

IMPACT INVESTING MONTHLY

October 2024

Your monthly update on impact investing

Impact Investing at AOWM

Seeking companies that
turn a profit making a
sustainable impact on
society and the
environment

October's update includes a highlight on the nonprofit LISC (Local Initiatives Support Corporation), videos about Community Development Financial Institutions, and links to further resources on these fronts. As always, if you would like to talk about impact investing in general or your impact portfolio specifically, please do not hesitate to email me.



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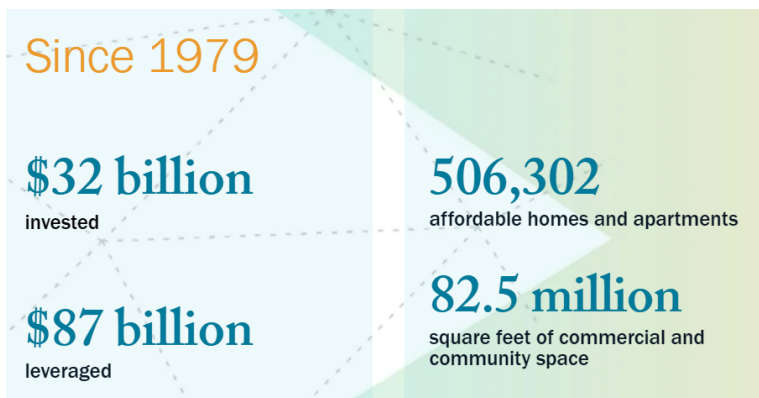
Highlight on LISC

LISC (lisc.org) is a nonprofit Community Development Financial Institution (CDFI) with offices across the United States. CDFIs seek “to provide fair, responsible financing to rural, urban, Native, and other communities that mainstream finance doesn't traditionally reach.”¹

LISC pools public and private dollars to offer loans, equity, and grants for community development projects tied to affordable housing, child care, education, health, safety, and small businesses. The idea for LISC originated with the Ford Foundation in 1979, and LISC stands for “Local Initiatives Support Corporation.”

LISC

Since its founding, LISC has **invested \$32 billion** across the US, generating \$87 billion in total development. LISC's mission is as follows: “Together with residents and partners, we help forge resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business and raise families.” You can see more about what LISC offers [here](#).



¹Opportunity Finance Network, “What Is a CDFI?”

Videos of the Month

This month we have two videos about CDFIs. See below for a short clip from the Opportunity Finance Network, “[Opportunity Multiplied](#),” as well as a brief video from the Hartford Community Loan Fund in Hartford, CT, “[What is a CDFI?](#)”



Resources

What is a CDFI?
Community Development
Financial Institutions Explained
CNote
July 2021

LISC Virginia
lisc.org/virginia

Virginia CDFI Coalition
vacdficoalition.org

Democratizing Finance:
Origins of the Community Development
Financial Institutions Movement
Clifford Rosenthal
November 2018
(508 pgs)

CDFI Coalition
cdfi.org

CDFI Fund, U.S. Dept of the Treasury
cdfifund.gov

Opportunity Finance Network
ofn.org

What is Impact Investing?

The term “**Impact Investing**” focuses on investments made “*with the intention to generate positive, measurable social and environmental impact alongside a financial return.*”¹ Many people talk about this intersection of social, environmental, and financial values as a focus on the **triple bottom line of people, planet, and profit.**² Others also highlight the ways that environmental, social, and financial values are really “**blended values,**”³ given that the operations, products, and services of any business always have effects (whether positive or negative) on society, the environment, and the financial bottom line.

“**ESG**” is a term that stands for “Environmental, Social, and Governance” factors that can affect a company’s long term financial health as well as well-being for broader society and the environment. The term ESG was coined in a 2004 United Nations report entitled, “Who Cares Wins: Connecting Financial Markets to a Changing World,” and this report highlights the ways “*successful investment depends on a vibrant economy, which depends on a healthy civil society, which is ultimately dependent on a sustainable planet.*”⁴

ESG analysis usually focuses primarily on how a changing world (socially and environmentally) might affect a company’s financial return. Impact analysis usually focuses on how a company’s operations and products affect society and the environment. The two types of analysis are distinct but complementary and can be used to help you blend your values with your investments.

Sources

¹ Thegiin.org; see also rockefellerfoundation.org/from-the-archives/global-impact-investing-network-giin/

² “Triple bottom line,” *The Economist*, Nov 17, 2009. economist.com/news/2009/11/17/triple-bottom-line

³ Blendedvalue.org

⁴ UNepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf

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Socially Responsible Investing involves the incorporation of Environmental, Social and Governance considerations into the investment due diligence process (“ESG”). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Alpha Omega), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful.