



2016
ANNUAL IMPACT REPORT



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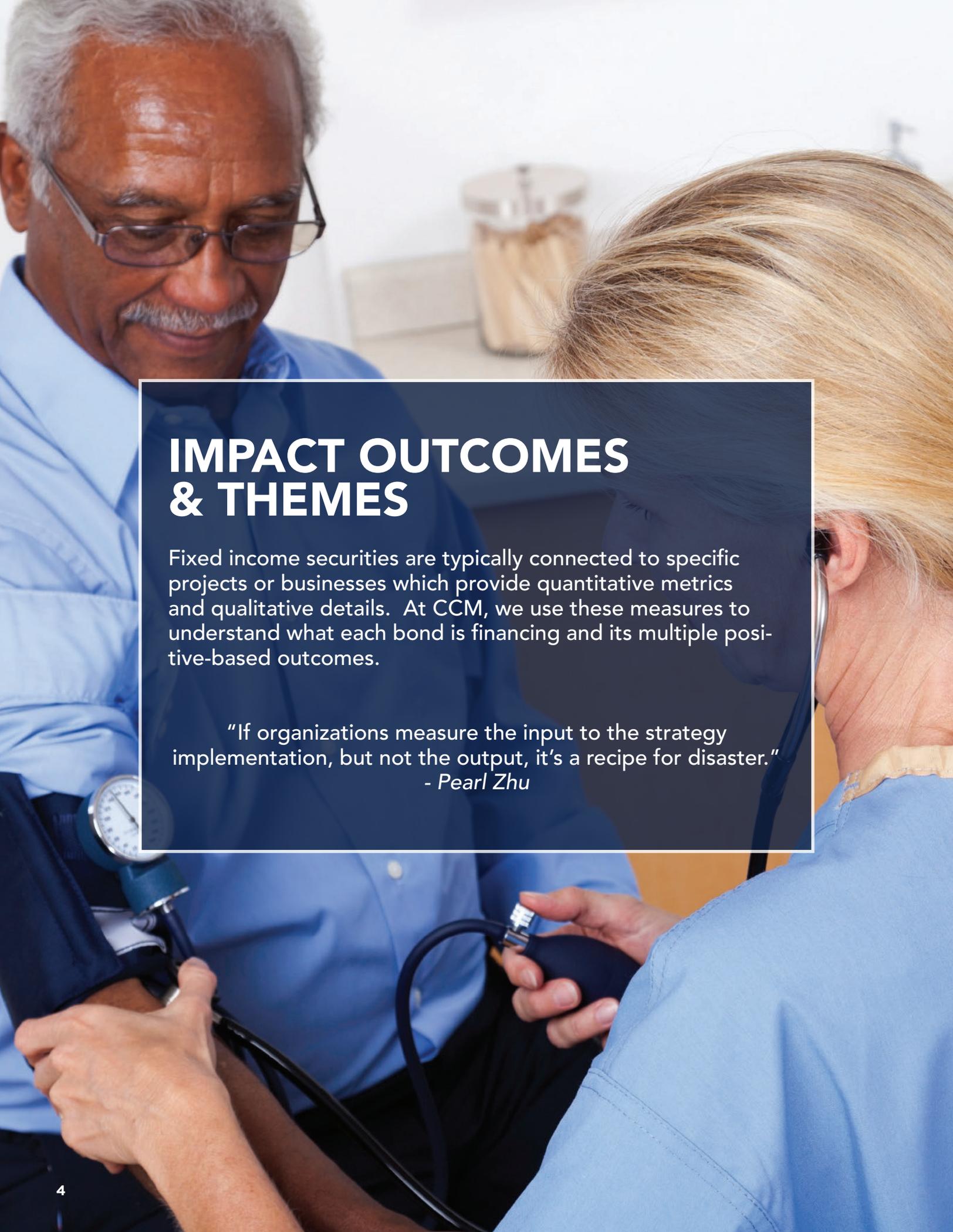
Community Capital Management, Inc. is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The securities identified and described herein are current holdings and for illustrative purposes. Their selection was based upon non-performance criteria, such as the security's social and/or environmental attributes. Impact figures mentioned in this report are approximate values. Past performance does not guarantee future results. Market conditions can vary widely over time and can result in a loss of portfolio value.

Community Capital Management (CCM): A Leader in Fixed Income Impact Investing since 1999

With over \$2 billion in assets, CCM is one of the largest fixed income impact investing managers. Our mission is to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes.

The 2016 annual impact report serves to inform our clients on the firm's:

- **Impact outcomes and themes** that positively impact communities nationwide
- **Investment philosophy** of incorporating the “environmental” and “social” aspects of ESG investing
- **Customized impact investing bond portfolios** by geographies or impact themes.
- **Sample investments** illustrating market-rate fixed income impact investments
- **Thought leadership** that took place during the year including white papers, reports, videos, and blogs
- **Engagement** in environmental and social groups and conference participation in industry-related events
- **Community service** and environmental focus



IMPACT OUTCOMES & THEMES

Fixed income securities are typically connected to specific projects or businesses which provide quantitative metrics and qualitative details. At CCM, we use these measures to understand what each bond is financing and its multiple positive-based outcomes.

*"If organizations measure the input to the strategy implementation, but not the output, it's a recipe for disaster."
- Pearl Zhu*

Impact Outcomes & Themes

CCM uses a quantitative and qualitative approach to understand what each bond finances and its multiple positive-based outcomes.

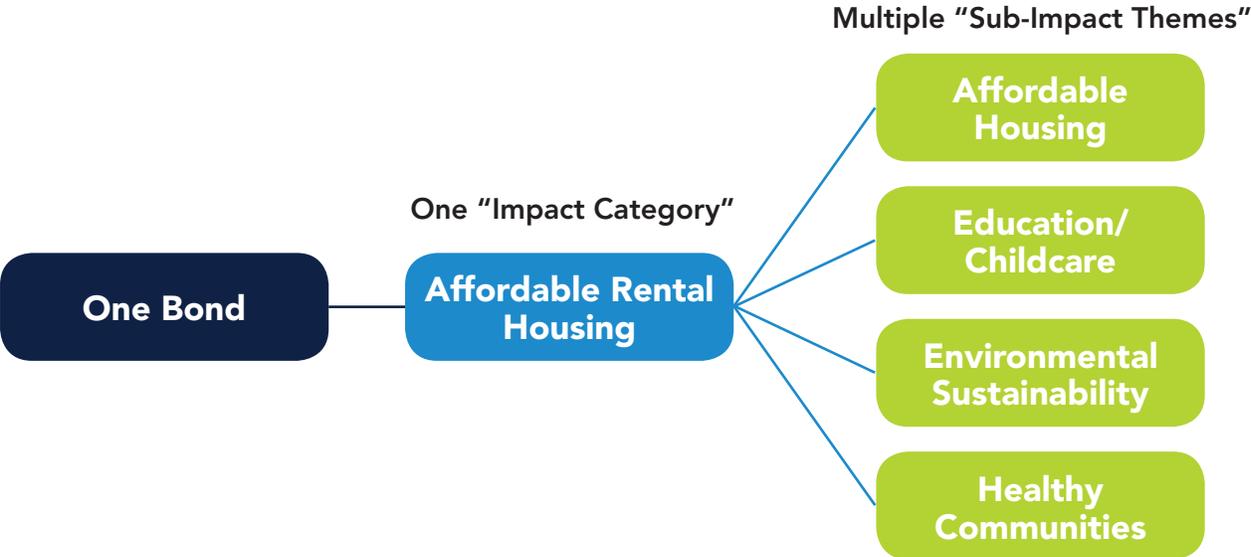
When capturing impact, we employ both a quantitative and qualitative approach. Since 1999, we have used six categories to classify our impact. Each of our investments is assigned to one of these categories. Over the last couple of years, we re-evaluated our holdings to capture the full scope of a bond’s impact. As a result, in 2015, we expanded our impact beyond these six categories by adding fourteen sub-impact themes. Each bond can now be classified with *multiple* themes.

