

WEBINAR SERIES



Investing for Racial, Economic, and Financial Impact

Presented by



IMPACT[®]
COMMUNITY CAPITAL

April 21, 2021 | 1:00 - 2:00 PM ET



ACLI ECONOMIC EMPOWERMENT AND RACIAL EQUITY INITIATIVE



Economic Empowerment &
Racial Equity Initiative



Expanding Investments in Underserved Communities



Economic Empowerment &
Racial Equity Initiative

*Consistent with stringent state investment requirements, ACLI supports **voluntary** initiatives which help facilitate **institutionally sound** investments that bring economic opportunity to underserved communities.*

*ACLI supports state and federal legislation establishing **tax incentives** and other measures that promote investments in underserved communities.*

The Landscape is Changing

- Biden Administration “Build Back Better” Infrastructure Package
 - *Next iteration of Build America Bonds?*
- Volatile Economic Conditions/Low Interest Rate Environment



INVESTING FOR RACIAL, ECONOMIC AND FINANCIAL IMPACT

April 21, 2021



IMPACT COMMUNITY CAPITAL

A HISTORY OF IMPACT INVESTING

20

YEAR HISTORY

of generating investments that transform communities without compromise to investment quality

INVESTMENTS
ORIGINATED

\$2B

AFFORDABLE HOUSING
UNITS FINANCED

>48,000



FOUNDED BY LEADING
INSURANCE COMPANIES



PACIFIC LIFE



Allstate.
You're in good hands.



Nationwide®



FARMERS
INSURANCE

nuveen

A TIAA Company

Total of
12 impact funds:
5 ACTIVE and 7 EXITED

Among the first to use
**securitizations to deliver
capital in scale** for affordable
housing



BREAKING IT DOWN

ESG

Consideration and/or integration of environmental, social, and governance (ESG) factors in investment research and decisions. Used to enhance traditional financial analysis by identifying potential risks and opportunities beyond technical valuations.

SOCIALLY RESPONSIBLE INVESTING

Actively eliminating or selecting investments according to specific social or ethical guidelines. Uses ESG factors to apply negative or positive on the investment universe. Tends to be passive, 'do no harm' approach.

IMPACT INVESTING

Investments made with a goal of financial return and measurable positive social or environmental outcomes. This may include active ownership, where investors use their influence to improve issuers' ESG management, performance, and disclosure.

SUSTAINABLE DEVELOPMENT GOALS

17 inter-related goals with 169 individual targets adopted by the UN in 2015, to guide the global community's sustainable development priorities until 2030. For investors, the SDGs serves as a useful communication framework and are starting to influence allocation and investment decisions among large asset allocators.



CONSIDERATIONS FOR BUILDING AN IMPACT INVESTING STRATEGY

Impact investing is simply, investing –with the added intention of creating impact. Creating an impact investing strategy means answering many of the same questions as when developing an allocation strategy.

RETURN OBJECTIVES

Market Rate
Vs
Below Market Rate

RISK TOLERANCE

Credit Risk
Rate Risk
Market Volatility

INVESTMENT HORIZON

Long duration
Short duration
Invest in scale over time vs
smaller, immediate
investments

DIVERSIFICATION & FOCUS AREAS

Geography
Sectors
Quality

ASSET CLASS

Debt
Equity
Alternatives

STATUTORY ACCOUNTING

Public vs Private assets
Funds vs Separately Managed Accounts
Credit Rating vs No Rating



ACHIEVING SCALE WITH IMPACT

MANY OPTIONS EXIST FOR INVESTING IN UNDERINVESTED COMMUNITIES – BUT THEY OFTEN REQUIRE TRADE-OFFS.

