

Impact Investing

ALIGNING YOUR WEALTH WITH PURPOSE



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Investment products offered through MLPF&S:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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A new generation of investing is emerging

Investors are increasingly looking for their investments to generate social and environmental impact alongside financial returns to help them pursue their goals.

51%

of investors say that social impact investing is “the right thing to do.”¹

47%

say they want to make a positive impact on the world and that corporate America should be accountable for its actions.¹

6 in 10
investors

investors state they consider the social and environmental impact of the companies they invest in to be an important part of their investment decision-making process.¹

Impact investments

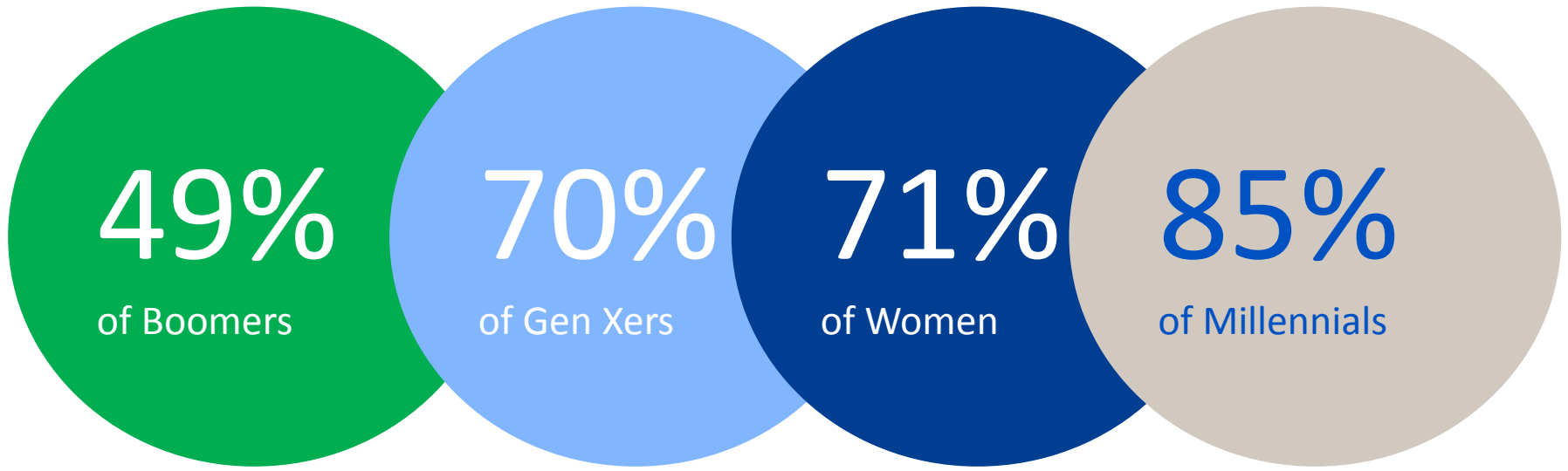
are made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return.²

¹Source: “2015 U.S. Trust Insights on Wealth and Worth.” Page 32. 2015

²Source: “About Impact Investing.” *Global Impact Investing Network*. Web. 27 April 2015



Growth and innovation are creating more opportunity



think social, political or environmental impact
is important to investing

Source: "2015 U.S. Trust Insights on Wealth and Worth."
Survey among high net worth investors.



The market is rapidly growing and innovating

According to the Forum for Sustainable and Responsible Investment, sustainable, responsible and impact investing (SRI) assets have expanded

76%
in two years

from \$3.74 trillion at the start of 2012 to \$6.57 trillion at the start of 2014¹

Mutual fund ESG assets under management increased by

200%
from 2012 to 2014²

from \$641 billion to \$1.925 trillion

And alternative investment ESG assets under management increased by

70%
from 2012 to 2014²

from \$156.8 billion to \$224 billion

\$1 in every **\$6**

under professional management is invested with some sort of impact investing approach³

¹ Source: "U.S. Sustainable, Responsible and Impact Investing Trends 2014." *The Forum for Sustainable and Responsible Investment*

² Source: "SRI Basics." *The Forum for Sustainable and Responsible Investment*. Web. 27 April 2015