Considering that many impact themes often overlap, it is not an easy task for any impact

investment manager to fully showcase the magnitude in which investments are positively benefiting communities. We anticipate other metrics and themes that will be highlighted in future reports as data collection tools are further enhanced.

Throughout this report, all of the dollar amounts, number of affordable housing units, pie chart percentages, etc. showcase quantifiable impact. However, the real heart of the story is the qualitative research and detailed explanations of what the bonds are financing and their multiple positive-based outcomes within communities.

Example: Impact Outcomes & Themes



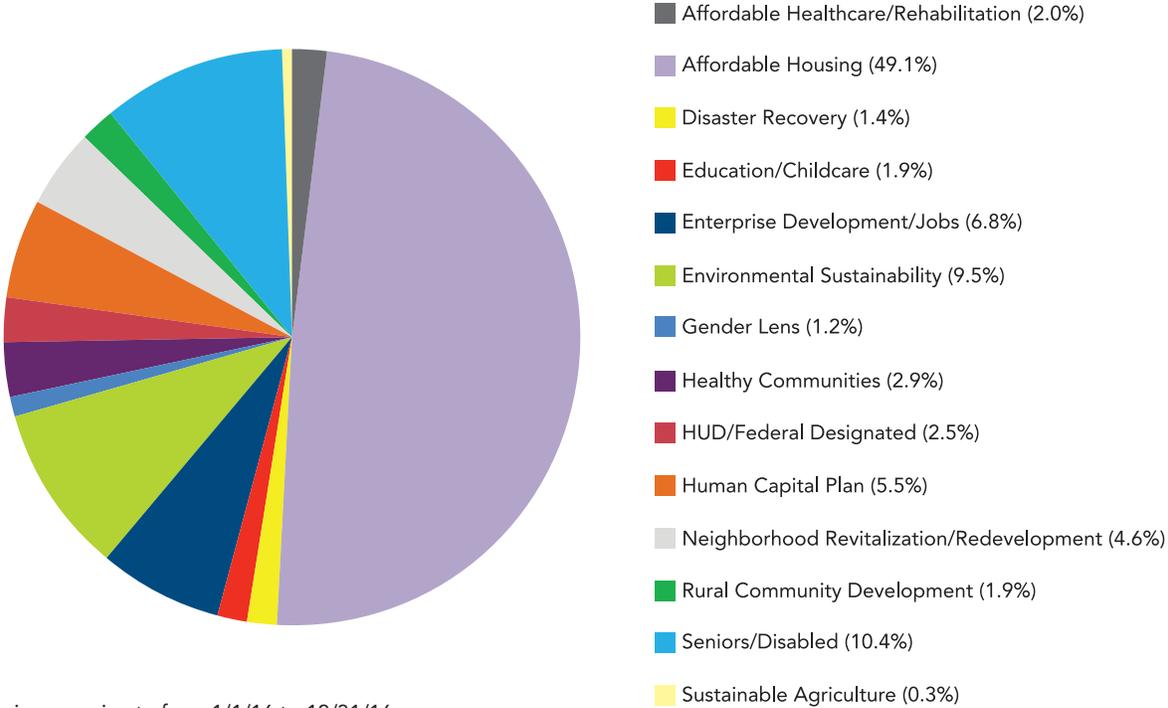
Impact Outcomes

Six Impact Categories

		2016	SINCE INCEPTION
1.	Affordable Rental Housing	\$228 million (30,000 units)	\$3.5 billion (356,000 units)
2.	Home Mortgages for Low- and Moderate-Income Borrowers	\$230 million (2,000 mortgages)	\$2.4 billion (15,800 mortgages)
3.	Enterprise Development/Job Creation	\$39 million	\$329 million
4.	Economic Development	\$44 million	\$400 million
5.	Statewide Homeownership and Down Payment Assistance	\$118 million	\$856 million
6.	Affordable Healthcare/Rehabilitation Facilities	-	\$33 million
	TOTALS	\$659 million	\$7.5 billion

