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# A Case for Sustainable Fixed Income Investments



Le Cirque Apartments in Denver, Colorado is an environmentally-friendly apartment building featuring numerous sustainable benefits.

*Photo courtesy of Boutique Apartments™.*

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*In July 2009, Community Capital Management published a white paper called “Green Fixed Income Investing.” The paper reviewed the types of market-rate, fixed income securities that can positively impact the environment and provided an overview of how investors can incorporate green fixed income investments into their investment portfolios.*

*This white paper, “A Case for Sustainable Fixed Income Investments,” follows upon the same theme and provides an update to the original report. We have changed the term “green” fixed income investing to “sustainable” fixed income investing as we feel sustainable is more encompassing, addressing environmental issues but also speaking directly to creating an economic system that provides for a healthy quality of life.*

## Introduction

What exactly are sustainable fixed income investments? The explanation varies but generally speaking, it is a subset of sustainable investing which takes a positive screening approach to identify bonds that finance or support environmentally sustainable initiatives. These fixed income securities can include municipal bonds, corporate bonds, single family agency mortgage-backed securities (MBS), multifamily agency MBS, and government guaranteed loans/government-related securities. Engaging in sustainable fixed income investing through a variety of styles enables investors the opportunity to meet their financial goals while helping to create a more sustainable economy.

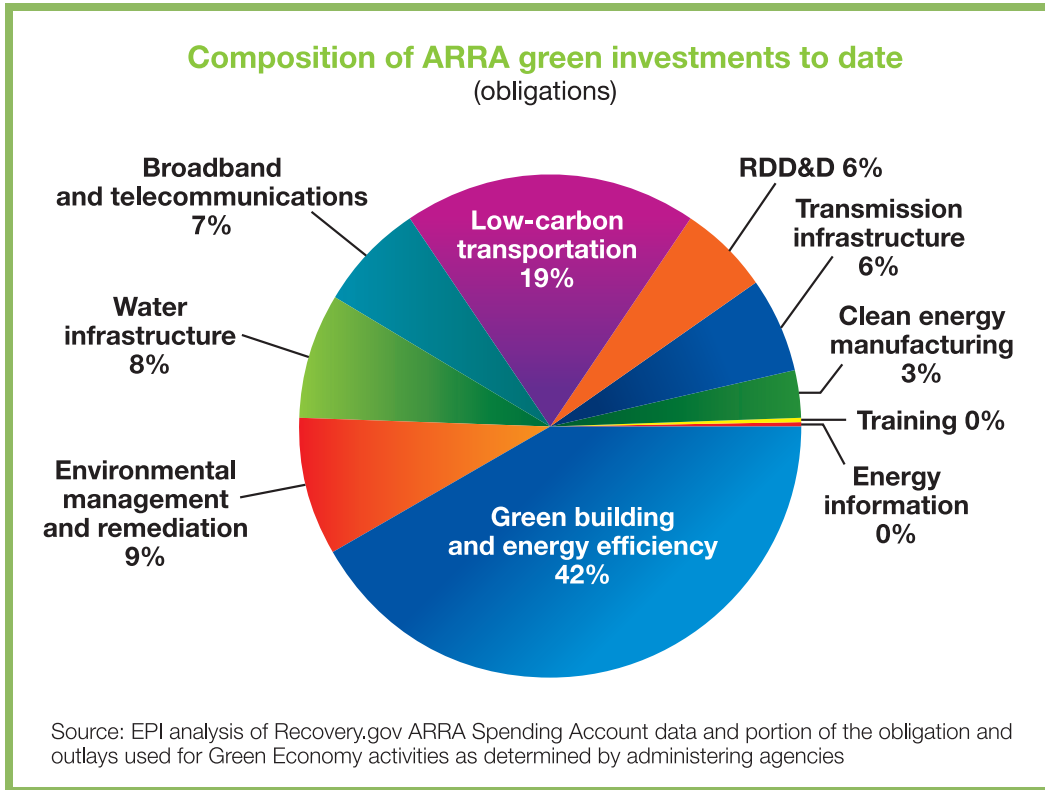
Over the last couple of years, sustainable investments have increased nationwide as federal and state governments have embraced its importance. In fact, according to a joint report from the Blue-Green Alliance and the Economic Policy Institute issued in February 2011, the American Recovery and Reinvestment Act’s (the “Act”) green investments (production of renewable energy, weatherization programs, mass transit, etc.) committed through the end of 2010, created nearly one million jobs, added \$146 billion to

the gross domestic product and took some of the biggest steps in U.S. history in protecting the environment. The Act helped lay a foundation for a more robust and sustainable economy. With its passing, opportunities for fixed income investments in sustainable initiatives rose.

