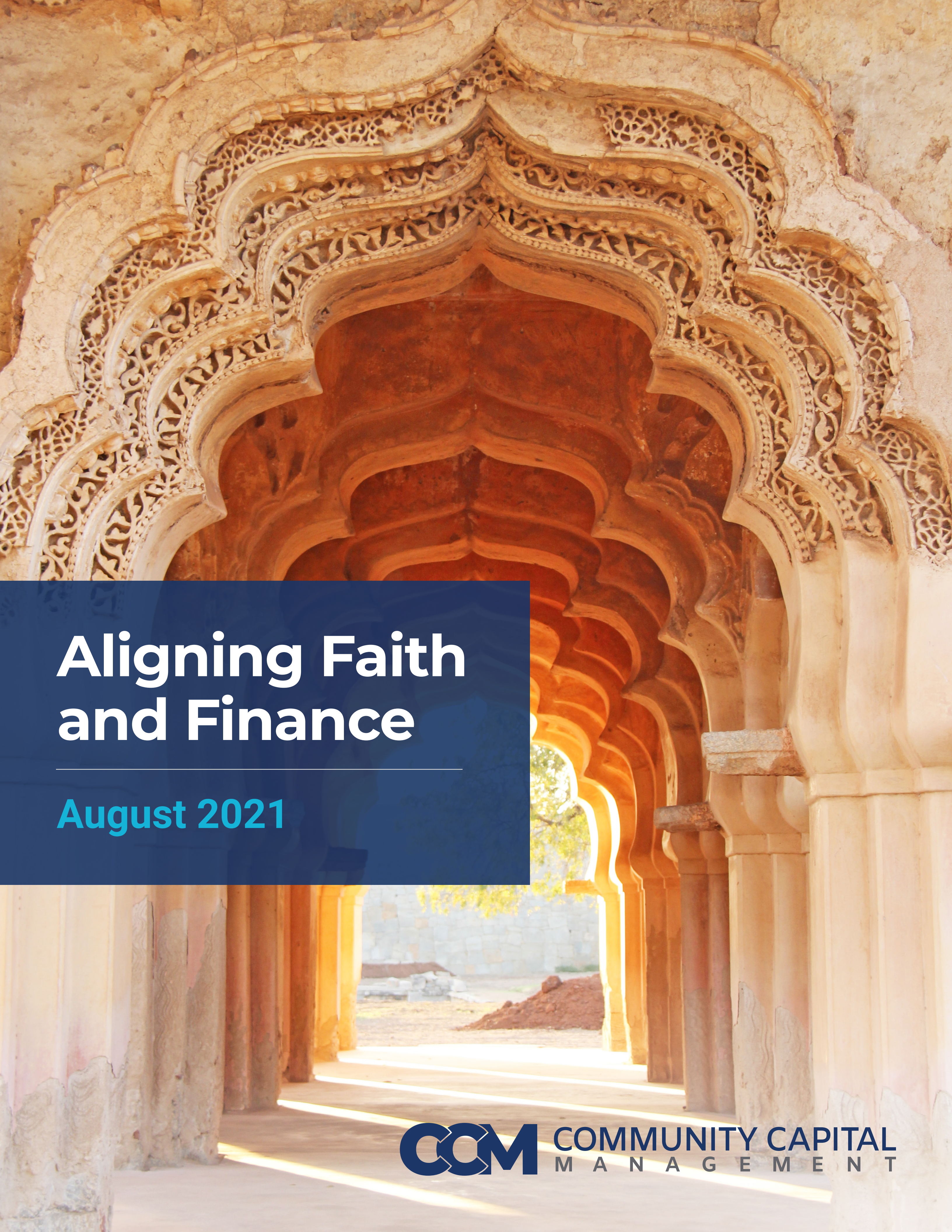


Aligning Faith and Finance

August 2021

CCM COMMUNITY CAPITAL MANAGEMENT

> *"Investing by the tenets of your faith has become easier, and in many cases it's neither less profitable nor more risky than investing without a religious screen."*
>
> *— The New York Times*

Aligning Faith and Finance

Faith-based investing has been around for a long time and comes in countless methods of implementation and interpretation. There is no right or wrong way to align faith and finance. Many faith-based investment strategies and products take different approaches to aligning faith from screening to advocacy to community investing. Just as traditional investing looks at a range of factors such as risk tolerance, age, liquidity, and tax implications, faith-based investing is not a one size fits all approach. This report shares detail on aligning faith and finance, including highlights of its history, terminology, performance, religious guidelines, and finally, how faith and finance can be aligned at CCM.