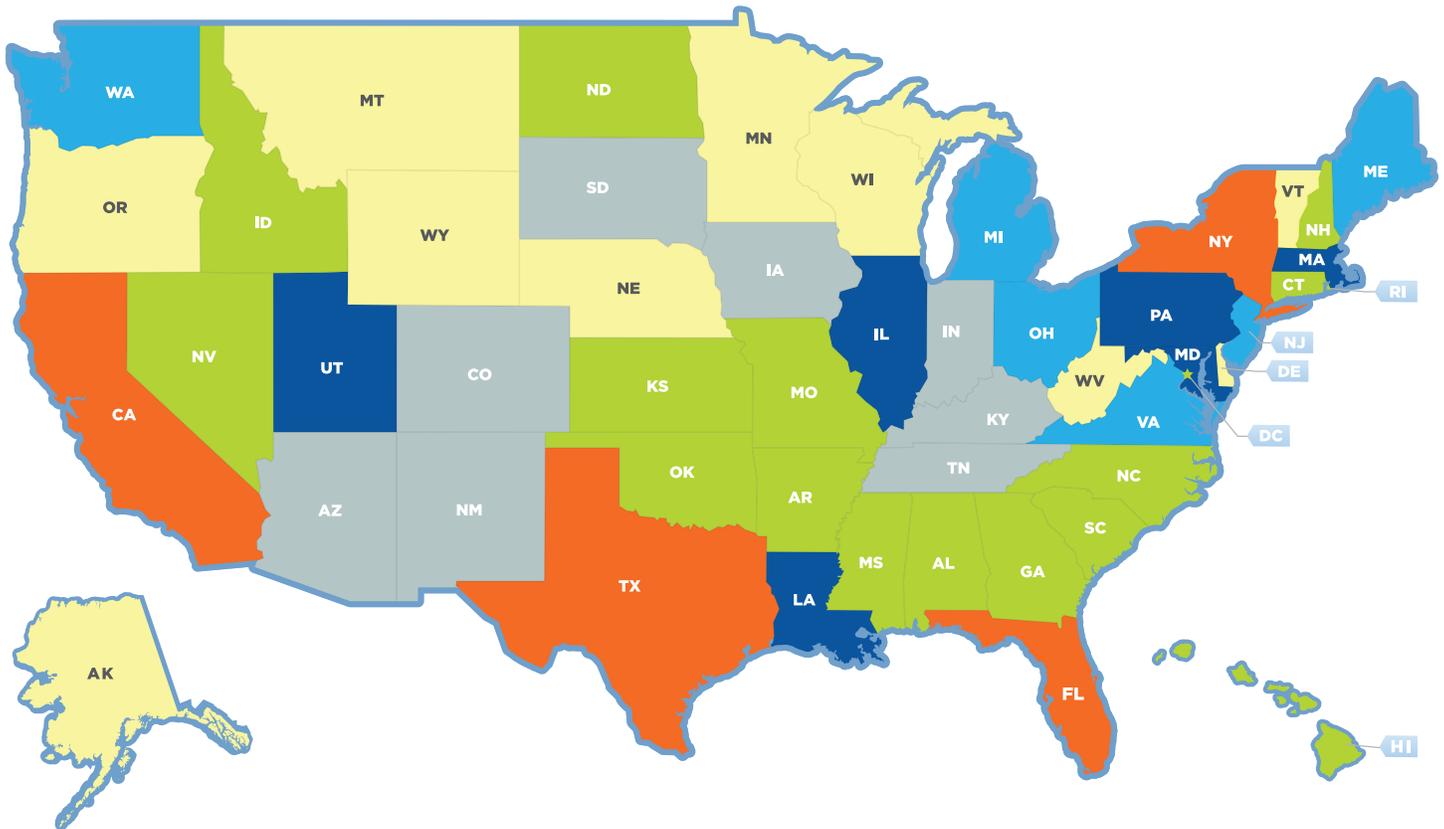
Since inception: 8/30/99 to 12/31/16; Economic Development includes environmental sustainability, neighborhood revitalization, healthy communities, and other general community development activities.

Fourteen Sub-Impact Themes



Data is approximate from 1/1/16 to 12/31/16.

CCM's 2016 Impact by State



Dollars invested in each state by CCM in 2016



Dollars invested in each state for 2016 only. Approximately \$12mm of CCM's investments in 2016 benefited multiple states. This is not represented on the map.

Impact Themes



Affordable Healthcare/Rehabilitation:

Creating and retaining affordable health-care and rehabilitation facilities and providing caring, affordable high quality healthcare and supportive services to low- and moderate-income and medically underserved persons. “Medically Underserved”: Areas or populations designated by HRSA (U.S. Department of Health and Human Services, Health Resources and Services Administration) as having: too few primary care providers, high infant mortality, high poverty, and/or high elderly population.



Affordable Housing:

Affordable housing is comprised of home ownership for low- and moderate-income borrowers and affordable rental housing. A home often represents a family’s primary asset and serves as a base to build wealth creation. Affordable rental housing should cost no more than 30% of a household’s income, and can help a community maintain a stable population by supporting workforce housing, and housing for low-income families, the elderly and disabled. Low- and moderate-income is defined by census reports.



Disaster Recovery:

Supporting various community development activities in federally-designated disaster areas to enable the recovery or continuation of daily life following a natural or human-induced disaster. Communities hit by disasters tend to receive emergency relief immediately afterward, but often see donor support drop dramatically after a few weeks. Millions of people from disasters are homeless and jobless, lack basic health care, and do not have schools for their children to attend, even several years later. Support for rebuilding helps communities regain permanent housing, health, and education infrastructure. Regardless if it’s direct support or through the capital markets, disaster recovery is critical and necessary.



Education/Childcare:

Assisting the education and development of children and youth with special emphasis on those who are educationally at risk. Students growing up in low-income communities tend to fall behind their peers. They participate in early learning at far lower rates than more affluent students, enter school less ready, and are more likely to drop out. For those low-income students who graduate from high school, they are less likely to go to college and less likely to graduate. Addressing the needs of students in low-income communities and low-performing schools as well as homeless students can help ensure that all kids have the opportunity to succeed. Additionally, kids that are in school are less likely to get into trouble and crime-related activities.



Enterprise Development/Jobs:

Providing small businesses with access to capital, job training for the un- and under-employed, and employment opportunities for low- and moderate-income people and communities. The consequences of unemployment are typically higher in low-income communities – lower-income households experience greater income losses (as a percentage of income) during recessions, and it typically takes them longer than higher-income households to get back on their feet. Unemployment can have multiple devastating effects. Supporting small businesses with access to capital and job creation as well as community initiatives that spur new jobs is essential and the engine of job growth in our economy. Our nation’s prosperity depends on individuals having the education and skills to obtain good jobs and progress along their career pathways. Job training is extremely important as Americans gain the skills they need to advance in the workplace.



Environmental Sustainability:

Rehabilitation of existing buildings; adaptive reuse; meeting energy codes; using renewable, reused, or recycled materials; water conservation; wind farms; solar; access to transit; sustainable agriculture; brownfield redevelopment; LEED certification; and environmentally sustainable small businesses. Sustainability helps protect the environments in which we and others live. Sustainability is not just about our environment but also about our health as a society and looking at the longer term effects of the actions humanity takes. Without being sustainable, it will be extremely difficult to maintain our quality of life as human beings, the diversity of life on Earth and its ecosystems. Additionally, energy efficiency and green affordable housing is improving health and safety in distressed communities while providing economic and environmental benefits.



Gender Lens:

Benefiting women and girls, primarily those that are low- and moderate-income and/or located in low- and moderate-income communities. Supporting women and girls is very important as it can improve socioeconomic growth, decrease sexual violence, help educate future generations and decrease infant mortality. Girls’ education and promoting gender equality can directly benefit adolescent girls and helps decrease the number of girls suffering in poor and vulnerable neighborhoods and households and instead, can help advance skills and job opportunities. Women are entitled to live with freedom and gender equality is a precondition for advancing development and reducing poverty. Empowered women contribute to the health and productivity of whole families and communities, and they improve prospects for the next generation.



Healthy Communities: Establishing and maintaining effective population-based strategies that reduce the burden of chronic disease and achieve healthy equity. A healthy community as described by the U.S. Department of Health and Human Services is one that continuously creates and improves both its physical and social environments, helping people to support one another in aspects of daily life and to develop to their fullest potential. Healthy places are those designed and built to improve the quality of life for all people who live, work, worship, learn, and play with their borders – where every person is free to make choices amid a variety of healthy, available, accessible, and affordable options.



