

## IMPACT OBJECTIVE

Overall goal of the portfolio

*Create economic opportunity for all with a focus on low-income individuals and communities.*

## SDG ALIGNMENT

Alignment with the United Nations' Sustainable Development Goals



## ASSET CLASS

Types of underlying assets

Public Equity, Fixed Income

## Strategy

Impact strategies utilized by the portfolio

A diversified public equity and fixed income portfolio, that collectively:



Funds companies **developing** products and services for the least advantaged communities globally



Invests in companies and municipalities offering **fair wages and benefits** to employees



**Screens out** companies with poor track records in the way they treat employees, suppliers, and local communities

## ESG Integration

All funds employ some element of ESG Data Integration.



### MORE EXPOSURE TO PRODUCTS & SOLUTIONS THAT ENABLE EQUITY & INCLUSION

**24% greater** than the benchmark in education technology & support exposure<sup>1</sup>

**48% less** than benchmark in air pollution in poor communities<sup>2</sup>



### MORE EXPOSURE TO COMPANIES WITH EQUALITY IN PAY

**68% less** than benchmark in sub-minimum wage compensation<sup>3</sup>

**48% less** than benchmark in ratio of CEO to median worker pay<sup>4</sup>



### LOWER EXPOSURE TO POOR LENDING PRACTICES

**26% less** than benchmark in predatory lending exposure<sup>5</sup>



### LOWER EXPOSURE TO EMPLOYEE AND CUSTOMER-RELATED CONTROVERSIES

**16% less** than benchmark in forced arbitration for sexual harassment<sup>6</sup>

**4% greater** than the benchmark in anti-forced labor score<sup>7</sup>

## Holdings

Select investments supporting impact:<sup>8</sup>

### EQUITY



In 2020, **Microsoft** identified three pillars of its Racial Equity Initiative: strengthening communities, increasing representation, and engaging its ecosystem — each with discrete commitments to be achieved by 2025. As of June 2022, Microsoft reached 116% of its 2025 commitment for Black and African American representation in its people managers, and 92% of its 2025 commitment for directors, partners, and executives.

- As of September 2022, employees in the U.S. identifying as a racial or ethnic minority earned \$1.008 in total pay for each dollar earned by white employees, controlling for job-title and level & considering tenure<sup>9</sup>



**Apple's** 2020 Racial Equity and Justice Initiative (REJI) focused on three key areas: expanding access to education, supporting criminal justice reform, and removing economic barriers for communities of color. As of May 2022, Apple has committed \$155 million to the initiative to date, most recently to expand access to capital for community financial institutions supporting communities of color.<sup>10</sup>



**Amazon** committed \$2 billion towards affordable housing from the Amazon Housing Equity Fund. As of March 2022, these commitments have preserved or created 8,000 affordable units to house more than 18,000 people.<sup>11</sup>

### FIXED INCOME



As part of its Minority Cares Initiative, **CCM** purchased an issuance of The Council of Europe Development Bank (CEB)'s \$1 billion Social Inclusion Bond to support its member states in assisting millions of Ukrainian refugees with transportation, shelter, food, and medical care<sup>12</sup>



## Taking Action

*Shareholder engagement and proxy voting*

Notable funds in portfolio using this strategy:

- **Brown Advisory Sustainable Growth Fund**
- **Calvert US Large Cap Core Responsible Index**
- **Calvert International Responsible Index**
- **Parnassus Core Equity Fund**
- **Parnassus Mid Cap Fund**



**Parnassus**, Manager of the Parnassus Core Equity and Mid-Cap Funds, engaged Cerner (acquired by Oracle), an electronic medical record software and data analytics company in 2021–2022. Parnassus raised concerns that applications of artificial intelligence and machine learning may reinforce disparities and historical discrimination against marginalized communities, including communities of color. Parnassus filed a shareholder proposal to escalate the engagement, withdrawing only after Cerner agreed to make public a list of guiding principles on AI/ML, as well as a description of its governance structures, internal processes and monitoring efforts.<sup>13</sup>