For example, the Act increased the allocation available for New Clean Renewable Energy Bonds (CREBs) by \$1.6 billion, raising the total volume cap to \$2.4 billion. CREBs, a type of tax credit bond, were originally created under the Energy Tax Incentives Act of 2005 and may be issued by public power utilities, electric cooperatives, government entities, and certain leaders to finance energy projects. The new CREB allocation expires 3 years after the allocation date (October 27, 2012 for most issuers). Likewise, under the Recovery Act, the allocation available for Qualified Energy Conservation Bonds (QECBs) was increased, bringing the volume cap to \$3.2 billion. QECBs, also a type of tax credit bond, may be used by governments and the private sector to finance energy conservation projects. At this time, there is no statutory deadline for eligible public entities to issue QECBs.<sup>1</sup>

**“Over the last couple years, sustainable investments have increased nationwide as federal and state governments have embraced its importance.”**

<sup>1</sup>[http://www.stimulus.alabama.gov/Bonds\\_Documents/QECB-CREB%20Primer%20FINAL.pdf](http://www.stimulus.alabama.gov/Bonds_Documents/QECB-CREB%20Primer%20FINAL.pdf)



The Build America Bonds (BABs) were also created as a result of the Act, which included funding for sustainable investments including environmental and energy projects. BABs are taxable governmental bonds with Federal subsidies for a portion of their borrowing costs. The subsidies take the form of either tax credits provided to holders of the bonds or refundable tax credits paid to state and local governmental issuers of the bonds. The program expired on December 31, 2010 but a summary of results reported by the Treasury notes that \$181 billion in BABs were issued by state and local governments in all 50 states, the District of Columbia and two territories.<sup>2</sup>

Other initiatives in the sustainable fixed income space include the World Bank Green Bonds which were first issued in 2008. The World Bank Green Bonds are fixed income products that offer investors the opportunity to support the financing of projects that help mitigate climate change and help countries adapt to the effects of climate change.

Projects include, but are not limited to: solar and wind installations; waste (methane emission) management and construction of energy-efficient buildings; and carbon reduction through reforestation and avoided deforestation.<sup>3</sup>

As strategies like the World Bank Green Bond and others continue to launch, it is evident that sustainable fixed income investments have developed into a viable investment strategy and that their current market estimate of \$3.5 billion to \$5 billion will continue to grow.<sup>4</sup>

**In this piece, we examine fixed income as an asset class to start making sustainable investments and review the types of domestic, market-rate, fixed income securities that can positively impact the environment. This includes an update on recent sustainable initiatives within each security type, along with case studies. Lastly, we will examine the opportunities for sustainable fixed income investments.**

<sup>2</sup><http://www.treasury.gov/initiatives/recovery/Documents/BABs%20Report.pdf>

<sup>3</sup>[http://treasury.worldbank.org/cmd/pdf/WorldBank\\_GreenBondFactsheet.pdf](http://treasury.worldbank.org/cmd/pdf/WorldBank_GreenBondFactsheet.pdf)

<sup>4</sup>“Tiny green-bonds market looking ready to sprout,” Pensions & Investments, April 24, 2011

## Fixed Income as a Place to Start

For those investors interested in sustainable investing, fixed income is a great place to start. It is typically seen as a lower-risk asset class with lower volatility than other sustainable investment options (see Table 1: Financial Considerations). In addition, fixed income securities are designed to positively encourage sustainability, in contrast to equity funds that may be employing negative screens. As a result, fixed income investors can then evaluate the sustainability of the projects being funded or the sustainable policies of the entity being funded.