History of Aligning Faith and Finance

The history of aligning faith and finance is vast and there are many examples of how different religions have implemented what we broadly call today impact investing. Faith-based groups have long led the way in using the power of capital to bring about change.

A Look at the History of Aligning Faith and Finance

Biblical Times

- Jewish law laid down many directives about how to invest ethically.

1800s

- The Quakers launched the Free Produce Society, one of the first systematic, nonviolent protests against slavery, which began with a sugar boycott.
- Methodist immigrants avoided investing in businesses tied to war, slavery, tobacco, gambling, and other activities inconsistent with their faith-based values.
- Pope Leo XIII penned the Rerum Novarum — a highly influential encyclical on capital and labor that argued all members of society must contribute to its betterment and that all employers should pay workers a fair wage.

1900s

- The Episcopal Church began making socially responsible investments (SRI) following a trinity of avoidance, affirmative action, and advocacy.
- The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established that sets guidelines on how to invest in an Islamic-compliant way.

Impact Investing and Faith-Based Investing

Impact investments are generally described as investments made with the intention to generate measurable environmental and social impact alongside a financial return. Faith-based investments are essentially impact investments with the added layer of aligning religious beliefs and values. This varies across religious groups depending on their missions, ministries, goals, and values.

Definitions of Responsible Investing

Impact Investing is generally described as investments made with the intention to generate measurable environmental and social impact alongside a financial return.

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

Socially Responsible Investing (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.

Environmental, Social, and Governance (ESG) prioritizes financial returns alongside a company's impact on the environment, its stakeholders, and the planet.

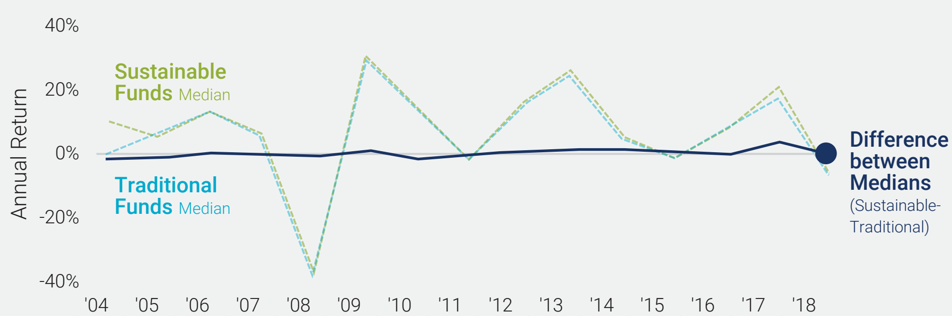
Mission-Related Investing seeks investments based on their potential to advance progress and deliver financial returns that align with a specific mission of an organization.

Ethical Investing looks for investments based on ethical or moral principles.

Faith-based investments exist across all asset classes and industries so the opportunity to align faith and finance is wide and continually growing. Over 836 registered investment companies had ESG assets in 2020, according to the U.S. SIF Foundation, including 718 mutual funds and 94 ETFs.[1]

Looking at performance, the median total returns of sustainable versus traditional funds showed little difference from 2004 to 2018, according to a recent Morgan Stanley report, *This Too is For The Good - Giving and Investing in Alignment With Jewish Values*.

