

Dear Friends,

Once again, we are excited to share an update on our work with you. Reflecting on our accomplishments over the past year, we're proud of our ability to deliver on the ambitious strategy we developed nearly three years ago. We've been diligent, nimble, creative and as a result, highly effective in achieving our goals.

As we report our progress against our current strategy, we are in the process of developing a new one. Our 2020-2022 strategy will focus on ways to innovate within our core business - raising capital through our signature product, the Community Investment Note, and deploying that capital through high-impact funds and intermediaries around the world - and explore new products and services to increase capital flows to communities not served by traditional capital markets.

Over the past 24 years we have raised over \$2 billion from more than 18,000 investors. We are proud of our work, but we recognize that it's not nearly enough. We need to get more capital moving; we need markets to work for more people and for our planet. We're driven to do more, but we can't do it without you. We look forward to your continued partnership and we are grateful for your trust.

2018 in review

2018 was another [eventful year](#) for Calvert Impact Capital as we continued to execute on the two key pillars of our [2017-2019 strategy](#): (1) strengthen and grow our core business and (2) leverage our experience for enterprise and industry growth.

Key accomplishments of our core business

- **Record Portfolio Growth:** Our portfolio has nearly doubled over the last five years with an average annual growth rate of 14% while maintaining solid portfolio performance, ending the year at over \$400 million. This growth is in response to a thoughtful portfolio strategy through which we provide flexible lending products to meet the demands of the fast-changing markets in which we work. Unique amongst impact investing funds, Calvert Impact Capital has an open offering, meaning we can continually grow our portfolio. We enter 2019 with a substantial deal pipeline, well-positioned to continue our record-setting growth.
- **Continued Investor Growth and New Investor Insights:** Community Investment Notes outstanding at year end 2018 totaled \$410.4 million, an 8% increase from year end 2017 and further demonstration of the growing appetite for impact investing. Our biennial [investor survey](#) clearly showed that investors are eager for more opportunities to invest for impact, especially around climate change solutions, and want better guidance on how to make impact investments.
- **Improved Infrastructure:** In line with our mission to make impact investing easier and more accessible, we launched a new and improved version of our online [investment platform](#),

featuring simplified design, easier bank account linking, and new security technology so investors can access their accounts seamlessly online.

- **Impact Measurement:** We continue to refine our impact measurement and management practices, ensuring that we look beyond the outputs of impact investments as the sole indicators of success to capture the importance of financial infrastructure and market building. We're developing an impact due diligence model and participating in industry working groups to bring further integrity and clarification to impact measurement.

Key accomplishments of our growth business

- **Syndications Success:** Our Syndications services, designed to create efficiencies in the impact investing market and accelerate the volume of capital flowing to communities in need, continued to expand in 2018. We have syndicated and/or administered eleven deals, representing over \$185 million invested in communities since launching these services and we have a strong pipeline for 2019.
- **Thought Leadership:** We continued to share our expertise, knowledge, and data with the field through a variety of formats, expanding our media presence and reach. [Just Good Investing](#), a comprehensive report on our gender-lens investing work, was covered by Barron's, Bloomberg and other publications. CEO Jennifer Pryce became a Forbes contributor, using her platform to write about a variety of key topics for the industry including [Opportunity Zones](#) and how [impact markets](#) evolve. She also made her first appearance on [Bloomberg TV, discussing our work investing in Africa](#).

Looking Ahead: 2019

In 2019, we foresee a focus on climate, the need for a different conversation around scale, and continued focus on Opportunity Zones.

- The Sustainable Development Goals continue to drive the conversation around the need for the capital markets to address our shared global challenges. In particular, **environmental concerns have been elevated** as reports like the [UN Intergovernmental Panel on Climate Change \(IPCC\)](#) have stressed the urgency of the problem. We don't have the time or luxury to tinker around the edges of solutions, we have just 12 years to limit climate change catastrophe. We saw reflections of this heightened awareness in our own investor survey, where investors cited climate and environment as their sectors of greatest interest. We expect this trend to continue, as investors become increasingly conscious of their portfolios' environmental impact and demand more investable solutions. This includes a heightened focus on the human impact of climate change and the impact that climate change will have on *every* investment, not just those limited to traditionally "green" sectors.
- The amount of assets managed according to impact investing strategies continued to grow, **but the pace of that growth isn't nearly fast enough**. Our VP of Strategy and Syndications, Beth Bafford, recently [outlined](#) the issue clearly:

“In 2017, the Global Impact Investing Network (GIIN) [survey](#) found that there were \$228.1 billion private impact assets under management (AUM), with a median AUM of \$92 million. In contrast, in 2018, the global AUM of the top 450 asset managers was \$78 trillion. The median manager had \$32 billion under management. To be fair, that includes the public markets. If we look only at private equity and private debt AUM as a proxy for private market activity, [Preqin](#) reported more than \$3.7 trillion invested, 16 times the total amount invested in impact in the same year.”

We are on the path to scale, but we need to do more and to act with greater urgency. If impact investing is going to deliver the type of transformative change it seeks, the industry will need to not only talk about scale but also build for it. We, collectively, need to prioritize solutions that address the operational, legal, and regulatory complexities that prevent significant growth.

- The [Opportunity Zone \(OZ\)](#) provisions of the Tax Cuts and Jobs Act introduce a new tax-break that allows investors to defer taxes on realized capital gains with investments into Qualified Opportunity Funds with the intention of incentivizing long-term investment in low-income communities in the U.S. This incentive has injected new energy into an old conversation around how to address inequality. It has demonstrated the power of policy to incentivize investors and is introducing new entrants into the impact investing conversation more broadly. However, it remains to be seen how much value OZ investments will deliver to communities that otherwise wouldn't have received them. To ensure OZs are successful will require impact investors to stay actively engaged in shaping the standards and local execution.

With this in mind, Calvert Impact Capital will continue to focus on the three main pillars of activity articulated in our strategy:

- **Integrity in Investments:** Finding high quality, high impact deals in communities that aren't served by traditional capital markets, with a focus on increasing our exposure in renewable energy and environmental sustainability sectors and incorporating climate considerations across all our work.
- **Investor Activation:** Converting the growing interest in impact opportunities of an increasingly diverse range of investors into action, with a focus on addressing structural barriers that prevent investors from engaging in our markets.
- **Leading by Doing:** Strategically using our expanding platform to inspire and enable more investors to put their money to work for social and environmental change; remaining engaged in key industry issues like Opportunity Zones.

There are challenges ahead, but also opportunities for positive transformation. We look forward to your continued partnership as we build a better business, a better economy, and a better world.



Jennifer Pryce
President & CEO