HUD/Federal Designated: Historically Underutilized Business Zone (HUBZone); Distressed/Underserved; Empowerment Zone; Enterprise Community; Renewal Community; Neighborhood Networks. The U.S. Department of Housing and Urban Development (HUD) designates neighborhoods in need of economic and community development. The HUBZone program helps small businesses in both urban and rural communities. Distressed and underserved nonmetropolitan middle-income geographies are designated by federal bank and thrift regulators based on two sets of criteria. The first focuses on rates of poverty, unemployment, and population loss and the second focuses on population size, density, and dispersion. The Empowerment Zone, Enterprise Community and Renewal Community Initiatives were introduced in 1993 and sought to reduce unemployment and generate economic growth through the designation of Federal tax incentives and award of grants to distressed communities. Neighborhood Networks is a HUD program that provides grants to Public Housing Authorities (PHAs) to establish, expand and/or update community technology centers.



Human Capital Plan: Human capital plans identify resident needs and resources that assist them in achieving personal goals, greater self-sufficiency and upward mobility. It also helps link residents with community opportunities and resources. Human capital plans help rebuild neighborhoods with a range of amenities and comprehensive support services. It helps low-income families and communities toward positive social and economic integration.



Neighborhood Revitalization/Redevelopment: Transforming blighted neighborhoods into areas of opportunity and assisting in the revitalization of neighborhood facilities. The neighborhoods we live in shape our behaviors and influence our health. Where we

live matters and the revitalization of low-income communities positively improves people's lives. Studies have shown that aspects of neighborhood environments – such as the presence of sidewalks and playgrounds, after-school physical activity programs for children and youth, and availability of affordable nutritious food – can promote health by encouraging healthy behaviors and making it easier to adopt and maintain them. Similarly, people are more likely to receive recommended medical care when facilities are accessible from where they live, either because they are located nearby or because safe, convenient transportation is available.



Rural Community Development: Investing in rural communities can help alleviate poverty and create wealth. Rural communities face unique challenges, and generally face different opportunities and limitations to achieving prosperity relative to their urban and suburban counterparts. For rural areas, natural resources from agriculture, mining, or recreational activities often have a greater role in local economic development. In contrast, rural areas often lack human capital due to their low population density and outmigration as a result of limited employment and economic opportunities. One of the greatest challenges to rural communities is that they suffer from poverty disproportionately than urban or suburban areas.



Seniors/Disabled: Affordable living for seniors and/or disabled individuals; meeting the physical, social and psychological needs of seniors and/or the disabled. Studies show that lack of social support is related to negative impacts on health and well-being, especially for older people. Having a variety of positive social supports can contribute to psychological and physical wellness of elderly individuals. Support from others can be important in reducing stress, increasing physical health, and defeating psychological problems such as depression and anxiety.



Sustainable Agriculture: Assisting in the art and science of growing plants and crops, the raising of animals for food, and supporting agriculturally-sustainable businesses. The basic goals of sustainable agriculture are environmental health, economic profitability, and social and economic equity. Sustainable approaches are those that are the least toxic and least energy intensive that maintain productivity and profitability.

INVESTMENT PHILOSOPHY

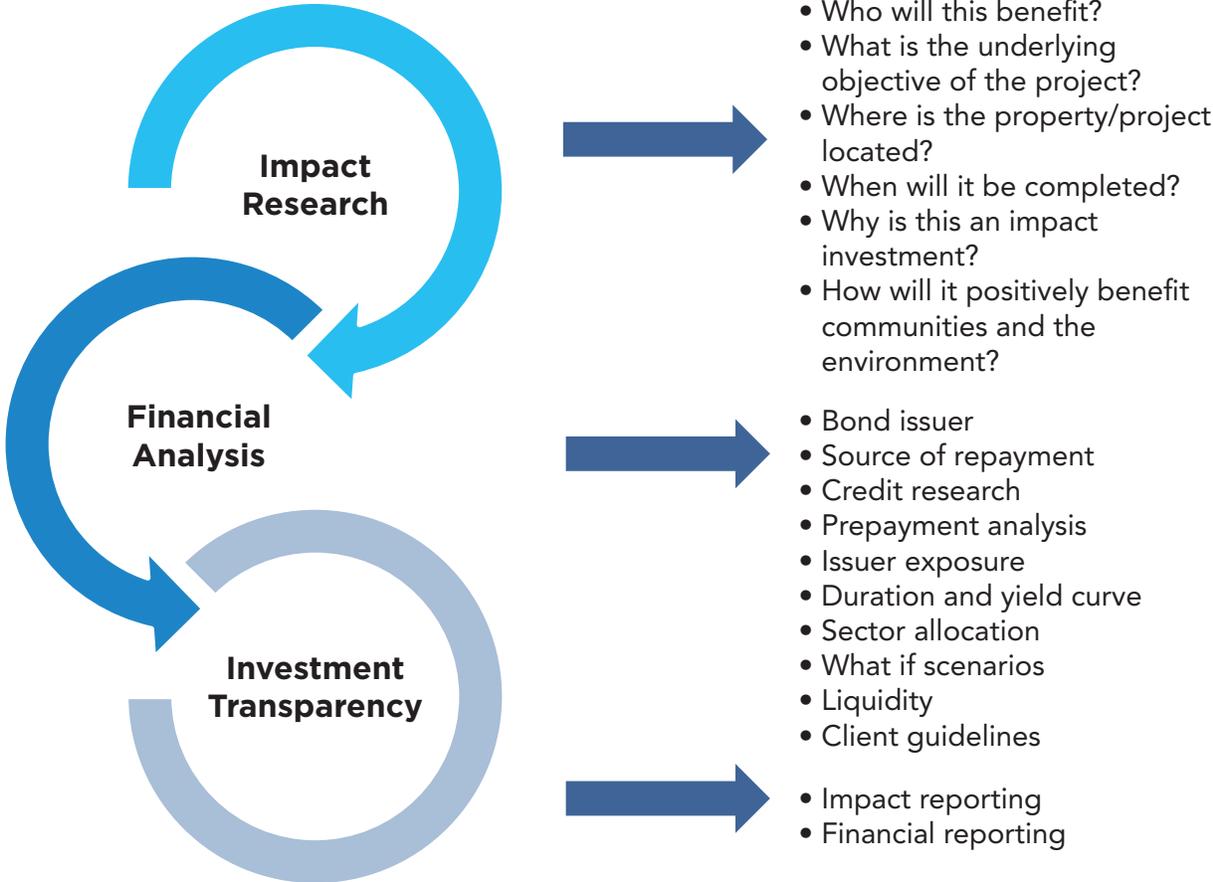
A set of guiding principles that inform and shape the investment decision-making process.