As with any investment strategy, fixed income securities should be thoroughly evaluated and researched prior to making an investment. Given that the range of sustainable products is expanding, it is important for investors to understand and be comfortable with the

portfolio managers' experience, investment process, risk/reward trade-off, and sustainable reporting capabilities.

The additional layer of research associated with sustainable fixed income investments provides an added layer of transparency by detailing the use of bond proceeds to analyze the project's sustainable benefit or by providing a deeper understanding of a company. In today's turbulent investment climate, transparency is a key factor in the decision-making process.

For purposes of this report, domestic, market-rate sustainable fixed income securities can be broken down into five categories: municipal bonds, corporate bonds, single family agency MBS, multifamily agency MBS, and government guaranteed loans/government-related securities.

**Table 1: Financial Considerations by Asset Class**

	Fixed Income	Equities	Alternatives	Real Estate
Capital Preservation	Good	Good	Poor to Low	Poor to Low
Time Horizon	Moderate	Moderate	Long	Long
Liquidity	High	Moderate to High	Low	Low to Moderate
Return Potential	Moderate	Moderate to High	High	Moderate to High
Volatility	Low	Low	High	Moderate to High

*This table portrays some of the financial considerations of the major asset classes and is the opinion of Community Capital Management.*

## What Activities can Sustainable Fixed Income Investments Support?

The environmental benefits of sustainable fixed income investments are quite subjective and can encompass a wide range of individual values. Given their nebulous nature, sustainable fixed income investments may be evaluated on standards set forth by third party, independent environmental research firms such as Global Green USA.<sup>5</sup>

### Smart Growth

- Existing Housing Rehabilitation
- Revitalization Plans
- Proximity to Services
- Proximity to Transit
- Adaptive Reuse
- Wetlands Preservation
- Floodplain Preservation
- Urban Infill
- Habitat Preservation
- Brownfields Redevelopment

### Energy Efficiency

- Specified Efficient Products
- Energy Star® Appliances
- Insulation Standards
- HVAC Performance
- Energy Codes
- Energy Star® Homes
- Photovoltaics

### Resource Conservation

- Water Conservation
- Maintenance Free Standard
- Stormwater Protection
- Construction & Demolition Recycling
- Existing Flora Preservation
- Renewable Materials
- Reused Materials

### Health Protection

- Environmental Assessment
- Hazard Abatement
- Indoor Air Quality (IAQ) Ventilation
- Hazard Proximity
- IAQ Paint
- IAQ Formaldehyde
- IAQ Carpet



<sup>5</sup>Per Section 42 of the Internal Revenue Code enacted by Congress in 1986, the Low Income Housing Tax Credit program's goal is to provide the private market with an incentive to invest in affordable rental housing. Each state is required to prepare Qualified Allocation Plan (QAP). Over the past 7 years, Global Green has analyzed the degree that "green" criteria are included in QAPs and used this analysis for both educational and advocacy purposes. Their QAP Rating Criteria includes the four main categories listed above, along with one additional Bonus Category.

# Sustainable Market-Rate Fixed Income Investment Options

## Municipal Bonds (Tax-Exempt and Taxable)

### Introduction

Municipal bonds are issued by state or local governments to raise capital and often have the advantage of being exempt from federal taxation.

Alternatively, taxable municipal bonds are taxable debt obligations of a state or local government entity, an outgrowth of the tax reform act of 1976 (which restricted the issuance of traditional tax-exempt securities).



Taxable municipal bonds are subject to federal taxes, but in some instances are exempt from state and local taxes.

### Sustainable Impact

State and local governments may issue revenue bonds (backed by the revenues generated from the projects) to fund particular undertakings that incorporate sustainable features such as: energy efficiency, waste management plans, and indoor climate improvement through low-emitting materials, improved air ventilation and quality.

Revenue bonds may also finance transit-oriented development (TOD), a fast growing trend in creating vibrant, livable communities centered around high-quality train systems. TOD is a major solution to the serious and growing problems of peak oil and global warming that reduce the need for driving and the burning of fossil fuels. TOD is becoming a key element of livable and sustainable communities.