PUBLIC MARKETS TO PRIVATE MARKETS

DECREASING LIQUIDITY; INCREASING INVESTMENT RISK

GREATER FLEXIBILITY AROUND IMPACT INTENTIONALITY

GREATER DIFFICULTY ACHIEVING SCALE

MUNICIPAL & AGENCY BONDS

Bonds supporting

- Affordable housing
- Local school districts
- Healthcare facilities
- Environmental infrastructure

REAL ESTATE DEBT

- Affordable Housing
- Financing for educational and healthcare facilities

PRIVATE EQUITY

- Venture Capital or PE funds investing in minority owned businesses
- Investments in technology for education or healthcare services

REAL ESTATE EQUITY

- Affordable Housing tax credits
- Workforce housing equity funds
- Healthcare facilities

PRIVATE CREDIT

- Debt issued by a Community Development Financial Institution (CDFI)
- Small businesses lending
- Other bespoke strategies

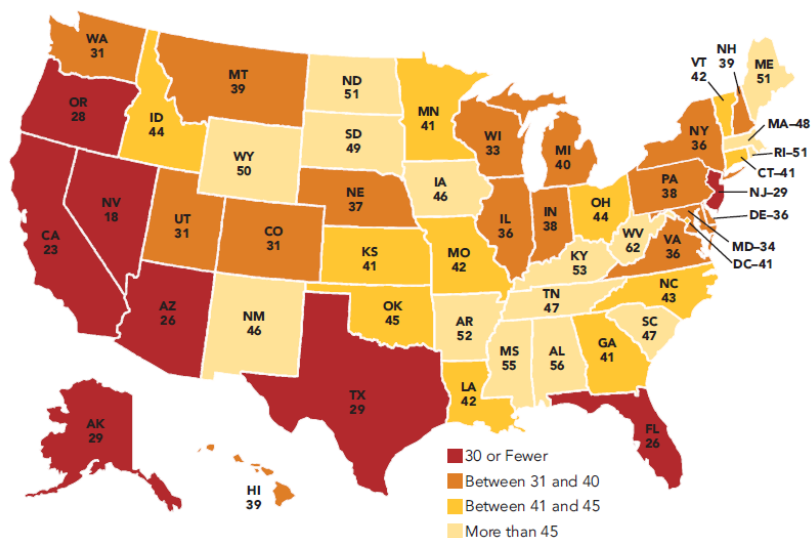


NATIONWIDE DEMAND FOR AFFORDABLE HOUSING

THE U.S. HAS A SHORTAGE OF **14.6 MILLION** AFFORDABLE AND AVAILABLE RENTAL HOMES FOR LOW-INCOME AND EXTREMELY-LOW INCOME RENTER HOUSEHOLDS.¹

EVERY STATE NEEDS MORE AFFORDABLE HOUSING, ACROSS ALL INCOME LEVELS.

Rental homes that are affordable and available per 100 extremely low-income renter households, by state²



Rental homes that are affordable and available per 100 renter households²

0-30% of AMI (Extremely Low Income Threshold)

36

0-50% of AMI

57

0-80% of AMI

93

0-100% of AMI

101

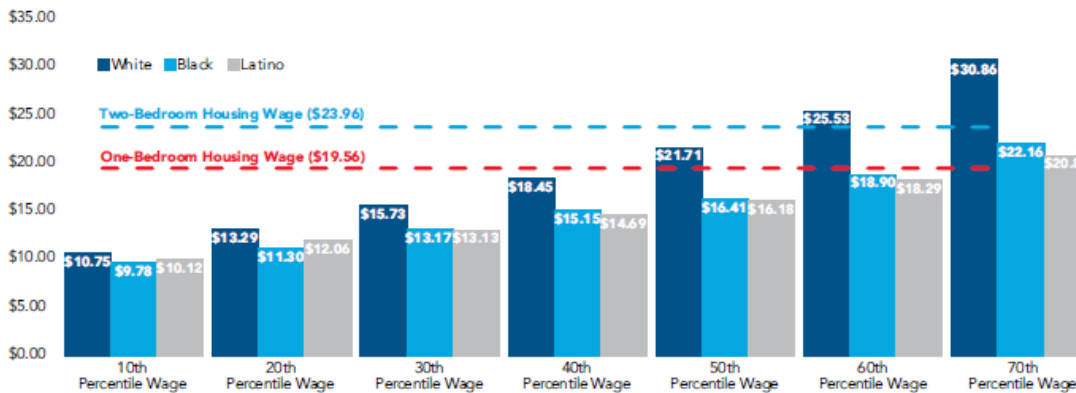
¹ Shortage is calculated by IMPACT with data sourced from "GAP – A Shortage of Affordable Homes," National Low Income Housing Coalition. March 2020 and defined here as cost burdened households. ² Source: NLIHC tabulations of 2018 ACS PUMS Data. AMI- Area Median Income. Extremely low income (ELI) renter households have incomes at or below the poverty level or 30% of the area median income.