“The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate.”

- Benjamin Graham

Investment Philosophy

CCM incorporates the “environmental” and “social” aspects of ESG investing into our investment philosophy by proactively screening market-rate bonds that positively contribute to economic and sustainable impact.



“CCM’s pioneering research process combines impact research with financial analysis providing an added layer of investment transparency by detailing the use of bond proceeds.”

- Todd Cohen, Chief Executive Officer & Chief Investment Officer

Making an Impact Through U.S. Fixed Income Securities

We invest in four sub-sectors of the bond market where we can identify, record, and track the environmental and social activity that the transaction supports. They include U.S. Single Family Agency Mortgage-Backed Securities (MBS), Agency Commercial MBS (CMBS), Taxable Municipals, and Asset-Backed Securities (ABS). These types of securities typically have the following characteristics: stable income, high credit quality, strong liquidity, low volatility, and competitive returns.

We have historically not invested in corporate bonds because their use of proceeds are difficult to pinpoint making it challenging for us to identify, record, and track the underlying environmental and social activity.

However, in 2016, Starbucks became the first U.S. company to issue a corporate sustainability bond and we bought this particular issue as a result of its clear intended use of proceeds, environmental and social benefits, and ongoing impact reporting of the bonds' proceeds.

From time to time, we will also invest in and actively seek Community Development Financial Institutions (CDFIs) that meet our risk/reward profile. In 2016, several of these did meet our terms and we were able to place assets in support of their community development activities.

U.S. Single Family Agency MBS: The U.S. single family residential mortgage market consists of a primary mortgage market in which lenders make loans to homebuyers and a secondary mortgage market in which mortgage lenders exchange loans for MBS. We invest in U.S. single family agency MBS pools backed by Fannie Mae, Freddie Mac, and Ginnie Mae.

➤ **Impact:** Agency MBS pools are customized to low- and moderate-income borrowers. Pools can additionally be looked at for walkability, rural neighborhoods, and homes located in federally declared disaster areas.

Agency CMBS: The Agency CMBS market includes various MBS where the underlying assets are commercial real estate, predominantly multifamily properties.¹ They can also include assisted living facilities and mental health complexes. We invest in agency CMBS issued by Fannie Mae and Ginnie Mae.

➤ **Impact:** Agency CMBS can have multiple positive impact outcomes such as: affordable healthcare, rehabilitation, affordable housing, education/childcare, environmental sustainability, healthy communities, HUD/Federal designated, human capital plans, neighborhood revitalization/redevelopment, seniors/disabled, and more.

¹ https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=ulg&format=PDF&document_id=804470950&serialid=U5FsxFX7/t82jS4v1mzNV2K/3Nvug80B8M/PjtKFFtc%3D

Taxable Municipals: Taxable municipals are taxable debt obligations of a state or local government entity and are subject to federal taxes. They can finance a variety of projects benefiting communities and the environment.

- **Impact:** Taxable municipals finance a range of environmental and social projects and initiatives such as affordable housing, education/childcare, enterprise development/jobs, environmental sustainability, gender lens, neighborhood revitalization/redevelopment, transit-oriented development, and more.

Asset-Backed Securities (ABS): ABS are financial securities backed by a loan, lease, or receivables against assets other than real estate and MBS. We have historically invested in Small Business Administration (SBA) loans and pools, and in 2016, announced new innovative financing activities on behalf of clients within the ABS sector.

- **Impact:** ABS finance affordable loans, enterprise development/jobs, environmental sustainability, and more. SBA loans finance enterprise development for small businesses helping to create and retain jobs, provide access to capital, and assist with capital for expansion, or other business-related activities.



CUSTOMIZED IMPACT INVESTING BOND PORTFOLIOS

CCM's customized portfolios finance a variety of tangible positive-based outcomes. Detailed impact reports are provided to clients so they can see exactly what the bonds in their portfolio are financing and how they positively impact communities nationwide.

"I alone cannot change the world, but I can cast a stone across the waters to create many ripples."

- Mother Teresa

Customization

CCM’s goal is to understand its clients’ objectives – financial *and* impact – to create a bond portfolio that meets both of these needs.

We build impact portfolios from the bottom up and do not use negative screens. All of the bonds in our portfolios are impact investments. For clients that are interested in customizing their bond portfolio, we offer the opportunity for their investments to support specific impact themes or geographies.

For investors that want to target by geographies, they can choose counties, states, or regions (or multiple locations). In this case,

the investments would support a variety of all the fourteen impact themes and would be located in the specified geography.

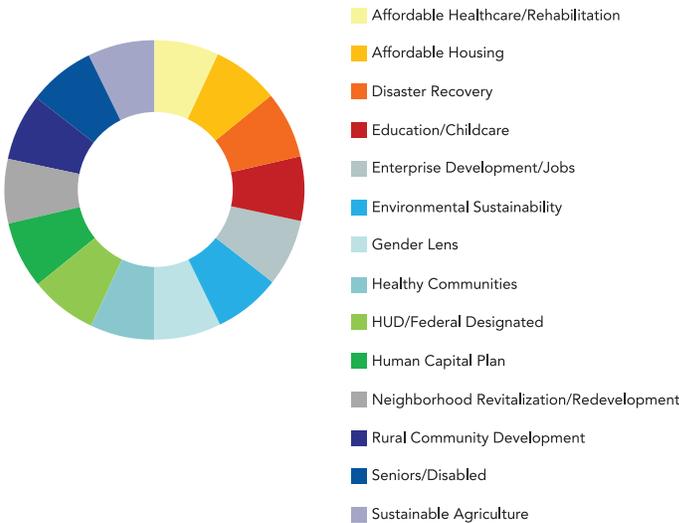
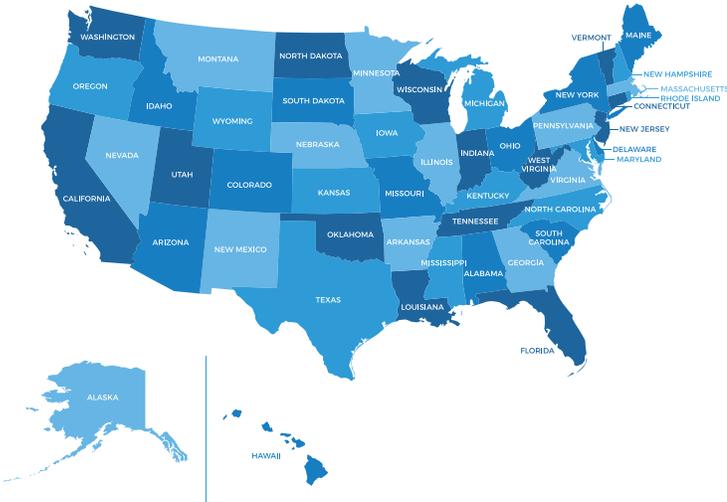
For investors that want to target by impact themes, they can choose one or more of the fourteen impact themes listed below. These investments would be located anywhere in the United States and would all be financing those selected themes.

