

Catholic Impact Investing Collaborative (CIIC)

Community Forum:

Racial Diversity, Equity & Inclusion



Monday, November 16th, 2020 | 2:00 PM CST

We are excited to announce our **November Community Forum**, the first in an ongoing series of webinars focused on a specific issue area for CIIC community members to engage in open dialogue, exchange resources and identify opportunities for mutual learning and collaboration. November's Forum will focus on **Racial Diversity, Equity and Inclusion**. Speakers include:

- **Ryan Strode**, Program Director of Philanthropy at Franciscan Sisters of Mary - *Strategies for starting the DEI conversation with your financial advisor/asset manager as a Catholic asset owner*
- **James Malone**, Chief Financial Officer of Community Capital Management - *Minority Community Advancement Racial Empowerment Strategy (CARES): Investing in positive impact empowerment for minority individuals, businesses, and communities*
- **James Forbes**, CEO + Co-Founder, Good Life Growing (GLG) - *How investors can empower communities through intentional investment and thoughtful dialogue with investees and beneficiaries*
- **Lisa Hayles**, Investment Manager from Trillium Asset Management - *Reflections on the issue of diversity in asset management and across the finance sector*

WHO WE ARE

By sharing our experience and celebrating our Catholic faith & values, we seek to expand the use of wealth in service to people & planet.

The Catholic Impact Investing Collaborative (aka CIIC - pronounced "seek") was established in November 2014 as an informal "neutral space" for people to come together, share a meal and stories, and build relationships based on their spiritual as well as financial commitment to Impact Investing. Our goals are to share stories, build relationships, foster collaboration, and grow the Catholic Impact community, while leaving room for the Holy Spirit.



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Strategies for starting the DEI conversation with your financial advisor/asset manager as a Catholic asset owner

Ryan Strode - Program Director of Philanthropy at Franciscan Sisters of Mary

What does change really look like if we're meaningfully integrating diversity, equity and inclusion into our approaches to investing? Let's start with some baseline statistics on the opportunities that exist in the investment sector:

- Only 2% of VC funding goes to women entrepreneurs
- Only 5% of VC funding goes to entrepreneurs who are Black or Latinx
- The U.S. economy would be \$8 trillion larger by 2050 if the country eliminated racial disparities in health, education, incarceration, and employment

At FSM, impact from a diversity, equity and inclusion (DEI) perspective means putting dollars into communities of color rather than those that are working on behalf of those communities. We try to find investment solutions that *keep wealth in* these communities rather than *extracting wealth from* them. Pope Francis and his encyclical text "Laudato Si'" is a big proponent of community-owned cooperatives, which help regenerate wealth in vulnerable communities, and call us to think more broadly about what impact our investment dollars have on people and the planet.

If you want to understand the role of race and social justice within your investments, you have to look across the entire investment ecosystem, top to bottom, from advisors all the way down to beneficiaries.



We also know that there are biases that exist amongst decision makers, which means it is important to develop metrics to measure the results of this work. At FSM, the questions we've been posing to our partners are:

1. **What commitments and actionable steps have you made internally to advance Diversity, Equity, and Inclusion?**
2. **What is the demographic makeup of your staff, particularly those in executive leadership?**
3. **To what degree does racial and gender inclusion influence decisions about the companies you invest in?**
4. **What, if any, impact metrics do you track related to racial and gender justice in your impact investments?**

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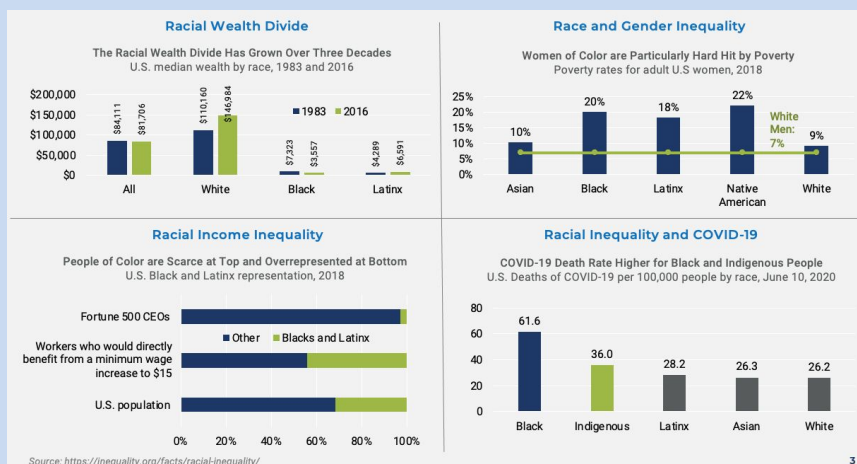
Minority Community Advancement Racial Empowerment Strategy (CARES): Investing in positive impact empowerment for minority individuals, businesses, and communities

James Malone - Chief Financial Officer of Community Capital Management

Community Capital Management (CCM) is an impact investment manager with 20+ years of experience. We use a core fixed-income impact investment strategy focused on publicly traded bonds that finance projects with positive impact outcomes, and we allow investors to geographically and thematically target their investments.

2020 has caused heightened awareness of systemic racism and how discrimination affects minority communities. For decades, many of these communities have had *systematic disinvestment*, excluding minorities from housing and education. At CCM, we are focused on addressing systemic economic injustice, which has contributed to the persistence of race-based gaps that manifest in many economic indicators.