³ The US SIF Foundation Report, 2014




How we define impact investing

Socially Responsible

Screens out companies based on client preferences

EXAMPLE

Avoid investments associated with:




-  Environmental harm
-  Alcohol, tobacco, gambling
-  Practices that are in conflict with religious values (faith-based)

ESG

Proactively seeks companies that meet environmental, social and governance factors

EXAMPLE

Seek out investments in companies that:




-  Promote sustainability
-  Encourage corporate social responsibility
-  Focus on fair trade and factory worker safety

Green

Focuses on reducing harmful environmental practices or supporting green initiatives

EXAMPLE

Pursue investments in companies that:




-  Conserve biodiversity
-  Develop or use alternative energies
-  Promote clean transportation

Thematic

Focuses on specific environmental or social themes

EXAMPLE

Target areas of growth in:

-  Climate change, water or food security
-  Healthcare and globesity
-  Gender equality and diversity





Place-based community investments allow you to incorporate your local community in your portfolio by aligning investments with a particular geography.

EXAMPLE
Align investments connected with your community

- Cash/Reserves/Savings
- Public Fixed Income
- Public Equities
- Private Investments

Proactive investment in:

- Education
- Environmental Sustainability
- Health & Human Services
- Local Economic Development

INVESTMENT VEHICLES*

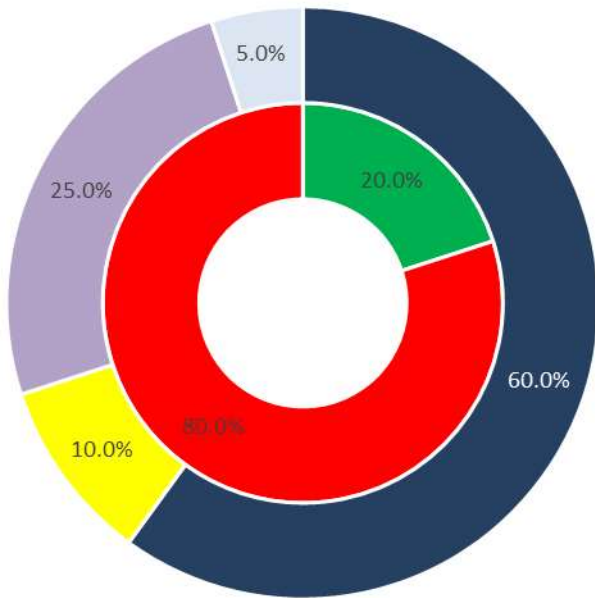
- Community Banks (CDFI's)
- Mutual Funds
- Exchange-Traded Funds
- Alternative Investments
- Separately Managed Accounts
 - Security Screening
 - Proxy Voting
 - Shareholder Advocacy
 - Community Investing
 - Public Policy

*The investment vehicles represented may or may not be available at Merrill Lynch