Customization: By Geography OR Impact Theme(s)

By Geography



By Impact Theme(s)



Pie chart is for illustrative purposes only and does not represent actual percentages for each impact theme.

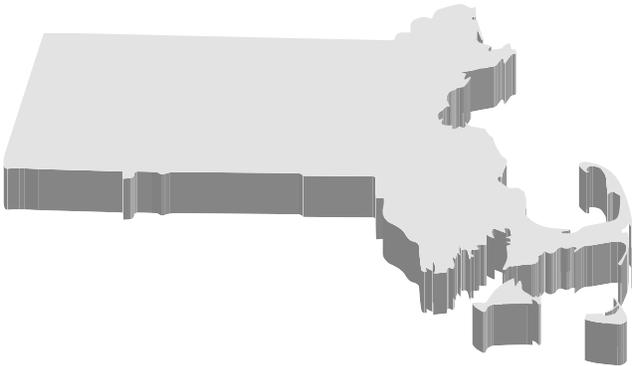
Customization Case Studies

BY IMPACT THEME(S)

Investor: A client would like to target education for underprivileged youth.

Customization: Investments will be customized to support initiatives aimed at improving education in the lives of underprivileged youth nationwide.

Investment Example: Funds helped acquire, construct, and renovate a school in Indiana for girls where the majority of the students in one of two public housing developments are on free or reduced lunch. The school serves girls in grades Kindergarten through 6 and one of its goals is to enhance the girls' conceptual engagement in science and mathematics.



BY GEOGRAPHY

Investor: A client would like to target social and environmental initiatives in Massachusetts.

Customization: Investments will be customized to support a variety of social and environmental initiatives such as affordable housing, job creation, neighborhood revitalization, etc. in Massachusetts.

Investment Example: A multifamily property in Jamaica Plain, Massachusetts transformed a large blighted and vacant lot into seven buildings of high quality affordable housing. The property is conveniently located near community green space, bus transportation, highway access, downtown Boston, shopping, restaurants, banking, recreational amenities, and medical facilities. The property is located in a high poverty census tract with 30% of the population living below the poverty line.



EXAMPLES OF FIXED INCOME IMPACT INVESTMENTS

Included on the following pages are four investment stories. It is this qualitative communication that provides the most detailed and impactful information on how our investments have positive impacts within communities nationwide.

*"Stories make us more alive, more human,
more courageous, more loving."
- Madeleine L'Engle*

Elizabeth Seton Pediatric Center Yonkers, New York

About: The Elizabeth Seton Pediatric Center was established in 1987 by the Sisters of Charity of New York. It was founded to provide specialized clinical and rehabilitative services to medically complex children with multiple physical and neurological conditions and disabilities.

In March of 2012, the Pediatric Center relocated from Manhattan to a brand new, state-of-the-art facility in Yonkers, NY. This 165,000 square foot complex serves 137 of New York State's most medically complex children.

Impact: The loan to Elizabeth Seton Pediatric Center helped finance the construction and expansion of the Center to accommodate 32 additional children who are dependent on ventilators. The three-story addition enables the Center to serve a total of 50 ventilator-dependent children and brings the total number of children served by the Center to 169. In addition, the John A. Coleman School, which serves the residents of the Center, added more classrooms to educate these new residents. With the expansion, the Center has hired an additional 100+ employees.

In addition to its commitment to children, the Center is also committed to the environment through its green initiative and building design. The Yonkers facility has been awarded a Leadership in Energy and Environmental Design (LEED) Gold Certification.

Going "green" has allowed the Center to create the healthiest environment for the medically complex children served. Most of the children who reside there have significant respiratory and pulmonary issues and to ensure optimal air quality, the Yonkers facility was built with one of the most sophisticated HVAC systems with HEPA filtration to ensure that the air quality is 99.97% pollutant-free.

During the construction of the Center, 20% of all materials used were manufactured within 500 miles of the facility and all of the wood was grown in a renewable and managed forest.

On-Site Visit: In 2016, David Sand, chief investment strategist, visited the Center. He was fortunate to go on a tour and was genuinely impressed with the Center, its level of care for the children, and its commitment to the environment.



Affordable Healthcare/
Rehabilitation



Education/
Childcare



Enterprise
Development/Jobs



Environmental
Sustainability

Congress Building Miami, Florida

About: The Congress Building is an historic Beaux Arts high-rise community located in the heart of downtown Miami. The Congress Building was added to the National Register of Historic Places on March 14, 1985 and is a locally identified historic site in the Downtown Miami Development of Regional Impact. Originally built in 1923 as office space, the building was restored and converted to affordable apartments in 1998. During the rehabilitation, the lobby was fully restored to reveal the buildings original wood beamed ceilings. The copper and bronze elevator doors and marble floors were also restored to their original condition.



Impact: The Congress Building is a Low Income Housing Tax Credit Property where 117 of the property's 128 residential units are used for low-income housing for a term of 50 years from the date the first residential unit is placed in service. At least two units are targeted and tailored for the elderly, handicapped, or disabled tenants.

On-site tenant activities, financial counseling, educational courses, and job training are offered to residents. Financial incentives are also offered to qualified tenants wishing to move into homeownership in the form of a contribution of five percent of the tenant's net rent during the entire occupancy, with a vesting period of no longer than three years of continuous residence.

On-Site Visit: Jamie Horwitz, chief marketing officer, and Gabby Bastos, marketing assistant, visited the Congress Building and were given a tour of the building by the property manager. She mentioned that 100% of the units were being occupied by low-income tenants. At the visit, Jamie and Gabby met with residents and saw the different types of apartments including studios, one-bedroom, and three bedroom units. The second floor of the building offers workout facilities, laundry facilities, and a community room where programs such as Welfare-to-Work are held. The property is adjacent to the Miami-Dade Metromover providing residents easy access to points within downtown Miami and to other modes of transportation such as the Metrorail.



**Affordable
Housing**



**Environmental
Sustainability**



**Human Capital
Plan**



**Seniors/
Disabled**

VetPowered San Diego, California

About: VetPowered, formerly known as Workshops for Warriors (WFW) Industries, provides state-of-the-art manufacturing, welding/fabrication, machinery repair, and customized training for veterans. Owner and President Hernán Luis Prado founded the business in 2009 to build a stronger future for veterans and their families by helping them to transition into the workforce while meeting the large demand for skilled manufacturers in the U.S. The business is Certified Minority Owned and Service-Disabled Veteran-Owned (SDVSB).

Impact: Every product made and serviced by VetPowered supports a 501(c)(3) nonprofit dedicated to training, certifying, and placing veterans and wounded warriors into advanced manufacturing careers.