99% of the Top 100 companies engaged by Calvert, manager of the **Calvert US Large Cap Core Responsible Index**, agreed to disclosure diversity data, including gender data at ten professional levels, and pay equity data. This follows Calvert’s 2020 campaign to target the top 100 U.S. companies to disclose their EEO-1 reports.<sup>14</sup>

## Advancing Impact Outcomes

*Strategic investments in impact outcomes*

Notable funds in portfolio using this strategy:

- **CCM Community Impact Fund**
- **TIAA-CREF Core Impact Bond Fund**



**Community Capital Management**, manager of the CCM Core Impact Bond Fund, invested \$308 million in 533 unique majority-minority census tracts in 2022.<sup>15</sup>



**Nuveen**, manager of the TIAA-CREF Core Impact Bond Fund, is a founding member of Morgan Stanley’s **Equity Collective Initiative**. Through this multi-year commitment, Nuveen engages with **Boys and Girls Club of America** and **Team IMPACT**, two nonprofit organizations that work with youth and young adults in historically marginalized communities across the U.S. on career readiness and leadership skills.<sup>16</sup>

## Important Information and Disclosures

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### FOOTNOTES

<sup>1</sup> Source: YourStake Data as of 12/31/2022 compared to Portfolio Specific Benchmark. YourStake is a provider of ESG data from 200+ underlying sources to help investors align their investments with their values. CapShift uses YourStake to track and report on impact metrics of clients' public portfolios. The Portfolio Specific Benchmark is created by weighting each underlying funds' benchmark in accordance with that fund's weighting in the portfolio. Companies that offer education technology products and/or educational support services, excluding negative externalities such as predatory educational institutions.

<sup>2</sup> Source: YourStake Data as of 12/31/2022 compared to Portfolio Specific Benchmark. This metric takes annual toxic air pollution data from factories as reported to the US EPA, and applies an overlay of U.S. Census data to assess the health risk borne by people living below the poverty line in communities surrounding the polluting facilities.

<sup>3</sup> Source: YourStake data of 12/31/2022 compared to Portfolio Specific Benchmark. Companies that pay their employees below a living wage.

<sup>4</sup> Source: YourStake data of 12/31/2022 compared to Portfolio Specific Benchmark. Ratio of CEO pay to median worker pay based on salary, bonus, stock options, and other compensation.

<sup>5</sup> Source: YourStake data as of 12/31/2022 compared to Portfolio Specific Benchmark. Companies that have received 25 or more Consumer Financial Protection Bureau complaints for predatory lending complaints, including payday loans, installment loans, pawn loans, title loans, tax refund anticipation loans, personal lines of credit, and check cashing, over the last 3 years.

<sup>6</sup> Source: YourStake data of 12/31/2022 compared to Portfolio Specific Benchmark. Companies that force arbitration for sexual harassment in employee contracts either as a required measure, or as a default with an opt-out option, receive a score of 100%. Companies that have ended the practice of forced arbitration for sexual harassment or have never used it receive a score of 0%. Forced arbitration agreements make it impossible for workers to sue their employers for sexual harassment.

<sup>7</sup> Source: YourStake data of 12/31/2022 compared to Portfolio Specific Benchmark. How well do food, telecom, and apparel companies disclose and prevent forced labor in their supply chains through practices such as strong grievance mechanisms and track records of remedying issues. Scores range from 0 (worst) to 100 (best).

<sup>8</sup> Select top holdings are stories of impact selected from the top 10 equity companies or fixed income investments comprising the largest share of the portfolio that align with the portfolio's intended strategy.