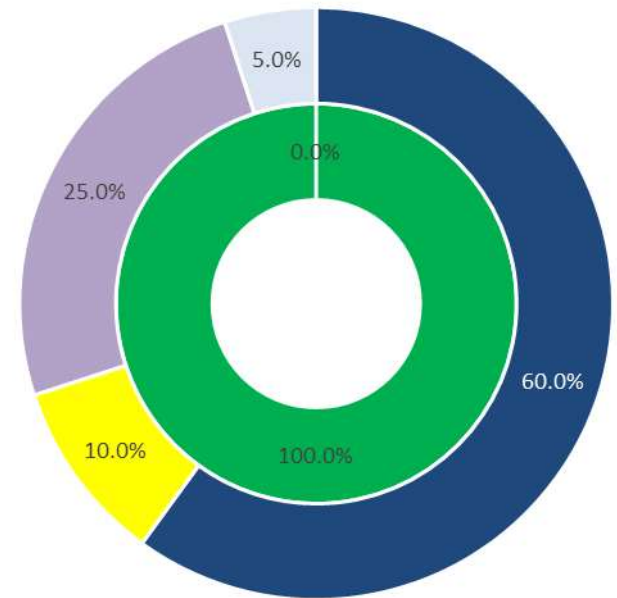
Thematic: Place-based investing

Sample Full Portfolio Activation- Indiana

Current Foundation Portfolio



Place-based Foundation Portfolio



Asset Class

- Equities
- Alternatives
- Fixed Income
- Cash/Reserves

Indiana Place-based

- Yes
- No

Thematic: Place-based investing

Sample Public Equity Manager- Aperio Group



Summary Results

Portfolio Name	Aperio Total US Market All Cash SMA	Impact Score		
		25	50	100
Tracking Error (%)	0.35	0.83	1.96	5.44
Beta	1.00	1.00	1.00	1.00
Standard Deviation (%)	13.71	13.74	13.85	14.75
# of Holdings	450	366	171	31
Dividend Yield (%)	2.35	2.35	2.45	2.40
Impact Score	2	25	50	100
Benchmark	Russell 3000	Russell 3000	Russell 3000	Russell 3000
Sector Exposures (%)				
Consumer Discretionary	13.2	12.2	8.9	4.2
Consumer Staples	8.4	8.0	5.1	2.5
Energy	6.7	6.5	5.5	0.0
Financials	18.6	17.9	21.1	31.0
Health Care	14.0	14.3	16.3	13.8
Industrials	10.8	12.1	13.9	25.8
Information Technology	19.5	19.8	18.9	4.8
Materials	3.4	3.7	4.1	10.8
Telecommunication Services	2.1	2.1	1.4	0.0
Utilities	3.3	3.4	4.8	7.2

Indiana Impact

As of 12/31/15, Community Capital has **invested over \$176 million*** in community and economic development initiatives in Indiana, generating results that make a powerful impact:

- 8,040 affordable rental housing units
- 780 home mortgages for low- to moderate-income families
- \$800,000 in economic development (i.e., environmentally sustainable initiatives and neighborhood revitalization activities)
- \$19 million in statewide homeownership and downpayment assistance programs
- \$950,000 in affordable healthcare facilities
- \$5 million in job creation and small business development



* Approximate figures.

Indiana Impact as of 12/31/15: Drilled Down Further

Lake County

Impact: \$7 million

Marion County

Impact: \$22 million

Hendricks County

Impact: \$7 million

Tippecanoe County

Impact: \$7 million

Vigo County

Impact: \$6 million

Monroe County

Impact: \$7 million



Grant County

Impact: \$5 million

Delaware County

Impact: \$4 million

Hamilton County

Impact: \$8 million

Wayne County

Impact: \$3 million

St. Joseph County

Impact: \$4 million

Vanderburgh County

Impact: \$19 million

* Approximate figures.

Indiana Impact Samples



**COMMUNITY
CAPITAL
MANAGEMENT**
Revitalizing America

Project: Tippecanoe Valley School Clean Renewable Energy Bonds
City: Akron
County: Tippecanoe
State: Indiana
Impact:

- Environmental Sustainability
- Energy Conservation
- Renewable Energy Education for Students

The bonds were issued to provide funds to construct a wind generating facility to produce electricity for the middle and high school campus. The wind turbine will be located on the Tippecanoe Valley High School campus in Akron, Indiana.



Tippecanoe Valley will be the first school corporation in Indiana to install a wind turbine with "behind-the meter" technology that will allow the school to generate approximately 70% of all electrical power used on the high school and middle school campus. Kosciuszko Rural Electric Membership Corporation, the utility partner on the project, worked with the school corporation and the design-builder, Performance Services, to develop the unique solution that is expected to significantly reduce utility costs. The wind turbine is scheduled to be operational October 2011.

To make the project possible, Tippecanoe Valley School Corporation was awarded \$2.3 million in Clean Renewable Energy Bonds. The proposed plan calls for one 322-foot high, 3-blade PowerWind turbine to be installed on the west side of the school property in an open field south of the bus garage. Electricity generated from the 900 kilowatt turbine will directly power the school through a "behind-the meter" installation. The revenue generated will benefit the school's budget by offsetting approximately 70% of current electric utility costs for the entire high school and middle school campuses. The electricity generated by this wind turbine will eliminate most of the school's electric bill for the next 25 years (the projected life of the wind turbine), enabling Tippecanoe Valley to redirect more dollars into the classroom now and for generations to come. Under Indiana law, energy costs are paid from the same fund as instructional costs such as teacher salaries.