State and local governments may also issue general obligation bonds, a municipal bond backed by the credit and taxing power of the issuing jurisdiction, which fund general activities of the issuing body such as water conservation, ecosystem health, recycling, and sustainable resource management.

## Recent Sustainable Initiatives

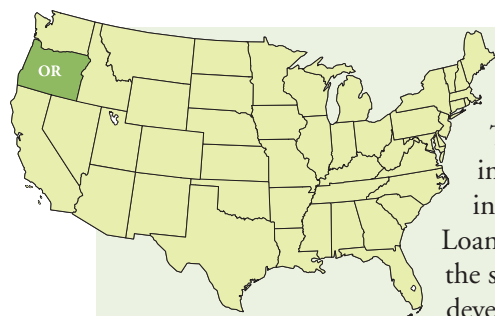
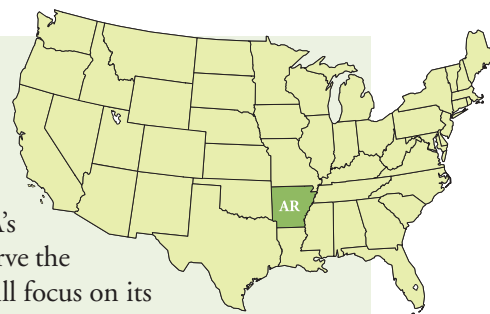
Several state and local governments and state housing authorities have established bond programs to support sustainable initiatives such as energy-efficiency, renewable energy, and other vital environmental programs. Examples include:

- New Mexico's Energy Efficiency & Renewable Energy Bonding Act authorizes the New Mexico Finance Authority to issue up to \$20 million in bonds backed by the State's Gross Receipts Tax to make loans to state agencies, universities, and public schools
- The Illinois Finance Authority Renewable Energy and Energy Efficiency Project finances green projects for new construction, major equipment purchases, renovations, and acquiring facilities.<sup>6</sup>
- The Illinois Finance Authority Renewable Energy and Energy Efficiency Project finances green projects for new construction, major equipment purchases, renovations, and acquiring facilities.<sup>7</sup>
- The Colorado Housing and Finance Authority's multifamily development plan requires developers to follow Enterprise Green Community<sup>8</sup> standards to qualify for affordable housing tax credits.

## Case Studies: Taxable Municipal Bonds

### The City of Jonesboro, Arkansas Taxable Economic Development Revenue Bonds

The Bonds were issued to finance the costs of acquiring, constructing and equipping an industrial facility for Nordex, a leading manufacturer of wind turbine nacelles.<sup>9</sup> Nordex USA's new Jonesboro, Arkansas plant is a key pillar in the strategy to serve the rapidly growing U.S. alternative energy market. The facility will focus on its large-scale turbine family which is capable of generating enough renewable energy to power about 700 homes. The company expects it will employ up to 700 skilled workers and other staff by 2014. Given the specialized workforce required, Nordex is planning a 10,000 square foot onsite training academy and has partnered with Arkansas State University to teach "mechatronic" – mechanical and electrical – skills specific to wind turbine manufacturing.



### The State of Oregon General Obligation Alternate Energy Project Bonds

The Bonds were issued to finance a variety of energy improvement and conservation projects for the businesses and individuals in the State of Oregon. The Small Scale Energy Loan Program (SELP) was created in May 1980 and authorizes the sale of State general obligation bonds to finance loans for the development of small scale related energy projects within the State. SELP finances energy conservation, renewable resource energy projects and the use of recycled materials to create other products. To qualify for SELP financing, the projects must meet local, community, or regional energy needs in the State and must be designed to save or produce reasonable amounts of energy, compared to similar type projects and approximate cost. SELP loans are available for individual residents, Oregon businesses, nonprofit organizations, municipal corporations, state agencies and federal agencies.

<sup>6</sup>[http://www.nmfa.net/NMFAInternet/NMFA\\_Web.aspx?ContentID=13](http://www.nmfa.net/NMFAInternet/NMFA_Web.aspx?ContentID=13)

<sup>7</sup><http://www.il-fa.com/green/>

<sup>8</sup><http://www.greencommunitiesonline.org/tools/criteria/>

<sup>9</sup>Nacelle is a cover housing that houses all of the generating components in a wind turbine, including the generator, gear box, drive train and brake assembly.