Median Total Returns of Sustainable and Traditional Funds, 2004-2018



	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
Difference	-1.50	-1.17	0.18	-0.37	-0.80	0.84	-1.37	-0.08	0.63	1.38	1.18	0.00	-0.23	3.63	-0.03
Statistical Significance	99%+			95%+			90%+								

Source: Morgan Stanley Institute for Sustainable Investing. Sustainable Reality: Analyzing Risk and Return for Sustainable Funds. New York: Morgan Stanley, 2019.

Faith-Based Investing in the 21st Century

As with impact investing, faith-based investing has many variations. In addition to incorporating a variety of religions and religious beliefs, faith-based strategies can be both inclusive and exclusive. In fact, many faith-based strategies originated by screening industries and companies that violated specific church values and morals. Today, faith-based organizations seem more empowered to bring about positive change through their investments, especially over the last year with the pandemic disproportionately affecting minorities and the social unrest that began last summer with the murder of George Floyd.

2003
The United States Conference of Catholic Bishops (USCCB) establishes SRI guidelines.

2006
The Evangelical Lutheran Church in America (ELCA) creates a social criteria investment screens policy.

2012
JLens is founded, an investor network that explores a Jewish lens on impact investing, and serves as a bridge between the Jewish community and the SRI and CSR arenas.[4]

2015
Pope Francis' encyclical on ecology, Laudato Si, says that climate change is real and mainly "a result of human activity."

2017
More than 40 Catholic institutions mark the largest ever faith-based divestment from fossil fuels.[5]

2018
The Episcopal Church Executive Council Investment Committee adopts guidelines calling for investing in clean and renewable energy.[6]

The **USCCB** is called to exercise faithful, competent, and socially responsible stewardship in how it manages its financial resources. As a Catholic organization, it draws the values, directions, and criteria which guide its financial choices from the Gospel, universal church teaching, and USCCB statements.[2]

Corporate Social Responsibility (CSR) is an area of concern for the Evangelical Lutheran Church in America. Their work uses the tools of screening of investments, shareholder advocacy, and community investing to work with corporations, calling them to ensure that people are treated fairly and with dignity and to create sustainable communities.[3]

"We have included brief overviews of some faith-based investing guidelines as illustrations of how this style of investing varies across religious groups. This list is by no means exhaustive."

– James Malone, chief financial and diversity off cer, CCM

Faith-Based Investing Guidelines

We have included brief overviews of some faith-based investing guidelines as illustrations of how this style of investing varies across religious groups. This list is by no means exhaustive.

Catholic[7]

The USSCB Guidelines offer a summary of strategies the church uses to invest its assets based on Catholic principles. The Guidelines use principles that are carried out through strategies that seek 1) to avoid participation in harmful activities, 2) to use the Conference's role as stockholder for social stewardship, and 3) to promote the common good. Briefly, these three approaches are described as follows:

- **Do no harm (avoid evil):** This strategy involves two possible courses of action: 1) refusal to invest in companies whose products and/or policies are counter to the values of Catholic moral teaching or statements adopted by the Conference of bishops; 2) divesting from such companies.
- **Active corporate participation:** Given the clear teaching of Economic Justice for All, it seems appropriate for the Conference to adopt a strategy of active corporate participation with regard to its stock holdings. Under this approach the Conference will seek to exercise its normal shareholder responsibilities, especially casting informed votes on proxies and shareholders' resolutions in accord with Conference policies.
- **Positive Strategies ("Promote the Common Good"):** These strategies involve at least two possible courses of action: 1) supporting policies and initiatives in companies owned by the Conference that promote the values of Catholic moral and social teaching or positions advocated by Conference statements while earning a reasonable rate of return; 2) investments that promote community development, which, in some cases, may result in a lower rate of return, but which nevertheless are chosen because they give expression to the Church's preferential option for the poor or produce some truly significant social good.

Additionally, the USCCB investment policies cover the following areas: protecting human life; promoting human dignity; reducing arms production; pursuing economic justice; protecting the environment, and encouraging corporate responsibility. The full Guidelines are available here.