VetPowered won the 2015 San Diego Business Journal Manufacturing Award for best community service. In 2016, the San Diego Regional Chamber credited the business with a Veterans Honor Roll distinction and voted it as a finalist in the 2016 San Diego Small Business Awards.

The business is located in a Historically Underutilized Business Zone (HUBZone) and within a low-income census tract with 97% in the minority population and 27% living below the poverty line. The HUBZone Program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. It was enacted into law as part of the Small Business Reauthorization Act of 1997 and falls under the auspices of the U.S. Small Business Administration (SBA).

The loan to VetPowered was authorized under 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 SBA 7(a) Program is SBA's primary vehicle for providing small businesses with access to credit.



“Founded in 2009, VetPowered services the intersection of a highly qualified Veteran manufacturing workforce with industry needs.”

- Hernán Luis y Prado, Owner and President



**Enterprise
Development/Jobs**



**HUD/
Federal Designated**



**Human Capital
Plan**

Snowberry Heights

Marquette, Michigan

About: Snowberry Heights is an apartment community located along Lake Superior in Michigan's Upper Peninsula. Marquette County is predominantly a rural region with Snowberry Heights located in a Non-Metropolitan Statistical Area. Rural has been defined in many ways, most often in terms of non-urban status. Three of the most commonly used definitions are from the U.S. Bureau of the Census, the Office of Management and Budget, and the U.S. Department of Agriculture (USDA).² Marquette is the most populated city of the Upper Peninsula with 21,355 residents as of the 2010 census. In 2012, CBS Money Watch voted Marquette County as a top ten place to retire.

Impact: Snowberry Heights Apartments provides 191 affordable rental units for those "62 and better", handicapped, or disabled. These pet-friendly apartments are located a short distance from a hospital, medical center, retail shops, and public transportation. The nearby hospital, UP Health System – Marquette, has a Rural Physician Program (RPP) which is designed to educate students to become exemplary physicians with the clinical skills needed to meet the needs of rural Michigan.

Residents at Snowberry Heights have access to a community room, hair salon, on-site laundry, library, shuffleboard courts, and grocery/pharmacy delivery.

Marquette County is predominantly a rural region with Snowberry Heights located in a Non-Metropolitan Statistical Area.



**Affordable
Housing**



**Rural Community
Development**



**Seniors/
Disabled**

² <https://www.hrsa.gov/healthit/toolbox/RuralHealthITtoolbox/Introduction/defined.html>



COMMUNICATIONS & ACTIONS

Just like we look at our investments and their significance to benefiting environmental and social initiatives, we are equally committed to making a significant impact through thought leadership, engagement, and community service.

*"In a gentle way, you can shake the world."
- Mahatma Gandhi*

Thought Leadership

In 2016, CCM produced various content on the positive impact of our investments, engaged in environmental and social groups, and partook in over 40 conferences.

Throughout 2016, our team looked at various ways to keep our investors up-to-date on how fixed income securities are positively impacting communities nationwide. We also looked at ways to improve how we communicate our products and strategies.

White papers, reports, videos, and blogs all play an essential role when showcasing our dedication and knowledge in impact investing.

White Papers/Reports

In March, we released a white paper, *The Illusion of Corporate Bond Diversification in a Balanced Portfolio*, which explains how correlations between equity and corporate fixed income indices have historically been highest during times of negative equity returns, thus reducing the benefits of diversification.

In September, we released a new report, *An Approach to Incorporating Sustainable Investing within your Bond Portfolio*, which covers:

- How we identify, record, and track the underlying social and environmental activity of our bonds
- Why fixed income is an ideal asset class to start making sustainable investments
- Examples of our investments that have positive sustainable outcomes



Additional reports specific to CRA/bank investors and the liquid alternative income strategy are available at www.ccminvests.com.

Videos

In May, we produced a video showing the powerful impact of fixed income place-based investing with a spotlight on Newberry Hall in Detroit, Michigan. Newberry Hall is an important piece of Detroit history. It was saved from demolition, revitalized with attention to historic detail, and updated with energy-efficient features.





Working with asset.tv, we created a video for the launch of their impact investing channel titled: *Making a Positive Impact Through U.S. Fixed Income Since 1999*. The video is available on our website and was used across multiple social media outlets to help investors better understand fixed income impact investing.

Blog

Our blog continues to serve as an informal setting to discuss topics relevant to impact investing. In 2016, we covered themes ranging from waste, the gender gap, fossil fuel divestment, fixed income sustainability, and 401K plans.

Social Media

We continue to participate in social media with increased posts on Twitter (@ccminvests), LinkedIn, and Harvest. Social media is a great way to inform investors on our impact investing initiatives.

Press Releases

One of our press releases in 2016 introduced the firm's new logo and tagline: *Impact Investing Since 1999*. This tagline showcases our longevity and experience as well as our dedication and commitment to impact investing. While the logo changed to better represent the firm's experience, our mission remains the same – to deliver superior risk-adjusted returns via investment strategies that contribute to positive environmental and social outcomes.



Another press release distributed at the end of the year showcased our \$25 million investment in innovative impact investing asset-backed securities. These types of investments demonstrate the transformation in impact investing, specially within fixed income, for various types of bonds having a positive social and/or environmental impact.

“There is a tremendous amount of progress in the impact investing space and we are excited to see where it continues to evolve.”

- David Sand, Chief Investment Strategist

Engagement



CROATAN
INSTITUTE



The Forum for Sustainable
and Responsible Investment



AERIS



In 2016, we continued our commitment to engaging with networks and organizations involved in impact investing. Highlights include:

- In February, David Sand, Chief Investment Strategist, was elected to the board of Aeris. Aeris guides capital to good as an information service for community investors who champion economic justice in underserved markets.
- In March, we were among one of the 77 founding members of the Intentional Endowments Network (IEN). IEN is a collaborative network advancing intentionally designed endowments through a variety of strategies including ESG integration, impact investing, and shareholder engagement that will make a significant and critical contribution to creating a healthy, just, and sustainable society.
- In September, we joined a group of shareholders representing \$2.1 trillion in assets in signing a letter calling for a full repeal of North Carolina’s House Bill 2 (HB2) – the bill which bars transgender people from using restrooms they prefer based on their gender identities. With the recent news of the unsuccessful repeal, CCM will keep an eye on opportunities for further engagement.

- In September, Croatan Institute announced the release of an educational fossil-free investment portfolio, the Divest-Invest Clean 15. The portfolio includes 15 investment strategies, across five major asset classes, offering institutional investors opportunities to invest in strategies that pursue solutions to climate change and other environmental challenges. Our firm is one of 15 managers highlighted in the portfolio.
- In November, following this year’s election, our firm joined hundreds of investors and companies in signing a letter urging the White House to not abandon the Paris Climate deal. This effort was recognized by The New York Times, CNN, and NPR.
- In December, Alyssa Greenspan, President and Chief Operating Officer, was re-elected to the board of U.S. SIF. US SIF: The Forum for Sustainable and Responsible Investment, is the leading voice advancing sustainable, responsible, and impact investing across all asset classes.