## Corporate Bonds

### Introduction

Corporate bonds are debt obligations issued by companies to finance capital investment and operating cash flow. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds.<sup>10</sup>

### Sustainable Impact

Investors can finance the corporate debt of environmental companies, corporations exhibiting sustainable business practices, or corporations addressing specific sectors of the economy as they relate to sustainability.

Many believe that adding an additional layer of sustainable analysis provides a deeper understanding of the company and is an ideal complement in investment decision making.

### Recent Sustainable Initiatives

- The inclusion of Environmental, Social and Governance (ESG) issues is now being included in bond analysis at various investment firms and funds as it provides better insight into companies. The idea is that this helps provide higher investment returns with less risk.
- JP Morgan Chase and Innovest Strategic Value Advisors created a climate change bond index – JENI-Carbon Beta – that weighs corporate bonds based on the issuing corporation's ability to address global warming solutions and to mitigate climate risk.
- The Interfaith Center on Corporate Responsibility members promote corporate transformation from the inside by engaging and advising management towards sustainable practices that ensure long term business growth while measurably improving their environmental and social impacts.

## Case Study: Corporate Bonds

### U.S. Environmentally Friendly Companies

Investors have the opportunity to purchase the corporate debt of U.S. companies that incorporate sustainable business practices and policies. For *Newsweek's* 2010 Green Rankings: U.S. Companies,<sup>11</sup> the magazine worked with three leading environmental-research organizations to analyze the 500 biggest publicly traded companies in the U.S. This allowed the opportunity to compare their actual environmental footprints, policies, and reputations. The top company on the list is Dell which has built its sustainability strategy over the years by setting a series of ambitious goals including reducing emissions by 40 percent by 2015, building laptops and desktops to use 25 percent less energy, and using post-consumer recycled plastic to build new computers. Some of the other notable companies on the list include Hewlett-Packard, IBM, Johnson & Johnson, and Intel.

<sup>10</sup><http://www.investopedia.com/terms/c/corporatebond.asp>

<sup>11</sup><http://www.thedailybeast.com/newsweek/2010/10/18/green-rankings-us-companies.html>

## Single Family Agency MBS

### Introduction

Single family agency MBS are pools of single family residential property mortgages that represent a claim on the cash flows from the mortgage loans. They are backed by single family loans made to eligible borrowers. Single family agency MBS pools are issued by Ginnie Mae, Fannie Mae or Freddie Mac.

### Sustainable Impact

Single family mortgage programs may offer energy-improvement opportunities for single family residences.

Several state housing authorities offer green mortgage programs which were created to reward homebuyers for choosing a more energy-efficient home and for investing in a healthier home environment. Additionally, pools can be screened to include counties that have been recognized for developing and increasing walkable neighborhoods. This helps minimize our carbon footprint while providing opportunities for people to increase their physical activity and improve their health.<sup>12</sup>

## Case Study: Single Family Agency MBS

### Fannie Mae Energy-Improvement Mortgage Add-On Program

Fannie Mae's new add-on program allows owners to buy an existing house and enhance its energy usage with just one mortgage at current market rates. It folds the cost of improvements into the actual mortgage amount, which are limited to up to 10 percent of the estimated market value of the home following the energy-saving developments.

### FHAs Home Energy Mortgage Saving Program

PowerSaver is a pilot program that allows eligible owners to borrow up to \$25,000 at fixed rates between 5 percent and 7 percent for as long as 20 years to finance retrofits including high-efficiency windows and doors, heating and ventilating systems, solar panels, geothermal systems, insulation, and duct sealing. It is estimated that 30,000 PowerSaver loans will be closed in the next two years and it eventually could become a major national program for residential energy upgrades.

<sup>12</sup><http://www.walkscore.com/walkable-neighborhoods.shtml>

## Multifamily Agency MBS

### Introduction

Multifamily agency MBS are securities backed by mortgages on the multifamily residential property (i.e., affordable rental housing complexes, assisted living facilities, or mental health facilities). Multifamily agency MBS are issued by Ginnie Mae, Fannie Mae and Freddie Mac.