Judaism[8]

The Torah offers guidance on aligning capital with Jewish values through a number of commandments and mitzvot, the Hebrew word for good deeds. Below are four ways investors can bring their faith to investing in Judaism:

- **Climate Change:** Tikkun Olam, or repairing the world, could be interpreted as a call to address one of the most pressing global challenges of today: climate change. This can be achieved by excluding companies that are among the worst environmental performers, or by proactively investing in innovative companies that develop products and services to accelerate the transition to a low carbon economy.
- **Social Justice:** Another Jewish mitzvah, Tzedek, is a call for justice. It can evoke an obligation to fight for justice for the poor by investing in companies working toward the eradication of poverty, for gender and multicultural equality, or for a fair court system around the world.
- **Local or Global Issues:** Some investors may want to align their portfolio to their world view by focusing on specific groups or geographies to generate impact. Individuals and institutions can invest in exchange-traded funds (ETFs) that track the indexes from specific geographic markets. Qualified investors can choose private equity investments that are making an impact in specific communities locally or globally.
- **Shareholder Engagement:** The mitzvah of Tzedakah dictates the responsibility of Jews to give to charity but also emphasizes the intentionality of giving as equally important to the amount. This could mean allocating some of your capital to asset managers who actively engage with their portfolio companies to improve corporate practices and ensure that your money goes a long way to create impact.

"The United Methodist Church strongly urges all of its member institutions to invest in a sustainable and socially responsible manner, which is an investment discipline that integrates ESG factors to achieve suitable financial returns and positive societal and environmental impact."

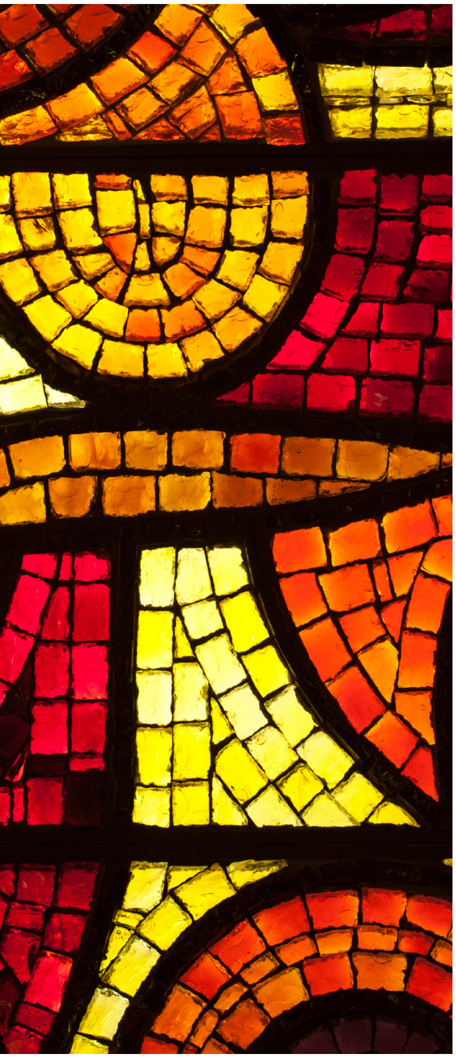
– The Book of Resolutions of The United Methodist Church 2016

Methodist[9]

Socially Responsible Investment Policy Goals for The United Methodist Church's Investment Community

The United Methodist Church aspires to have members of its investment community pursue the following investment policy goals, reflecting Church values and financial responsibilities:

1. Avoid investments in companies whose products and/or services are not aligned with the Social Principles of The United Methodist Church.
2. Seek investments in corporations, companies, institutions, funds, or ventures making a positive contribution to the realization of the goals outlined in the Social Principles and the Book of Resolutions.
3. Promote sustainable and socially responsible investment practices by integrating ESG factors, environmental, social, and governance (ESG) factors into the investment decision-making process.



4 Influence corporations to manage ESG issues in their operations and to be transparent in monitoring and documenting these practices in public reports.