Conferences

Conferences provide great opportunities for our team to network and share our dedication to the impact investing space.

That is why, every year, we actively seek participation in conferences across the country. In 2016, our firm attended over 40 conferences, many of which CCM's Chief Investment Strategist, David Sand, participated as a speaker, and several of which we participated in for the first time. Highlights of some of those events are included below.

CONFLUENCE PHILANTHROPY

Annual Practitioners Gathering 2016
Cambridge, MA

- ✓ CCM's fourth year participating
- ✓ David Sand presented on place-based investing

HIGH WATER WOMEN

Investing for Impact Symposium
New York, NY

- ✓ CCM's third year participating

IMPACT CAPITALISM SUMMIT 2016 CONFERENCE

Chicago, IL

- ✓ CCM's second year participating
- ✓ David Sand presented on fixed income impact investing



LEADERSHIP CONFERENCE WOMEN RELIGIOUS (LCWR)

LCWR Assembly 2016

Atlanta, GA

- ✓ CCM's first year participating

MISSION INVESTORS EXCHANGE

2016 National Conference:

Seizing the Momentum

Baltimore, MD

- ✓ CCM's fourth year participating
- ✓ David Sand presented on place-based investing

RESOURCE CENTER FOR RELIGIOUS INSTITUTES (RCRI)

National Conference 2016

Anaheim, CA

- ✓ CCM's fourth year participating

SOCAP16

Annual Conference

San Francisco, CA

- ✓ CCM's first year participating

THE 28th ANNUAL SRI CONFERENCE

Sustainable, Responsible, Impact Investing-
Denver, CO

- ✓ CCM's twelfth year participating
- ✓ David Sand presented our liquid alternative income fund

US SIF

2016 Conference: Investing for the
Next Generation

Washington, DC

- ✓ CCM's sixth year participating

Community Service

CCM is committed to helping the environment, making charitable donations, and volunteering in our communities.

Helping the Environment

More than 17 million barrels of oil are required annually to meet America's demand for bottled water and the energy wasted using bottled water is enough to power 190,000 homes.³ Knowing this, and in an effort to be more environmentally friendly, in 2016, our offices stopped ordering disposable water bottles and replaced silverware, cups, and plates with reusable dishware. We also looked at ways to reduce our paper consumption and the environmental impact of transportation by reducing printing and sending more materials electronically in lieu of mail.

This year, our Florida office participated in the Ronald McDonald House Charities (RMHC) of South Florida's Pop Tab Program. By collecting pop tabs, we helped contribute to the thousands of dollars the Ronald McDonald House is able to generate from their recycling. The mission of RMHC is to create, find, and support programs that directly improve the health and well being of children in south Florida.



Charitable Donations

Each year, we donate to charities chosen by our employees. In 2016, donations were given to many impactful organizations, including but not limited to: Four Diamonds Childhood Cancer, Catholic Charities Teen Center, HOPE Ministry Project, Children's Home Society, Donate Don't Dump, and Movember.

These organizations provide a variety of supportive services including childhood cancer, teen violence, homelessness, child-abuse shelters, food waste, and male health.

Sponsorships

For the seventh year, we sponsored the Jason Taylor Foundation's annual golf classic. The Foundation supports and creates programs that facilitate the personal growth and empowerment of South Florida's children in need by focusing on improved health care, education, and quality of life.

For the fourth year, we sponsored the Enterprise New York Gala. Enterprise's mission is to create opportunities for those of low- and moderate-income through affordable housing in diverse, thriving communities.

For the second year, we sponsored the United Way of Broward County's Day of Caring. This annual event gathers volunteers from around the county to participate in a community-wide event, helping to make a difference in our own backyard.

³http://web.archive.org/web/20080517214846/http://www.pbs.org/pov/borders/2004/water/water_disposable.html

Community Service

Employees are encouraged to volunteer their time toward community service. While many of our employees consistently volunteer as individuals throughout the year, we're always looking for opportunities to volunteer as a group.

In 2016, our team participated in its fourth year at the United Way of Broward County's Annual Day of Caring which packaged over 300,000 meals for the hungry as part of their Outreach Program.

In December, employees wrapped 50 shoeboxes and filled them with necessary toiletries for The Seafarer's House. This non-profit organization serves those in the maritime community in our neighborhood of Fort Lauderdale.

Many of our firm's employees regularly volunteer their time within their community to a variety of organizations benefiting local children and low-income families.



Looking Ahead

What's in store for 2017?

Investors are looking for clarity amidst geopolitical changes and market uncertainty. We are confident that with the new administration, the work that we do will become even more impactful.

With the increased demand for fossil fuel free offerings and impact investments, we are excited to see where the future of impact investing is heading. Millennials deserve a large amount of credit for bringing impact investing mainstream, and we expect this trend to continue. They are increasingly incorporating environmental and social factors into their investment portfolios. We are excited to partner with these younger investors leading the way in the world of impact investing.

As investor interest in impact investing continues to grow, so too has the attention given to it by mainstream firms. We think it is validation that conventional firms are treating impact investing as a viable strategy. We also think that clients benefit from the care and focus that a dedicated impact investing firm brings to the research, analysis, underwriting, and portfolio management of impact investing strategies.

Thanks to our investors, we have the opportunity to help finance vital community devel-

opment initiatives such as affordable housing, environmental sustainability, access to capital, and resources such as childcare programs and job training. We are excited about the ongoing opportunity in finding innovative deals that finance impactful projects on behalf of our clients.

In 2017, CCM will become a signatory to the UNPRI, the first global guide to responsible investment regulation. Becoming a signatory demonstrates the alignment of our impact investment goals with those of the global impact community.

We will also be increasing our role with the Interfaith Center on Corporate Responsibility (ICCR) as an affiliate member as we continue to educate and work with the religious community on fixed income impact investments.

Lastly, we will be looking to create additional state-specific impact investing portfolios with the goal of uniting more public and private state-based institutions to invest back into their communities through fixed income impact investments.

There are many other opportunities that will arise throughout the new year and we look forward to reporting on these as they happen.



About CCM

CCM is an investment advisor registered with the Securities and Exchange Commission. Headquartered in Fort Lauderdale, Florida with offices in Charlotte, North Carolina and Boston, Massachusetts, the firm was founded in 1998 and manages over \$2 billion in assets. Since its inception, CCM has invested more than \$7.5 billion in its flagship intermediate fixed income impact investing strategy, available as a separate account or via a mutual fund (CRA Qualified Investment Fund). Other products managed by CCM include a liquid alternative income fund and customized separate account strategies. For more information, please visit www.ccminvests.com or call 877-272-1977.

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