### Sustainable Impact

Multifamily properties may incorporate sustainable features such as: the rehabilitation or adaptive reuse of historic or existing structures, energy-efficient appliances, solar panels, recycling, and water conservation. Many of the properties are also part of a TOD or mixed-use project which help minimize urban sprawl and encourage pedestrian-friendly facilities.

### Recent Sustainable Initiatives

- Green Refinance Plus is a program between Housing Urban Development's (HUD) Federal Housing Administration (FHA) and Fannie Mae to allow owners of existing affordable rental housing properties to refinance into new mortgages that include funding for energy- and water-saving upgrades, along with other needed property renovations. Under the program, FHA and Fannie Mae will share the risk on loans to refinance existing rent-restricted projects while permitting owners to borrow additional funds to make energy-savings improvements to their properties.

## Case Studies: Multifamily Agency MBS

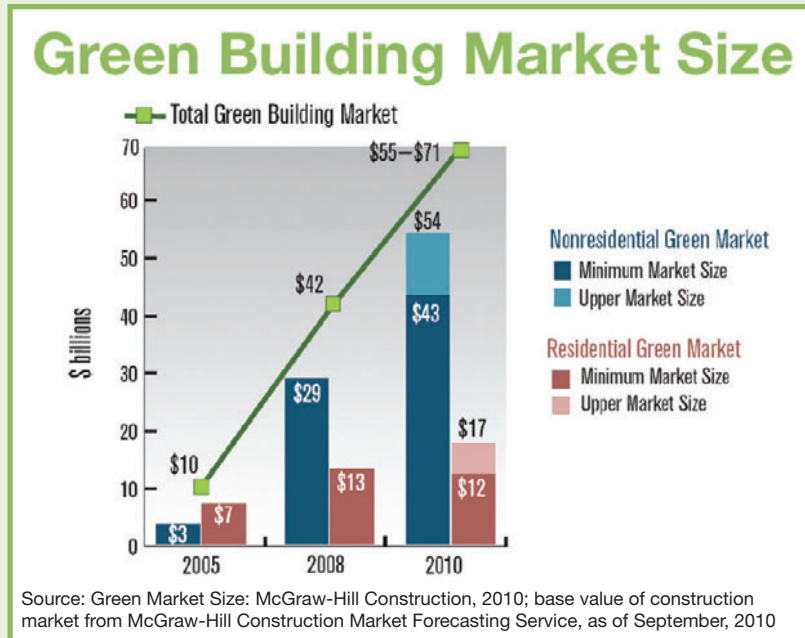
### Le Cirque Apartments, Denver, Colorado

Le Cirque Apartments in Denver, Colorado has 44 units of which 15 are reserved for low-income housing. The complex is in a vintage 1904 brick building that has been restored with touches reminiscent of the most famous neighborhoods in New Orleans, while maintaining the charm and grace of the original structure. The complex was developed by Boutique Apartments™, an environmentally-sustainable property developer and manager. The Boutique properties include energy-efficient windows that reduce the transfer of heat and cold, thereby saving money. Currently, all of the electricity used in the Boutique Apartments buildings' common areas come from wind power, instead of from coal, which keeps 500,000 automobile miles worth of hydrocarbon emissions from going into the air. At each Boutique Apartments building, there is access to bins, allowing the recycling of paper, glass, aluminum, certain plastics, and electronics. Boutique Apartments offers free computer and electronics recycling to its residents.

## Green Building Activity

According to the U.S. Green Building Council,<sup>13</sup> green building principles benefit the environment, economy, human health, and community. They reduce the use of raw materials, overall energy consumption, and carbon dioxide emissions.