5 Seek investments in corporations, companies, institutions, funds, or ventures whose policies and practices help protect the natural world by, among other things, recycling, eliminating toxic chemicals and materials, and reducing greenhouse gas emissions; and pursue investments in companies that provide products, technology, and services that seek to increase energy efficiency and mitigate and/or adapt to climate change.

6 Pursue investments in corporations, companies, institutions, funds, or ventures with positive records in hiring and promoting women and persons of color and/or that are owned by women, racial and ethnic persons, or other underrepresented segments of society.

7 Pursue investments in financial institutions, non-gambling-related economic enterprises and development projects that support and/or are owned by Native American and indigenous communities.

8 Pursue investments in underserved communities through affordable housing and community development projects.

9 Seek investments in corporations, companies, institutions, funds, or ventures that respect international human rights and labor standards by avoiding the manufacture, or purchase through subcontracting, of products made with sweatshop, forced, or child labor and adhering to business practices detailed in the Universal Declaration of Human Rights; the United Nations Global Compact; the United Nations Guiding Principles on Business and Human Rights (also known as the Ruggie Principles); and the International Labour Organization's core labor standards, and encourage companies that have not adopted the foregoing standards to do so.

10 Encourage companies to promote the responsible use of their products and encourage them to raise concerns with the customers who knowingly use their products in a manner not aligned with United Methodist values.

11 Seek investments in companies that publish and enforce supplier codes of conduct and hold suppliers accountable for any breaches of conduct.

12 Seek investments in corporations, companies, institutions, funds, or ventures located in or dedicated to alleviating poverty in developing countries, provided that those countries respect human and labor rights and have a record of pursuing improvements in national living standards while working to maintain ecological integrity.

13 Pursue opportunities to encourage companies to work in partnerships to address major health challenges, including treatment for HIV/AIDS, tuberculosis, and malaria, and to promote access to medicines and global health care.

14 Endeavor to commend corporations for their transparency, disclosure, sustainable and socially responsible business practices, and efforts to raise industry standards on ESG issues that are of major concern to The United Methodist Church.

15 Actively evaluate external consultants, investment advisors, and funds regarding their commitment to sustainable and socially responsible investment practices and diversity within their workforce and governance structure.

"The Episcopal Church endeavors to make a difference with its money – by investing in socially responsible ways." [10]

– The Finance Officer, Office of the Treasurer and the Office of the Controller

Episcopalian[10]

The Episcopal Church has made socially responsible investments at least since the 1960s – and it continues today, following a trinity of avoidance, affirmative action, and advocacy. The Episcopal Church wants to ensure that its investments incorporate its social and moral values.

Avoidance: Not investing in companies whose activities are contrary to our social and moral values.

Affirmative Investing: Investing in institutions that can provide financial resources to underserved communities.

Advocacy: Voting proxies and activism that focus on constructively influencing corporate behavior.

In July 2015, the General Convention of the Episcopal Church passed resolution C045, which called upon the Investment Committee of the Executive Council of the Episcopal Church, the Episcopal Church Endowment Fund, and the Episcopal Church Foundation "to divest from fossil fuel companies and reinvest in clean renewable energy in a fiscally responsible manner" and refrain from purchasing any new holdings of public equities and corporate bonds of fossil fuel companies."[11]

What Role Does CCM Play in Faith-Based Investing?