This wind energy project will also provide a renewable energy learning experience for their students with an integrated curriculum and enable them to model environmental stewardship and sustainable practices to their community.

"This is a project that has been in the works since our School Board began looking into wind power in September 2008. It's also a green project that will help our school district compensate for decreases in state funding and



**COMMUNITY
CAPITAL
MANAGEMENT**
Revitalizing America

Project: Diversified Instrument Services
City: Evansville
County: Vanderburgh
State: Indiana
Impact:

- Job Creation/Retention
- Small Business Development
- Access to Capital

U.S. SBA Loan 3691215008 finances a loan to Diversified Instrument Services, an electrical repair shop. Annual revenues for this business are \$570,000. Diversified Instrument Services has eight employees.



Diversified Instrument Services is located at 6724 East Morgan Avenue in Evansville, (Vanderburgh County), Indiana in Census Tract 0101.00. The estimated median family income for this census tract was \$45,456, or 74.64% of the HUD 2009 Median Family Income for the Evansville, IN/KY MSA/MD 21780, qualifying it as moderate income.

The SBA 7(a) Loan Guaranty Program

Authorized under section 7(a) of the Small Business Act (15 U.S.C. § 636 (a)), the SBA 7(a) program was established to serve small business borrowers that cannot otherwise obtain private sector financing under suitable terms and conditions. The SBA 7(a) program is SBA's primary vehicle for providing small businesses with access to credit, whereby SBA provides partial guarantees of loans made by SBA-approved private sector lenders. One requirement to obtain a 7(a) loan guarantee, which is backed by the full faith and credit of the U.S. government, is that a lender must document that the prospective borrower was unable to obtain financing under reasonable terms and conditions through normal business channels. Under the program, SBA guarantees to repay a participating lender a prespecified percentage of the 7(a) loan amount (generally between 75 and 80 percent) in the event of borrower default. Borrowers participating in the program represent a broad range of small businesses, including restaurants, consumer services, professional services, and retail outlets.

Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets.

The secondary market for SBA Loans provides lenders a funding alternative to deposits, lines of credit, and other debt sources. Secondary loan markets generally link borrowers and lenders in local markets to national capital markets, which can provide liquidity for lenders and thereby reduce regional imbalances in loanable funds and possibly increase the overall availability of credit to the primary market and lower interest rates for borrowers.



**COMMUNITY
CAPITAL
MANAGEMENT**
Revitalizing America

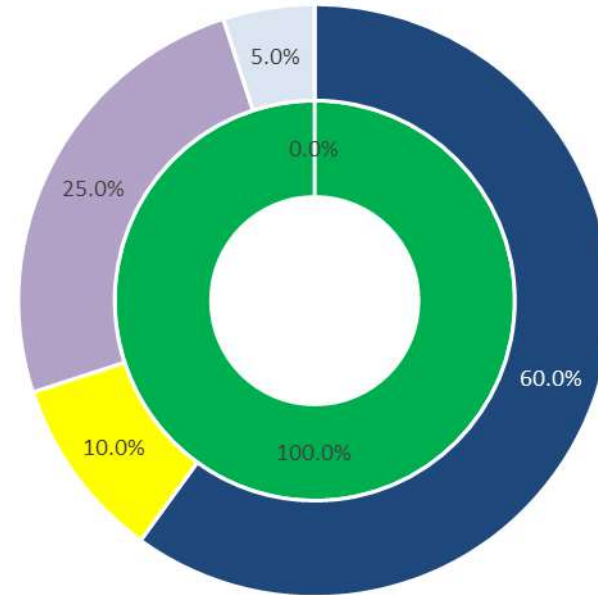
Thematic: Place-based investing

Sample Full Portfolio Activation- Indiana

Asset Class

Equities
❖ Aperio Group, Halter Ferguson
Alternatives
❖ Direct/Private Investments, 3 rd Party Managers
Fixed Income
❖ Community Capital Mgt, Lord Abbett, RBC
Cash/Reserves
❖ Community Banks, CDFI's

Place-based Foundation Portfolio



Indiana Place-based

Yes
No

Morningstar Sustainability Score: _____
 MSCI ESG Intangible Value Assessments Rating _____