Recently, the U.S. market for green building jumped from \$10 billion in 2005 to \$42 billion in 2008. By 2010, overall new green building – commercial and residential – is projected to rise to between \$55 billion-\$71 billion.<sup>14</sup>



In fact, as of September 2010, green building legislation and initiatives were present in 12 federal agencies, 33 states and 384 local government programs.<sup>15</sup> In President Obama's 2011 State of the Union, he proposed new efforts to improve energy efficiency in commercial buildings across the country. His Better Buildings Initiative will make commercial buildings 20 percent more energy efficient over the next decade by catalyzing private sector investment through a series of incentives to upgrade offices, stores, schools and other municipal buildings, universities, hospitals, and other commercial buildings.<sup>15</sup>

At the state level, Maryland, New Mexico, New York and Oregon all have tax credits available at different amounts corresponding to different levels of LEED certification. As well, to boost green building through incentives, many local governments encourage green building by offering incentives to encourage voluntary adoption.

The opportunities for green buildings are expanding. Research has shown that green construction creates jobs and generates significant monies in gross domestic product and wages. According to a study by the U.S. Green Building Council and Booz Allen Hamilton, green building is expected to support nearly eight million U.S. jobs and pump \$554 billion into the American economy – including \$396 billion in wages – over a four-year period from 2009 to 2013.<sup>16</sup>

<sup>13</sup><http://www.usgbc.org/DisplayPage.aspx?CMSPageID=124>

<sup>14</sup>"Green Outlook 2011", McGraw-Hill Construction

<sup>15</sup><http://www.whitehouse.gov/the-pressoffice/2011/02/03/president-obama-s-plan-win-future-making-american-businesses-more-energy>

<sup>16</sup>"Green Jobs Study," U.S. Green Building Council, prepared by Booz Allen Hamilton, November 11, 2009

## Government Guaranteed Loans/Government-Related Securities

### Introduction

When the government provides credit to private individuals through the capital markets and guarantees the loans against any default, it is considered a government guaranteed loan. These programs are typically intended for people who would otherwise not qualify for loans from banks and other lending institutions. Under these programs, the government pledges to purchase the unpaid loan from the bank or lending institution in the event the borrower fails to pay the loan. Government-related securities are issued by U.S. government agencies such as HUD and the Small Business Administration (SBA).

### Sustainable Impact

Loans issued through the SBA may finance sustainable businesses, those incorporating sustainable business practices, or those businesses located in Historically Underutilized Business (HUB) Zones. As well, many U.S. cities have established initiatives to encourage green business practices and provide incentive programs to businesses adopting green business practices.

A “HUBZone” is an area that is located in one or more of the following: a qualified census tract (as defined in section 42(d)(5)(C)(i)(I) of the Internal Revenue Code of 1986); a qualified “non-metropolitan county” (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986) with a median household income of less than 80 percent of the State median household income or with an unemployment rate of not less than 140 percent of the statewide average, based on U.S. Department of Labor recent data; or lands within the boundaries of federally recognized Indian reservations.

Government-related securities such as HUD’s Community Development Block Grant (CDBG) program impact the environment through revitalization activities,

brownfield redevelopment, and the elimination of blight in distressed areas. The CDBG works to ensure decent affordable housing, to provide services to the most vulnerable communities, and to create jobs through expansion and retention of businesses. HUD’s Brownfields Economic Development Initiative (BEDI) is designed to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by real or potential environmental contamination. Lastly, HUD’s Community Renewal initiative for Renewal Communities and Empowerment Zones (RC/EZ), offers an innovative approach to revitalization.

### Recent Sustainable Initiatives

- In April, 2010, the SBA announced Small Business Energy Efficiency Grants to Small Business Development Center networks in seven states to fund projects that provide energy efficiency assistance to small businesses.
- In September, 2010, the President signed into law the Small Business Jobs Act which is providing critical resources to help small businesses continue to drive economic recovery and create jobs. The new law extended the successful SBA enhanced loan provisions while offering billions more in lending support, tax cuts, and other opportunities for entrepreneurs and small business owners.<sup>17</sup>
- In October, 2010, the SBA Energy Conservation Loan program permanently increased loan limits. Under the Jobs Act provisions, 7(a) and 504 loan limits rose from \$2 million to \$5 million, and for manufacturers and certain energy-related projects seeking 504 loans, to \$5.5 million.