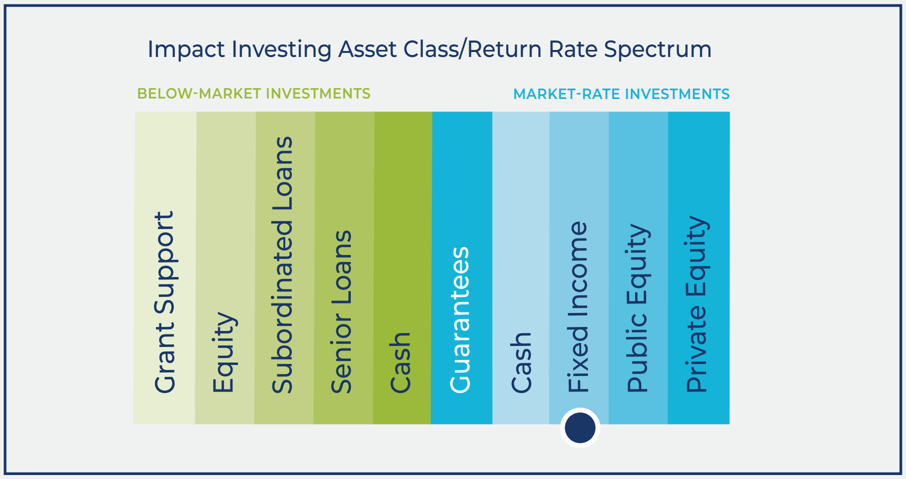
Community Capital Management (CCM) invests in market-rate impact investments that look to generate positive environmental and social outcomes. Our flagship core fixed income impact investing strategy is an investment grade, intermediate duration bond portfolio that seeks to preserve capital, deliver attractive risk-adjusted returns, provide a high level of current income, and serve as the ballast in a portfolio all while investing in well-researched, fossil fuel free bonds that have direct and measurable positive societal impacts.

The strategy offers faith-based investors the opportunity to enter the market with new sources of capital that can benefit low-income people, minorities, local neighborhoods and communities, climate change and the environment, and families in need. The strategy follows many of the aforementioned investment guidelines.

Core Fixed Income

As of 06/30/21

Asset Class	Scale	Track Record	Vehicles
U.S. Fixed Income (Market-Rate)	$11.6 billion invested in environmental and social initiatives on behalf of clients	22 years; over $3.5 billion in assets under management	Mutual fund (CCM Community Impact Bond Fund) Separately managed account



Additional details on CCM's fixed income customization are available here and in our new video.

View ▶

View ▶

How Religious Clients Can Align Faith and Finance at CCM

At CCM, religious clients can use their investment dollars as an extension of their ministries to positively impact communities. They can align their faith-based values to support specific geographies, one or more of 18 impact themes, or impact initiatives. Geographies can be targeted to religious groups local communities at the county, state, or regional level. Religious investors can put their faith-based values to work through CCM's 18 impact themes. In 2020, CCM launched its COVID-19 Relief Initiative and Minority CARES (Community Advancement Racial Empowerment Strategy). The pandemic exacerbated hardships for low-income and minority families, and we have seen an increase in investments from the faith-based community in these two programs.

As an investor of our religious clients' capital, we are committed to verifying and reporting on the intended faith-based alignment of every security. Our transparency into the use of proceeds and measurement of anticipated impact is a critical component of our investment process. Customized impact reporting details the use of proceeds for each bond and how and where it is positively impacting families and communities.

Putting Faith-Based Values to Work: CCM's 18 Impact Themes

> *Our flagship market-rate, core strategy invests in high-quality, liquid, and well-researched bonds that have positive societal impacts, thus allowing for the alignment of faith and finance.*
>
> *— Alyssa Greenspan, president and COO*

CCM Faith-Based Case Studies

Client: Presbyterian Organization	**Impact Investment:** Howard University
Faith-Based Objective(s): Helping Minorities	**Location:** Washington D.C.
Customization by Impact Initiative: Minority CARES	**Sector:** Corporates

Howard University is a federally chartered university that confers undergraduate, graduate, and professional degrees. It has an enrollment of just under 10,000 students across all its degree programs, which span more than 120 areas of study within its 13 schools and colleges, including a law school, divinity school, and medical school with a teaching hospital.[13]

Howard University is a leader in science, technology, engineering, and mathematics (STEM) among HBCUs. Approximately 12% of Black students who earn doctoral degrees in STEM fields receive those degrees from an HBCU; 33% of those students received their Ph.D. from Howard University.[14]

Howard University is a private university founded in 1867 with campuses in Washington, D.C., and Maryland. It is one of 101 Historically Black Colleges and Universities (HBCUs) in the U.S. and is consistently ranked as one of the top universities in this category by U.S. News & World Report.[12]

