



Wespath

BENEFITS | INVESTMENTS



2015-2016 SUSTAINABLE INVESTMENT REPORT

Global Investor— Sustainable Investor (an excerpt)

Solar panel installation—courtesy of Off Grid Electric

Positive Impact Investment

Wespath's *positive impact investments* reflect the intent that our global investment activities have a positive impact on society and the environment. An area of focus is our Positive Social Purpose (PSP) Lending Program, which promotes affordable housing, community development and entrepreneurship among underserved populations worldwide.

Positive Social Purpose Lending Program

For more than a quarter century, Wespath has invested in loans that support affordable housing and community development for the most disadvantaged neighborhoods in the United States, while also earning a market-rate return. Our PSP Lending Program has financed real estate development in all 50 states, providing shelter, education and health services to low-income, underserved populations.

We also invest in microfinance strategies in developing markets around the world, which facilitate loans to individuals who have little or no access to traditional financial services.

In 2015, the PSP Lending Program celebrated its 25th anniversary. It began in 1990 with a \$25 million commitment to affordable housing and surpassed \$2 billion in cumulative investments in 2016.

PSP Lending Program Statistics

PSP celebrated **25th** anniversary in 2015

Investments in all **50** states

Global microfinance loans in developing countries

Surpassed **\$2 billion** in cumulative investments in 2016

Social Value

Wespath seeks to enable our clients and participants to meet their investment objectives while honoring the values of the UMC.

The UMC's *Social Principles* state: "We support the basic rights of all persons to equal access to housing, education, communication, employment, medical care, legal redress for grievances, and physical protection."

The PSP Lending Program has focused on investing in three categories:

- **affordable multifamily rental housing** for families, seniors and those with special needs
- **community development** properties, including community centers, charter schools, health centers/clinics, homeless shelters and grocery stores
- **microfinance lending** in developing markets, including Latin America, Eastern Europe, Southeast Asia and Sub-Saharan Africa

PSP Lending Program Investments

\$1.93 billion in affordable housing across U.S.

\$59.3 million in community development

\$83 million in microfinance investments

Since the program's inception, we have invested **\$1.93 billion** in affordable housing across the United States, resulting in:

- the creation or preservation of nearly **52,000 affordable housing units** for families, seniors and populations with special needs, and
- approximately **\$1.9 billion¹³** in federal, state and local taxes generated

¹³ Calculated using data from National Association of Home Builders: www.nahb.org/en/research/nahb-priorities/low-income-housing-tax-credit.aspx

Positive Impact Investment (continued)

Social Value (continued)

We have invested **\$59.3 million in community development projects**, including financing:

- **23 charter schools** providing quality education to over **8,700 students**
- **10 community facilities**, including health centers, substance abuse treatment centers and shelters for the homeless

Our **\$83 million in microfinance investments** since 2005 have helped over **1 million people**—many of whom live on less than \$2 per day.

Currently, we have approximately **\$3 million invested with Shared Interest**, a non-profit social investment fund dedicated to assisting South Africa’s townships and rural communities. Since 2007, our investment with Shared Interest has supported the South African community by:

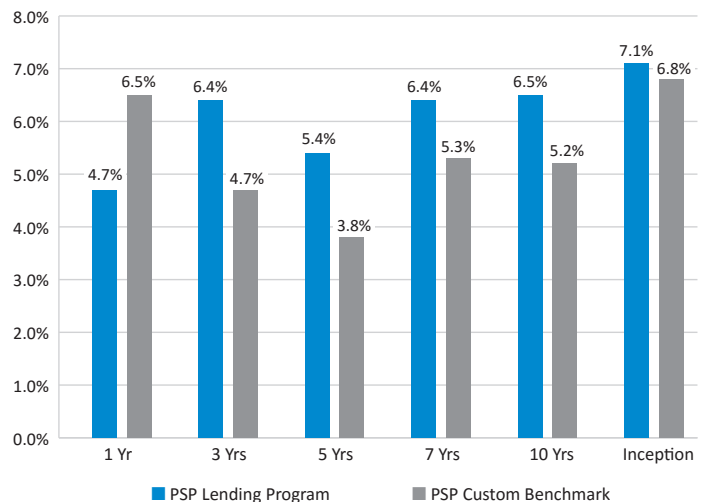
- assisting **152,139 small- and micro-enterprises**
- helping **21,605 homeowners**
- creating **291,937 jobs**

“Our \$83 million in microfinance investments since 2005 have helped over 1 million people—many of whom live on less than \$2 per day.”

Financial Impact

The impact of the PSP Lending Program extends well beyond its social value—the program has outperformed its benchmark in the 25-year, 10-year, 5-year and 3-year periods, helping to secure the financial sustainability of our funds.

Historical Performance as of December 31, 2016 (Gross of Fees)



Performance data on aggregate PSP portfolio, PSP Custom Benchmark since 1/1/2010 is comprised of 60% Barclays Universal ex-MBS, 25% Barclays US Long Credit A, 15% Barclays Credit 1-5.

We rely on a network of intermediary partners—primarily community development financial institutions (CDFIs) that focus on providing credit and financial services to underserved markets and populations—who serve as key contributors to the financial success of the PSP Lending Program.

