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IMPACT

Money On A Mission: Are Green Bonds Right For You?

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The financial services industry is constantly developing new products to serve the ever-changing wants and needs of a diverse array of investors. While Wall Street financial innovation can lead to problems (*e.g.*, the exotic mortgage debt instruments that helped fuel the 2008 financial crisis), investment banks occasionally launch new products worthy of investors' attention. I think green bonds are an interesting product that is worth considering for many investors.

Green bonds, like traditional bonds, are fixed income instruments that are used by governments, companies, and NGOs to raise capital through the debt markets. Their structure is not fundamentally different from the corporate bonds, government bonds, and municipal bonds with which many investors are familiar.

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However, green bonds differ from traditional bonds in that the issuers of green bonds publicly state that the capital raised through the issue will fund projects, assets, or business activities with an environmental benefit. These activities might include renewable energy, sustainable forestry, or energy-efficiency projects, to name a few examples. Also, capital might be used to fund projects with social or community benefits, such as improving social services or increasing accessibility to healthcare.

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In order to provide transparency to bondholders, green bond issuers typically provide periodic reporting on the use of funds and project success, though such reporting is not currently a requirement.

While green bonds are a relatively new phenomenon (the first green bond was issued in 2007 by the European Investment Bank), the global green bond market has grown from $81 0 million of new issues in 2007 to $155 billion worth of new issues in 2017. With new issuers and investors continuing to enter the market, the total value of green bonds outstanding was estimated to be as high as $335 billion worldwide as of the end of 2017.

While there is currently no standardized set of criteria for what qualifies a bond as "green," I expect this to change as the market develops. Several international organizations have developed guidelines that issuers are encouraged to follow in order to be able to label their bonds as "green." I expect that a single international green bond standard will emerge in the near future, which should only add to the credibility and size of the green bond market.

As an example, Apple entered the green bond market in 2016, issuing $1.5 billion in bonds, with the proceeds used to finance renewable energy, energy storage and energy efficiency projects, green buildings, and resource conservation efforts. Apple is undertaking these projects in order to reduce the company's carbon footprint and the carbon footprint of its supply chain. In issuing these bonds, Apple developed a green bond framework which was reviewed by a third party consultancy, while Ernst & Young was hired to conduct an annual audit to determine how the bond proceeds were used.

"It is this potential for portfolio risk reduction that makes green bonds, along with other environmentally and socially conscious investments, especially interesting."

The increasing popularity of green bonds has coincided with the rapid development of the broader sustainable investing space, which now comprises nearly $23 trillion in assets globally. The dramatic growth of sustainable investing (which encompasses ESG, impact, and socially responsible investing), is indicative of an important and accelerating trend in investor interest regarding the way in which firms are impacting and interacting with the environment and society as a whole.

While some might argue that this focus on corporate sustainability and responsibility does little more than make investors feel good, I would argue that it can reduce investment risk over the long term, and the research seems to agree with me. I believe it is important for investors to own investments which align with their personal values, but it is this potential for portfolio risk reduction that makes green bonds, along with other environmentally and socially conscious investments, especially interesting.

Given the multitude of risks that investors face nowadays, it can make sense to seek out investments in firms and projects which not only seek to minimize environmental, social, and governance risks but also actively pursue opportunities to make a positive impact in these areas. I believe green bonds represent such an opportunity, and I expect this to lead to continued growth of the space in the years ahead.

Three Takeaways from a Long-Term Study of U.S. Microfinance

This article was written by Dennis Price on behalf of Impact Alpha, May 17th, 2018

There are about 30 million small businesses in the U.S. That's 50% more than 35 years ago. Many small-business owners, especially women and ethnic minorities, lack the collateral, financial documentation or strong credit history to quality for a traditional loan. A new study commissioned by Accion and Opportunity Fund, two long-time U.S. community development financiers, tracked the impact of micro-loans (most under $10,000) to 350 borrowers over three years.

- **Micro-borrowers have a better survival rate than the average business**. Ninety-four percent of the borrowers were still in business at the end of the study. (Only 89% of all small businesses survive their first year). After five years, 61% of the micro-borrowers were still in business (vs. 50% on average).
- **Access to credit helps small firms grow**. More than half of the firms studied reported rising profits and 60.2% reported sales growth by the end of the study. The proportion of small business owners that reported having a business credit card rose seven percentage points to 65.2%.
- **Micro-loan borrowers create better jobs**. The cohort created 335 new full-time jobs during the study period. Businesses offering no benefits to employees fell by more than half, from 48% to 22%. About half of those who already offered at least one benefit added one or more a year later.