<sup>17</sup><http://www.sba.gov/content/small-business-jobs-act-2010>

## Recent Sustainable Initiatives

- In December, 2010, the President signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312) which extends the tax incentives for all Federal Employment Zones (Rounds I, II, and III) and the District of Columbia Enterprise Zone, retroactively, through December 31, 2011.
- In January, 2011, the President launched the “Startup America” Initiative. One initiative is the SBA directing \$2 billion in existing guarantee authority over the next 5 years to match private sector investment funding for startups and small firms in underserved communities, as well as seed- and early-stage investing in firms with high growth potential, through its Small Business Investment Company (SBIC) program.<sup>18</sup>

In 1958, Congress passed the Small Business Investment Act which allowed the SBA to license private SBICs to help with financing and managing small entrepreneurial businesses in the United States. The Act today is known as the Certified Development Company Economic Development Loan Program or the SBA 504 loan. The SBA 504 loan is designed to assist entrepreneurs in obtaining financing for investments in their own facilities, continue to expand and to create new jobs. As a result of a recent amendment to the Small Business Investment Act, the SBA has three new energy efficiency public policy goals for the 504 loan program. It expanded eligibility for the purposes of energy efficiency improvement projects for small businesses; construction of buildings with sustainable, low impact and energy-efficient design; and plant and process upgrade and construction of renewable energy production.

## Case Studies: Government Guaranteed Loans/ Government-Related Securities

### American Solar and Environmental Technology, LLC, Selinsgrove, Pennsylvania

The American Solar and Environmental Technology, LLC (ASETsolar) is the first women-owned, solar energy company in Pennsylvania which provides energy audits as well as solar panel construction and installation to residents of the Commonwealth. ASETsolar is helping contribute to the transition from traditional non-renewable sources of energy to a cleaner, more green and more efficient way to supply energy needs. The loan to ASETsolar is part of the SBA 7(a) program which was established to serve small business borrowers that cannot otherwise obtain private sector financing under suitable terms and conditions. The program is SBA’s primary vehicle for providing small businesses with access to credit.

### Verde Earthworks, Rimrock, Arizona

An SBA loan financed Verde Earthworks, a residential and commercial recycling company, servicing the Sedona/Verde Valley, Arizona area. The company is woman-owned and they sort at the curb to guarantee 100% of what they accept is recycled. Verde Earthworks’ vision is to identify the multifaceted challenges of rural recycling in order to increase economic development and health by providing jobs and alternative end-uses for products. The company is part of the Green Wise Business Alliance, a program designed to support businesses in being recognized for their contribution to responsible recycling. The loan to Verde Earthworks is part of the SBA 7(a) program.

<sup>18</sup><http://www.whitehouse.gov/the-press-office/2011/01/31/white-house-launch-startup-america-initiative>

# Opportunities for Sustainable Fixed Income Investments

Sustainable fixed income products offer investors the opportunity to support sustainable initiatives through what are traditionally considered one of the lowest risk asset classes. For investors who have an interest in sustainable fixed income investing, there are various options depending on their financial and sustainable goals.

It is extremely important for investors, advisors and/or consultants to properly evaluate and identify sustainable investment opportunities by researching the product and managers, conducting due diligence, and rigorously analyzing financial and sustainable components to ensure they meet their or their clients' objectives.

Available products in this space include community development bond funds that may finance projects with a sustainable benefit, separately managed accounts, screened portfolios of government and government-related bonds, screened portfolios of corporate bonds, and bond funds with environmental criteria.

Many of these sustainable fixed income products are designed specifically for investors seeking competitive investment performance.



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## **ABOUT COMMUNITY CAPITAL MANAGEMENT, INC.**

Established in 1998, Weston, Florida-based Community Capital Management (CCM) is a fixed income manager and a registered investment adviser with the SEC whose goal is to produce above-average, risk-adjusted returns while providing added diversification and simultaneously having a positive impact on the community and the environment. CCM capitalizes on its expertise within government-related subsectors of the bond market traditionally excluded from the major bond indices.

Clients may elect to use a secondary screen designed to identify bonds that target a specific set of community and/or economic development initiatives (i.e., sustainable initiatives) or a predefined geographic area.

For more information, please visit [www.ccmfixedincome.com](http://www.ccmfixedincome.com) or call 877.272.1977.

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