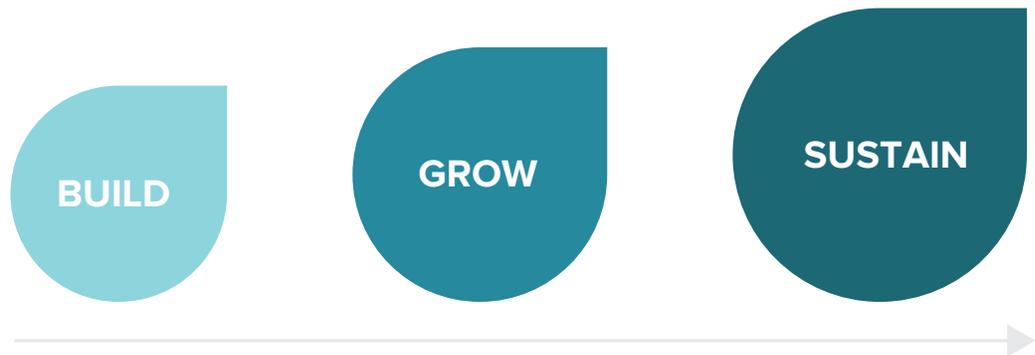
Small Business



Sustainable Agriculture

Each sector has a unique impact thesis and strategy that outlines what we seek to address in that sector, how we plan to measure impact, and what role our capital plays in strengthening the intermediation landscape in that impact area.

We will continue to invest through our core products: unsecured balance sheet loans, structured debt funds, and asset-backed credit facilities. These products address the different stages of our borrowers' maturation and growth, and largely fall into three categories: **BUILD**, **GROW**, and **SUSTAIN**.



Our hope is that borrowers who start in the Build category scale over time and expand their reach and impact, thus strengthening the industry's intermediation capacity.

Strategy	Test new models, structures, approaches	Provide financing to scale proven models	Capitalize strongest partners at scale
Our Value Proposition	Provide demonstration capital for new intermediary solutions/approaches; leverage creative enhancement structures.	Understand borrower and market needs and crowd in other investors; tailor flexible financial products to support growth.	Reduce capital raising costs/complexities for partners; increase capital raising/deployment efficiencies; fuel continued innovation within mature platforms.

Core Business: Investor Strategy

Engaging and educating diverse investor audiences about the ability to use their wealth for social and/or environmental impact has always been core to Calvert Impact Capital's business and mission. Our value proposition is that anyone can become an impact investor through our Community Investment Note®; expanding this reach remains a critical part of our role in the market today.

The power of the Note is its ability to conform to the characteristics of the capital markets and thus act as an on-ramp for investors who may struggle to translate interest in impact investing into action. We have focused our work over the past decade on increasing access through broad, familiar distribution channels, and through investor and financial advisor education. We see the opportunity to expand this work as our organization and industry grows.

We will continue to partner with organizations to engage their diverse audiences in the practice of impact investing, and we will continue to engage investors through the causes they care about, such as gender equity.

Growth Engine: Syndications

We are building a loan syndications function to channel capital at higher volumes, with greater ease, and from a broader range of investors to where it is needed most.

From our vantage point, we see both a growing supply of and demand for impact capital in private debt markets, but do not see the corresponding infrastructure to create efficient connections between the two. On the supply side, asset owners and managers, including financial institutions, foundations, family offices, and high net worth individuals are looking for ways to engage in impact markets that fit their mission and/or geographic objectives—but often lack the capacity, expertise, or networks to source, structure, analyze, monitor, and service these investments.

On the demand side, we see borrowers struggling to raise capital. The timeframe and process for capital raising distracts borrowers from critical efforts to build

their core business and subjects them to uncertainty that can slow growth and damage the viability of their work.

For more than twenty years, our flagship product, the Community Investment Note, has acted as essential “plumbing” for the impact investing market—connecting interested investors (retail and accredited) to a diversified debt portfolio of high-impact intermediaries. Our syndication service is intended to do this in new ways by providing investors with access to a broader set of investment opportunities while streamlining access to capital for our borrowers.

Growth Engine: Thought Leadership

Sharing lessons learned and best practices is essential to building a robust impact investing industry, but Calvert Impact Capital has not had an explicit strategy to ensure we are sharing our knowledge and expertise in systematic ways.

We see value in this work—not to add more reports or white papers to an already crowded space—but to bring our practitioner lens to the challenges and opportunities related to broader industry growth and capital markets adoption.



Looking Ahead

Through this strategy we have taken a fresh look at our work and industry and we are excited to execute on this plan. We invite you to read our strategy and market report that will be issued annually in the second quarter for updates on our progress and hope you will join us in creating a more equitable and sustainable world through investment.

➤ Visit calvertimpactcapital.org to get started.



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