HOUSING'S IMPACT ON SOCIAL EQUITY

Affordable housing shortages disproportionately impact people of color. Median **Black and Latino workers earn 24% and 25% less** than the median white worker. These wages are insufficient for a one or two-bedroom rental.

HOURLY WAGE PERCENTILES VS. ONE AND TWO-BEDROOM HOUSING WAGES¹



In 2019, **44%** of Black households and **42%** of Latino households spent more than 30% of their incomes on housing (vs 26% of white households)¹.

Stable, affordable housing supports social and economic mobility



Residential moves, especially frequent or during key educational time periods, have been shown to **negatively impact students**. Student achievement at schools with high turnover is significantly lower than schools with little or no turnover.²



Poor quality and inadequate housing contributes to health problems, such as infections and chronic diseases.³
For example, **asthma related hospital admissions and deaths are 3x higher for Black than White Americans.**⁴



NYC families with **affordable rent increased discretionary income 77%**, freeing funds for health, food, education and savings.⁵

¹Source: NLIHC, "Out of Reach" 2020. Housing wages based on HUD fair market rents. The hourly wages by percentile from the Economic Policy Institute State of Working America Data Library 2019. Adjusted to 2020 dollars. ²Source: Brennan M, Reed P, Sturtevant, L. Center for Housing Policy, "The Impacts of Affordable Housing on Education: A Research Summary", Nov 2014. | ³Source: Robert Wood Johnson Foundation, "Housing and Health", May 2011. ⁴CDC 2016. National Healthcare Quality and Disparities Reports. Table 5_5_1_7_1.2a. <http://nhqrnet.ahrq.gov/inhqrdr/data/query>. | ⁵Source: HealthAffairs.org, "Housing and Health: An Overview of the Literature", June 2018, Taylor.



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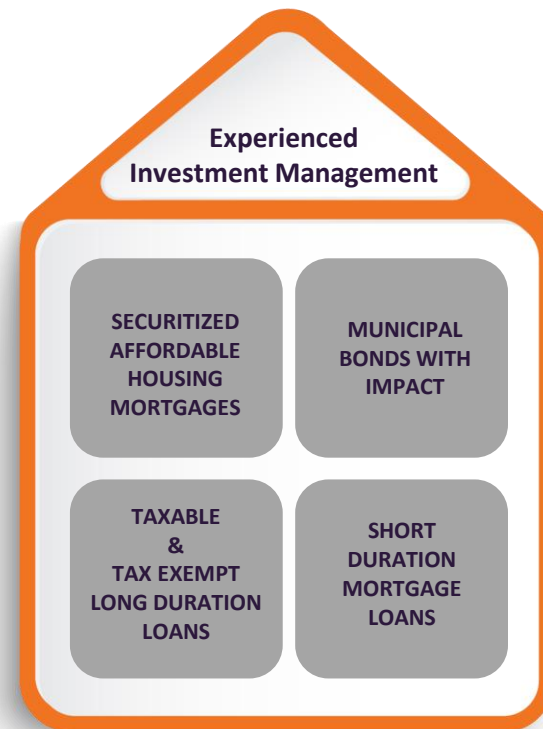
IMPACT IN SCALE



IMPACT aligns its mission and investment objectives to specific UN SDGs



From the SDGs, IMPACT seeks the best opportunities across public and private debt to fulfill those goals



Strategies structured as commingled funds, custom separate accounts or co-investment accounts



CREATING IMPACT

THE PEARL CENTER, WILMINGTON DE



One of Delaware's largest facilities for housing homeless veterans

Targets veterans with incomes below 30%, 40%, and 50% of the area's median income



51 Units of Affordable Housing



Government rental subsidies



Social services office
Common spaces
Community room
Laundry facilities



Energy-efficient
Energy Star
rated windows
and appliances



Case management services



Walking distance
of downtown



Public transportation



Clinical services



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