On July 15, 2020, Howard University issued a taxable bond to refinance debt from a previous bond issuance whose proceeds were being used toward general upgrades, renovations, and construction of facilities on the university's Main Campus, East Campus, and West Campus. These included heating, air conditioning, and sprinkler/fire systems; modernization of classrooms; upgrading laboratories for research; roof replacement and repairs; and renovating buildings for safety and access. It also funded the installation of modern instructional and clinical equipment and the equipping of classrooms, teaching laboratories, and other building learning spaces with enhanced multimedia technology, improved information systems, fiber optic wiring, camera surveillance, and entry access systems as well as new construction of a science, technology, engineering, and mathematics building, and an interdisciplinary building.

The upgrades may have helped smooth the university's transition to remote learning in response to the COVID-19 pandemic. Because it had recently completed IT network upgrades and many faculty members were already trained in online teaching platforms, the transition was successful and required only modest additional investments in software licenses and laptops for faculty and student use.

With interest rates low, many educational institutions are tapping the bond market to raise capital for projects, renovations, and other funding needs. Howard University is the only HBCU to join this trend, issuing two bonds in 2020. Even as the market continues to favor borrowers, most HBCUs simply do not have the financial profile to enter the bond market and take advantage of low-interest financing as can wealthier universities. Supporting investments in HBCUs plays an important role in working toward economic equality and racial justice.

IMPACT THEMES THIS INVESTMENT HELPED SUPPORT:

Education and Childcare

Minority Advancement

HBCU Endowments to Non-HBCU Peers

As of 06/30/21

HBCUs typically have smaller endowments than their non-HBCU peers. There are currently no Black institutions among the top 100 richest schools in the country, and HBCUs average $15,000 per student in endowment funds, compared to $410,000 per student for similar non-HBCU schools, according to a 2018 U.S. Government Accountability Office report.[15] The United Negro College Fund estimates that the combined endowment of all 101 HBCUs is approximately $3.86 billion – a tenth of Harvard University's endowment –with Howard University having call out: the largest endowment at $688 million.[16]

IMPACT THEMES THIS INVESTMENT HELPED SUPPORT:

- Affordable Housing
- Education and Childcare
- Enterprise Development and Jobs
- Environmental Sustainability
- Healthy Communities
- Human Empowerment
- Minority Advancement
- Poverty Alleviation
- Transit-Oriented Development

WALK SCORES

Walk Score 95

Bike Score 77

Transit Score 100

Walk Score's mission is to promote walkable neighborhoods. Walkable neighborhoods are one of the simplest and best solutions for the environment, our health, and our economy.

Client: Catholic Organization

Faith-Based Objective(s): Protecting human life, promoting human dignity, reducing arms production, pursuing economic justice, protecting the environment, and encouraging corporate responsibility

Customization by Impact Initiative: Affordable health and rehabilitation care, affordable housing, economic inclusion, education and childcare, enterprise

Impact Investment: 1032 Intervale Avenue

Location: Bronx, NY

Sector: Agency CMBS

1032 Intervale Avenue is a Special Public Purpose multifamily affordable housing property in the Bronx, New York. All 63 units are reserved under a master lease with a non-profit operator to provide shelter services to homeless families. 1032 Intervale Avenue was awarded a contract from the New York City Department of Social Services to provide rapid re-housing services for homeless families effective July 1, 2020, through June 30, 2029.

The property is an eight-story residential building built in 2019. It is in a low-income, high-minority, and high-poverty census tract where 99% of the population are minorities and 36% live below the poverty line.

The non-profit operator is Westhab, Inc., which builds and manages quality transitional and permanent housing and operates homeless shelters in Westchester County and New York City. Seeking to improve entire communities and break the cycle of poverty, Westhab provides social services, youth programs, and employment programs for people living in its housing and in the surrounding communities. Its youth services include year-round academic support, enrichment, and recreation programs intended to provide a pathway to college, careers, and long-term success. Westhab helps homeless individuals and families quickly get back on their feet and secure permanent housing, jobs, and community-based resources to help make permanent self-sufficiency and independence possible.