PSP intermediaries are responsible for initial transaction due diligence, underwriting, monitoring and servicing of loans. For the majority of transactions, they also act as a buffer—absorbing initial losses in the case of a default. (As of December 2016, total losses account for approximately 0.05% of cumulative PSP investments since program inception.)

Many of the intermediary relationships established early on in the PSP Lending Program are still in place and continue to contribute to the growth and success of the program.

Small Business Owners with Impact

Lizeta and Dona Rosa—small business owners in Mozambique’s Manhiça district—are among those our investments with Shared Interest have reached. Both accessed loans through AfricaWorks Mozambique (AWM), which uses the loan guarantee from Shared Interest to provide financing to businesses around the country. Here are their stories.



Lizeta Jose Gojamo

Lizeta began selling vegetables in Manhiça in 1978. Today, she supports the 15 people in her household, including four adult children and 10 grandchildren. Four years ago, she received her first loan from the microfinance institution AWM. She had been selling tomatoes, but found that they often rotted, and her income was insufficient to feed her family.

The loan from AWM, and subsequent loans, enabled her to expand the size of her shop to include tee-shirts, blouses, head scarves and other items, and allowed her to rent additional display space in the local market. With the increased profits, she has been able to send her grandchildren to school. “And now,” she said, “all the children eat every day. This was not true before.”



Rosa Biatriz Manganho (“Dona Rosa”)

Dona Rosa took charge of the vegetable stall in the Manhiça market after her mother’s death. Following in her mother’s footsteps—and with the help of credit from AWM—she has been able to make significant improvements in her family’s lives. Her children are pursuing their high school and college educations. With the money she has borrowed as part of an AWM borrowing group, she has broadened her stock/inventory to include additional kinds of vegetables (cabbage, carrots, potatoes and cucumbers). The profits of her business have enabled her to purchase a gas stove, refrigerator and sofa, and to expand her house, which is home to seven people, including her four children.

She has been a steady AWM customer and is now repaying her seventh loan. Her first was for MZM5,000 (\$68.25), and her current loan is for MZM13,000 (\$177.44).

She is proud that one of her sons (age 26) is a fifth-grade teacher, and that her daughter is currently completing 11th grade. With the ongoing credit support from AWM, Dona Rosa plans to continue to expand the business, attract more customers and finance her daughter’s education.

Personal stories courtesy of Shared Interest.

Positive Impact Investment (continued)

25 Years of Success

For over 25 years, the PSP Lending Program has benefited participants and communities worldwide. Investors benefit from positive financial returns. Individuals, families and underserved communities benefit from new or redeveloped assets, social services and job opportunities. We all benefit from more vibrant and stable neighborhoods with better schools and support services that contribute to thriving communities.

INVESTMENT HIGHLIGHTS

Rochester View Apartments



This affordable housing property targets the special needs population in Henrietta, New York. Thirty-three units are designated for individuals involved with New York State's Office of Mental Health, and 28 units are designated for income-eligible members of the deaf community. Units are restricted to tenants earning up to 50% of the area median income. Residents have access to a variety of social services such as housing retention, coordinated and managed mental health, and general health care and stabilization.

- Location: Henrietta, New York
- Units: 61
- Loan Amount: **\$5.4 million**

West Michigan Academy of Environmental Science Charter School



West Michigan Academy of Environmental Science is a top-ranked charter school in Michigan, with 90% of its graduates continuing to higher education. We helped finance the expansion of the school's facilities, including renovations to the existing primary school building and construction of a new building on the school campus that replaced temporary modular classroom structures. The school, which serves 900 students, is located on a 62-acre campus and its curriculum incorporates environmental themes into students' studies.

- Location: Walker, Michigan
- Loan Amount: **\$7 million**

Off-Grid Renewable Climate Action Notes/ Developing World Markets (DWM)

Wespath joined with the Church Pension Group, the pension fund for the Episcopal Church, to invest \$30 million each in companies that help provide solar energy to poor communities in developing countries that are not connected to national power grids.

Our microfinance investment with DWM provides financing to 11 institutions operating across nine countries. These organizations help people purchase solar-powered lanterns, home solar kits, and other products and services to light their homes, refrigerate their food and charge their mobile devices in an increasingly connected world.



Courtesy of Off Grid Electric

“Over one billion people globally have no access to electricity, while another billion only have occasional access. For many around the world, energy access is vital to supporting a move out of poverty.”

According to the United Nations, over one billion people globally have no access to electricity, while another billion only have occasional access. For many around the world, energy access is vital to supporting a move out of poverty.

UN Secretary-General Ban Ki-moon has said: “Energy is the golden thread that connects economic growth, social equity, and environmental sustainability.”

Deploying Capital in a Low-Carbon Economy

Wespath believes companies that are positioned to benefit from a low-carbon global economy are attractive long-term investments. In 2016, we invested \$350 million in two new *low-carbon energy solutions* public equity mandates.

These investments include companies providing:

- energy efficiency
- renewable energy
- water infrastructure and
- pollution control

All are solutions to the challenges arising from climate change.

“In 2016, Wespath invested \$350 million in two new *low-carbon energy solutions* public equity mandates.”