Our **Minority CARES** program blends eight impact themes (Affordable Health and Rehab Care, Affordable Housing, Economic Inclusion, Education and Childcare, Enterprise Development and Jobs, Human Empowerment, Minority Advancement and Neighborhood Revitalization) to allow investors to empower minority individuals, communities and businesses.



Sample Minority CARES investment: Minority and Gender Lens Agency MBS Pool

- In 2017, we created a \$1.4M customized mortgage pool providing capital exclusively to low- and moderate-income minority women borrowers, which was distributed in 14 loans primarily to first-time home buyers.

Fifty years ago, my aunt bypassed racial discrimination to obtain an FHA loan to purchase her first home in the suburbs of Boston. Because of this, she was able to build middle-class wealth and help me migrate from the Caribbean to get a quality education. Driving capital to these communities is so important because lives, like mine, can be changed.



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Case Study: How investors can empower communities through intentional investment with investees and beneficiaries

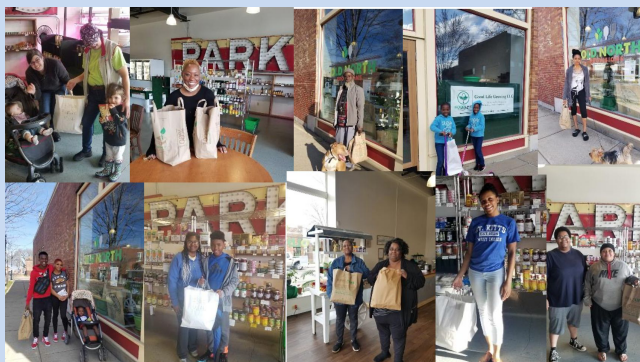
James Forbes - CEO + Co-Founder, Good Life Growing (GLG)

Good Life Growing is a social enterprise focused on a mission-based bottom line to combat urban decay and food insecurity. Our vision is to change society for the better by revitalizing urban cities through education and urban farming. We blend common methods of sustainable farming, energy efficiency, hydroponics, aeroponics, and aquaponics to contribute to the Good Food Movement while showing others how to live sustainably. Through this work, we restore distressed urban areas and produce as much produce and as many jobs as we can.

Since 2012, we have developed education, job-training and skill-building programs, created a regional food production hub, and have repurposed over 14,000 vacant parcels in St. Louis. At the beginning of 2020, we had five acres of land, a dozen employees, and had recently won a non-equity diluted grant from St. Louis Arch Grants intended to expand our indoor growing systems and support continued expansion. When COVID-19 hit, we lost 90% of our restaurant customers due to shelter-in-place orders, our farmers markets were shut down, and we couldn't host farm tours or job trainings due to social distancing guidelines. Social impact funding from the Franciscan Sisters of Mary allowed us to pivot our business model while still increasing food access in distressed communities. With this investment, we were able to:

- Convert a 4,000 square foot commercial space into a full service grocery store in the heart of one of St. Louis' food deserts
- Develop an online market that now carries 800+ unique food products
- Launch a Personal Shopper/Grocery Delivery Service
- Increase refrigeration and freezer space to store perishable food inventory
- Support other local food businesses by purchasing wholesale volume for retail
- Distribute 2,000+ ready-to-eat meals given away on a "no questions asked, no ID required" basis

This impact investment allowed us to quickly adjust our programs to meet our mission and continue to serve the St. Louis community during the pandemic. We are grateful to FSM, who also remained nimble and helped us pivot our work.



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Reflections on the issue of diversity in asset management and across the finance sector

Lisa Hayles - Investment Manager from Trillium Asset Management

As responsible investors, CIIC members have long been concerned with how financial markets exacerbate inequality and deepen injustice in communities of color. Today, I invite you to explore these questions:

1. Why does diversity in asset management matter?

The growth in the diversity of the populace combined with the persistent exclusion of historically disadvantaged groups from the full participation in the economy and civic life is a core challenge that investors and companies need to address from both a moral and financial perspective. According to the Knight Foundation, firms owned by women and minorities manage **1.3% of \$69T total assets** under management in the US financial services industry. Upper level staff at the nation's top-level management and consulting firms are **majority white and male**. This is in large part because **bias is rampant** in the investment industry.

2. What is the investor case for diversity?

Discrimination doesn't just perpetuate systemic disparities, it also has material, fiscal impact on our portfolio returns. According to McKinsey & Co., businesses that were in the top quartile for ethnic and cultural diversity were **33% more likely to outperform** on profitability. At the board level, higher levels of ethnic and cultural diversity are correlated with a greater likelihood of above-median profitability. There's evidence and support of the positive impact on both the bottom line and the contribution that diversity and inclusion can make to creating workforces and leadership that reflects the communities that we're a part of. BUT there are many structural impediments in our industry that must be addressed in order to make a change.

3. What can we do to help improve diversity & inclusion across the asset management industry?

Many investors have released statements, but now we need to move beyond our immediate response and think about how to pragmatically make changes that will result in the outcomes we are seeking. One way to do this is by creating a transparent, measurable commitment for investors so that the industry can benchmark progress over time. One example call to action that asset owners can take is the **Belonging Pledge**. During the recent Belonging Pledge Town Hall hosted by Confluence Philanthropy, a group of African American Investment professionals called on all asset owners to consider making a 25 by 2025 pledge. This is modelled after a [commitment by the Kresge Foundation and the Association of Black Foundation Professionals](#). During the Town Hall, we invited asset owners to adopt the 25 by 25 pledge to their own organizations. This is something Confluence is considering adopting, as is the Intentional Endowments Network, though they have not formally adopted it yet.