Client: Methodist Organization

Faith-Based Objective(s): Helping those in their local community get out of poverty

Customization by Impact Initiative: Los Angeles, CA

Impact Investment: L.A. Pro II

Location: Los Angeles, CA

Sector: Agency CMBS

L.A. Pro II is an affordable rental property for families in Los Angeles, California. The property consists of 123 studio and one- and two-bedroom units with 80 of the units receiving Section 8 assistance. Residents have access to a community room, onsite laundry facilities, a BBQ area, and computer room. The property is near public transportation, retail shopping, restaurants, schools, hospitals, and financial institutions. L.A. Pro II is in a low-income, high poverty, and majority-minority census tract.

IMPACT THEMES THIS INVESTMENT HELPED SUPPORT:

Affordable Housing

Human Empowerment

Environmental Sustainability

Healthy Communities

Minority Advancement

Poverty Alleviation

L.A. Pro II is a LINC Housing Community property. LINC Housing has a 31-year history of creating communities for thousands of families and seniors throughout California. LINC Housing is committed to building and preserving housing that is affordable, environmentally sustainable, and a catalyst for community improvement. It provides life-enhancing services to improve the quality of life for residents through the Corporation's resident service department, LINC Cares. Activities include after-school and summer programs, health classes, job skills, financial literacy, social events, nature outings, and arts and culture activities as well as field trips. LINC Cares promotes environmentally sustainable living throughout its programs, including workshops on green household practices.

Conclusion

Religious organizations have a long history of aligning faith and finance. For those just getting started, collaboration and experience from those already making faith-based investments is key to furthering its growth and participation. A good starting point is looking at the organization's theological goals. Since faith-based investing can address a wide array of environmental and social issues, it is important to know what specific types of impact the organization wishes to address. Working with an advisor or consultant is an important aspect of faith-based investing, and it helps to work with one who has experience in managing impact investments and can provide recommendations and ideas based on spiritual and financial goals. Today, there are an assortment of options to choose from across asset classes to integrate faith into a portfolio that meets risk profiles and investment portfolio requirements. Just as with any investment portfolio, ongoing evaluation, monitoring, and reporting are essential components of a faith-based investing portfolio.

About CCM

Community Capital Management, Inc. (CCM) is an investment adviser registered with the Securities and Exchange Commission. Headquartered in Fort Lauderdale with employees in Boston, Charlotte, the New York City area, and Southern California, CCM was founded in 1998 and manages over $3.5 billion in assets. The firm believes a fully integrated portfolio – one that includes environmental, social, and governance (ESG) factors – can deliver strong financial performance while simultaneously having positive long-term economic and sustainable impact. 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. For more information, please visit: www.ccminvests.com.

[1] https://www.ussif.org/sribasics
[2] https://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines
[3] https://www.elca.org/Resources/Corporate-Responsibility
[4] https://www.jlensnetwork.org/
[5] https://www.theguardian.com/environment/2017/oct/03/catholic-church-to-make-record-divestment-from-fossil-fuels
[6] https://www.episcopalnewsservice.org/pressreleases/investment-committee-adopts-guidelines/
[7] https://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines
[8] https://www.morganstanley.com/articles/jewish-values-philanthropy-and-investing
[9] https://www.umc.org/en/content/book-of-resolutions-investment-ethics
[10] https://www.episcopalchurch.org/finance-office/socially-responsible-investing/
[11] https://episcopalclimatenews.com/2018/09/04/church-resolutions-fossil-fuel-divestment/
[12] https://www.usnews.com/best-colleges/rankings/hbcu
[13] https://www2.howard.edu/home
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[15] https://www.gao.gov/assets/gao-18-455.pdf
[16] https://www.pionline.com/endowments-and-foundations/howard-university-taps-bond-market-most-black-colleges-miss-out

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