Still, many small businesses, as revealed in the study, struggle to manage business cash flow. For these business owners, say the authors of the study, "a financing structure that allows for greater repayment amounts in months with higher revenue and smaller repayment amounts in slower months may be beneficial."

A Landmark Moment for Pay for Success | 3 for 3: Enacting the Recommendations in Private Capital, Public Good

This article was written by Tracy Palandjian on behalf of Omidyar Network, February 19th, 2018

Earlier this month, Congress passed bipartisan legislation that has significant implications for the Pay for Success (PFS) movement.

As part of the budget agreement, Congress has allocated nearly $100 million to provide competitively awarded outcomes-based financing to state and local governments and to conduct feasibility studies on their efficacy. This program—the Social Impact Partnerships to Pay for Results Act (SIPPRA)—will be run out of the US Department of the Treasury and will be launched within a year, with awards announced six months after that.

This infusion of capital will have significant benefits for the communities that participate, addressing critical issues ranging from child and maternal health to homelessness, recidivism to youth employment, and more. In addition to this impact, we are equally as excited about its implications on the PFS movement more broadly. For one thing, it indicates a commitment from lawmakers in Washington to funding and evaluating outcomes-based financing. It also formally embeds an outcomes-based approach in federal programs and incentivizes state and local governments to engage in the market. By including feasibility studies, it also has the potential to provide learnings that will fundamentally shape the future of the PFS movement. Collectively, these developments represent an enormous opportunity to more deeply embed PFS in our governmental infrastructure, better providing critical services to those in need and accelerating systems-level change.

This milestone is the result of years of tireless efforts on the part of numerous leaders throughout the Pay for Success community. Expanding PFS programs was also one of the key policy recommendations included in "Private Capital, Public Good." Authored by the US National Advisory Board on Impact Investing(now the US Impact Investing Alliance), the report was the first industry-wide publication that not only emphasized the benefits of impact investing, but included recommendations about how policy could support an increased flow of capital to the sector. With the passage of SIPPRA, the three strongest recommendations have now officially been enacted: 1) updating ERISA guidance to allow pension funds more flexibility in investing in impact; 2) allowing charitable foundations to consider mission and values in their investment decisions, paving the way to do more with their MRIs and PRIs; and finally, 3) this month's commitment to supporting outcomes-based financing.

Shareholder Votes Could Be the Next Phase in #MeToo

This article was written by Leslie P. Norton on behalf of Barrons, April 20th, 2018

We're not even halfway through the year, and the number of gender-related proxy resolutions is climbing. So far in 2018, according to Institutional Shareholder Services, some 5.1% of the shareholder proposals filed are gender-related. That's up from 3.3% for 2017. Among other things, they seek better reporting on gender pay gaps or better efforts to stop gender-based discrimination. And the year isn't over.

Thank #MeToo, in part. "We have been asking for more diversity in the workforce, and asking about issues that MeToo has brought up," Elizabeth Levy, senior vice president with Trillium Asset Management, said at a gender-lens investing panel today hosted by US SIF: The Forum for Sustainable and Responsible Investment.

There isn't a direct line between traditional gender-related proxy proposals and the #MeToo movement that grew swiftly as women accused disgraced Hollywood mogul Harvey Weinstein of rape and sexual harassment. But increased representation by women in management and boards can surely boost equal pay and improve workplace safety. And all of these factors are important to recruiting and retaining talent.

The Weinstein disclosures were made in the first week of October. That gave investors just a few weeks to put together campaigns, which makes the increased percentage of gender-related proposals somewhat impressive. "I don't think we've seen the full scope of the shareholder proponents' response and dedication to this issue," John Roe, head of ISS Analytics, the data intelligence arm of Institutional Shareholder Services, told me.

Many of the proposals were filed by Boston-based Arjuna Capital, which this year has pushed American Express, JPMorgan Chase, MasterCard, Bank of America, Wells Fargo, Bank of New York Mellon and Citigroup to address gender pay equity.

Trillium has asked Nike's board to assess if it's feasible to integrate diversity metrics in senior executive pay packages, after two Nike executives left the company following reports of behavior "that do not reflect [Nike's] core values of inclusivity, respect and empowerment."

Nike wasn't immediately available for comment.

Activist investors are also beginning to make gender-related proposals. One, by Elliott Management, criticized management strategy and the lack of board diversity at Commvault Systems. Only one woman sits on the board. Such proposals could increase as the big index providers vote their shares: BlackRock for example has said it expects boards to have at least two women.