<sup>9</sup> "Microsoft Diversity and Inclusion Report," Pg 25. <https://www.microsoft.com/en-us/diversity/inside-microsoft/annual-report?activetab=innovation-spotlights%3aprimar4>

<sup>10</sup> Source: "Apple ESG Report 2022," Pg. 60. [https://s2.q4cdn.com/470004039/files/doc\\_downloads/2022/08/2022\\_Apple\\_ESG\\_Report.pdf](https://s2.q4cdn.com/470004039/files/doc_downloads/2022/08/2022_Apple_ESG_Report.pdf)

<sup>11</sup> Source: "Amazon 2021 Sustainability Report," Pg. 3. <https://sustainability.aboutamazon.com/2021-sustainability-report.pdf>

<sup>12</sup> Source: "CCM 2022 Impact Report," Pg 30. <https://www.ccminvests.com/impact/reporting/>

<sup>13</sup> Source: "Parnassus 2022 Stewardship Report," Pg 9: [https://assets-us-01.kc-usercontent.com/094ee837-48bb-001c-6959-053670061ebf/97292c2f-27ac-44b0-ba76-22325d300dfa/Parnassus%20Investments\\_2022%20Stewardship%20Report.pdf](https://assets-us-01.kc-usercontent.com/094ee837-48bb-001c-6959-053670061ebf/97292c2f-27ac-44b0-ba76-22325d300dfa/Parnassus%20Investments_2022%20Stewardship%20Report.pdf)

<sup>14</sup> Source: "Engagement Update: 99% of top 100 companies agree to disclose diversity date," Calvert. Pg 1-3. <https://institutional.eatonvance.com/media/36659.pdf>

<sup>15</sup> Note: A majority-minority census tract has a population that is at least 50% minorities, which means that more than half of individuals in the census tract are Black, Asian, Hispanic, Asian Pacific Islander, and/or Native American. Source: "CCM 2022 Impact Report," Pg 26-27. <http://www.ccminvests.com/wp-content/uploads/2023/01/CCM-2022-Impact-Report-FINAL.pdf>

<sup>16</sup> "Inclusion, diversity and equity at Nuveen: Community engagement," Nuveen. <https://www.nuveen.com/en-us/about-us/inclusion-diversity-and-equity-at-nuveen#Community-engagement>



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**Note on YourStake Sources:** YourStake gathers data from publicly available sources and cites every data point to ensure verifiability. YourStake looks for data that meet the following criteria:

- Hosted by government, SEC, academic, or trusted NGO sources.\*
- Applies to a broad set of companies, either across a sector, geographical region, or the whole economy.
- Contains quantitative, comparable measures.
- Updated frequently to reflect the current state of the world.

In general, YourStake chooses not to gather data from voluntary company reporting because companies often use different methodologies to report similar metrics, leading to the inability to compare, or worse, misleading comparisons that are not apples-to-apples. Instead, by using third-party and standardized data sources, YourStake can ensure fair comparability. YourStake frequently updates and improves its list of data sources. YourStake has also put together a proprietary database of shareholder engagement actions. This database draws from company reporting, including fund manager impact reports, websites, press releases, blog posts, and the general news media.

\* YourStake determines that an NGO source is a trusted source if it:

- Has a detailed and transparent methodology.
- Is updated frequently,
- Is already used by government regulators or the investor community to analyze, evaluate, or engage with companies.

### **Note on ESG and Impact Definitions:**

**ESG data integration:** Refers to funds that systematically and explicitly include material ESG factors into investment analysis and investment decisions, including exclusion of certain sectors or overindexing towards positive social or environmental focused sectors

**Advocacy & engagement:** Refers to funds who reported on taking actions such as shareholder engagement or proxy voting with underlying holdings in the past year at either the fund or firm level

**Impact outcomes:** Refers to funds who produce reports showing progress against explicit impact goals and targeted metrics in the past year at the fund level

## About CapShift

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CapShift partners with National Philanthropic Trust to help donors align their donor advised funds' investments with their values to create meaningful impact from the moment capital is donated until it reaches their preferred nonprofit. Learn more about CapShift's partnership with NPT by visiting [this page](#) or by reaching out to us at [hello@capshift.com](mailto:hello@capshift.com).

## DISCLOSURES

The above information does not constitute an offer to sell or a solicitation of an offer to purchase any security. All investments entail a high degree of risk and no assurance can be given that the investment objective will be achieved or that investors will receive a return of their capital. Any investment opportunities highlighted in this document are presented for illustrative purposes only. Additionally, investments may not achieve stated social, environmental, or similar objectives. Opportunities may not be suitable for all investors and past financial or social returns are not indicative of future results.

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