Full-throated support will come from gender-lens investors, one of the fastest growing parts of sustainable investing. Gender-lens investing integrates gender-based factors, either to improve returns or to promote more gender equality. At the end of last year, about $2.2 billion was committed to this strategy, according to Veris Wealth Partners. That could grow to $20 billion in the next five year, Eve Ellis, a Morgan Stanley wealth manager who has a gender-lens portfolio, said during the panel.

Impact in the News

-Wales aims to become first 'refill nation,' teach residents 'value of tap water'

The Welsh Government and City to Sea, a group campaigning against single-use plastics, are collaborating on the development of campaigns to encourage refills and change residents' behavior to make tap water their first choice for hydration. While the campaigns will help people 'see the value of water,' the government has also announced an additional £15 million of capital funding to further improve Local Authority recycling collection systems and infrastructure, including for plastics.

-Nat Geo's 'Planet or Plastic?' initiative latest attempt to save the oceans from plastic
As the #1 social media brand, National Geographic will use its power and reach to educate people about the impact of single-use plastic and to encourage them to eliminate it. The campaign is tied to the release of the June issue of *National Geographic* magazine, which also looks at the impacts of single-use plastics in our society and on our environment. Starting with this issue, National Geographic will begin wrapping the US, UK and India editions of the magazine in paper instead of plastic, with the goal of wrapping all global editions in paper by the end of 2019.

-Over 1 million people join Greenpeace call to corporates to #BreakFreeFromPlastic
Around the globe, over one million individuals have signed petitions, taken to stores and restaurants, and posted photos of ridiculous packaging on social media to call out corporations for their massive single-use plastic footprints. Ahead of Earth Day, Greenpeace is urging individuals worldwide to contribute to a "Million Acts of Blue" — escalating actions that push businesses to reduce their reliance on single-use plastics — as part of the #BreakFreeFromPlastic movement.

-Women's health in the U.S. Attracts development-bond interest. When the state of South Carolina announced a $30 million impact bond for low-income maternal and child health in December, some of the baseline statistics sounded more like those of a developing country. More than a quarter of South Carolina's children -- 280,000 kids -- live in poverty. More than half the state's babies are born to low-income mothers. As a whole, the U.S. has the worst (and worsening) maternal mortality rate in the developed world. Unlike in most advanced economies, U.S. women's access to health care varies widely depending on race, location and income. American women also pay more for care than men.

E3 = Epic Time, Talent & Treasure

Epic Capital Wealth Management is a mission-driven firm with a genuine passion for community, both locally and around the world, with a focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support the working poor, homeless men women and children, or those families struggling to make ends meet. This is meaningful to us because we feel extraordinarily blessed for all of the things we have in our lives and the opportunities that we have been given to do work that we love. So we have made our passion for reaching across to lend a hand or lifting others up a part of our corporate charter. We call it ***E3***.

- We give **our time** through our quarterly *Epic Outreach* program, serving where the greatest needs are through local charities serving around the Charlotte area as well as internationally around the world.

- We give **our talent** through administering financial awareness workshops for organizations and churches that minister in low income neighborhoods, in addition to our partnership with Common Wealth Charlotte.

- And we give **our treasure** through our *Epic Impact Grant Program* to local community and global organizations that meet our social outreach criteria.

We believe that we are all called to serve. We also believe that the positive impact one can make by empowering the life of another can alter the direction of that individual's life forever.

We are pleased to announce that we have opened up our quarterly Epic Outreach initiatives to include volunteer participation from clients of Epic Capital. Please consider joining us during one of our upcoming volunteer efforts.

Rise Against Hunger – Q2 2018

We have been wanting to serve with **Rise Against Hunger**, a meal-packing non-profit, for quite some time and Jason, Danielle and Ed were finally given the opportunity to do so this morning. As part of a much larger team of volunteers, they were able to pack over 10,000 meals for those in need around the world. **Rise Against Hunger** is an international hunger relief organization that distributes food and life-changing aid to the world's most vulnerable, mobilizing the necessary resources to end hunger by 2030. An extraordinary organization doing incredible work with tangible outputs and measurable results. If you would like to learn more about **RAH**, and how you can volunteer or even organize a meal-packing effort, please visit their website at https://www.riseagainsthunger.org/

share CHARLOTTE

If you would like to consider other volunteer opportunities, or to learn more about over 400 local non-profits in the Charlotte region, please visit a community partner of ours who we hold in very high regard: **Share Charlotte** https://sharecharlotte.org/

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