



Investing for *Socioeconomic Empowerment* 101

Sustainable and impact investing may be used to empower historically disadvantaged communities. We discuss the pillars of empowerment, with examples of how the varying financial levers can be used for impact.

Focus on Economic Resilience

The COVID-19 pandemic clarified the intersectional links among access to resources, economic prosperity and race in the U.S. Accordingly, the pandemic prompted sustainable and impact investors to focus on advancing economic resiliency and mobility by allocating capital to investment opportunities that promote economic empowerment. With enhanced technology and accessible data, today's sustainable and impact investing landscape offers investors both competitive returns and mission-alignment within their portfolios.

Solutions targeting the five pillars – community development, affordable housing, education, healthcare and food security – can provide greater accessibility to impactful investment opportunities and enhanced tools for measuring nonfinancial environmental and social outcomes. Investors have an opportunity to mobilize capital across these pillars, using varying investment vehicles and financial levers across asset classes.

The Pillars of Empowerment

There are several ways to support socioeconomic empowerment. Public market investments, private investment opportunities and Community Development Financial Institutions (CDFIs) serve to diversify portfolios. In the case of public market investments, many public companies are incentivized to shift operational and governance practices, such as policies around livable wages, fair labor practices and fair lending policies, that affect a company's own workforce and communities. Fixed income municipal bonds may give investors an opportunity to mobilize proceeds toward affordable housing, education, food security and other other community-specific projects. Conversely, private investments offer specialized opportunities not otherwise found in public markets.



Publicly Listed Companies
and Municipal Bonds



Community Development
Financial Institutions



Privately Held
Companies

For example, companies not publicly listed can encompass more targeted impact activities, from serving specific populations in geographic areas to creating new, market-based solutions. Activities also include a wide range of targeted challenges such as financial technology, education technology and agricultural technology.

Lastly, CDFIs are unique loan programs certified by the U.S. Department of Treasury to support economic development for historically underserved communities.

Community Development

We define community development as intentional spaces and services for residents that have the capacity to improve their quality of life. Amenities such as local libraries, healthcare facilities and community organizing spaces are pivotal in promoting economic opportunity, empowerment and prosperity to community members. Unfortunately, such services have been underfunded for decades and disproportionately underserved.¹ CDFIs may help bridge needed capital flow since these institutions serve underbanked populations by lending to individuals, organizations and businesses in under-resourced communities. CDFIs not only offer affordable or flexible financing to qualified low-income businesses, but they also build strong partnerships with the communities they serve and typically offer technical assistance in the form of financial education, career and business coaching.² Investors are able to participate in CDFI investments through promissory note programs for CDFI loan funds.

Lever for impact: Investing in a promissory note for CDFI loans for local businesses in historically marginalized communities.

Affordable Housing

The U.S. continues to struggle to provide affordable housing for those most at risk of homelessness. The national housing wage, which is the hourly wage a person working full-time needs to earn to afford a modest two-bedroom rental, is historically more than the federal minimum wage and more than what most families with children and low-wage workers can comfortably afford.³

With high housing costs and stagnant supply, there is a clear need to increase both access to affordable housing and to the supply of affordable rental housing. Solutions may come from a variety of public and private sources, including rental assistance, down payment assistance and tax credits to incentive multifamily affordable housing development. Several investment vehicles can leverage the latter, aiding in building the supply of affordable housing through real asset investments.

Lever for impact: Investing in a private real estate fund specialized in redeveloping affordable, mixed-income multifamily housing, with a focus on community development and sustainable infrastructure.

Education

Education funding in the U.S. relies primarily on state resources and local property taxes, leading to disproportionate negative impacts to school districts in high-poverty areas. Such districts serve larger shares of students of color, leads to poor test scores and lower graduation rates. In addition, funding efforts as well as demands on educational systems such as after-school care and responses to unexpected emergencies can vary across states.⁴ Leveraging capital markets could help bolster education systems so they adequately serve children across all socioeconomic backgrounds.

Lever for impact: Participating in a general obligation municipal bond for school districts' infrastructure and student services in underserved communities.

Healthcare

Many individuals and families face limited access to healthcare services, increasing health disparities and poor health outcomes. Affordable health insurance is part of the solution, but factors such as economic, social, cultural and geographic barriers to healthcare must also be considered.⁵ The current healthcare system will continue to face complex and evolving challenges, whether from public health emergencies, medical staffing shortages increasing private insurance costs or longer-term shifts in Medicare payer mix. Greater transparency and strengthened antitrust laws could help promote health-competitive and efficient markets.⁶ New solutions in public markets alongside private market opportunities may also play a role in strengthening access to healthcare, particularly in low-income and marginalized communities.

Lever for impact: Investing in public companies with leading healthcare coverage and benefits for its workforce and/or companies in the healthcare sector with programs to serve at-risk populations.

Food Security

According to the U.S. Department of Agriculture, a significant percentage of U.S. households with children experience food insecurity at some point during the year.⁷ Access to healthy foods can also be a broader issue across the country, with millions of people in low-income areas having limited access to supermarkets or affordable healthy food. Such trends will likely persist due to evolving supply chain and global food production concerns. Innovation in food production, as well as efficient access to healthy food, may be bolstered by investment from public and private markets.

Lever for impact: Investing in a promissory note for CDFI loans for food markets and collectives to serve low-income populations.

Holistic Portfolio Mission Alignment

Portfolio dollars, operational resources and shareholder power may work synergistically to achieve a new level of holistic mission alignment, allowing for innovative financing approaches. There is a growing focus on “blended finance,” where public or private funding is combined with philanthropic resources to amplify impact. Among institutional investors, philanthropies and foundations are increasingly expanding their support for impact investing as an alternative investment tool. For example, a foundation whose mission is to provide education scholarships may also commit investment dollars to opportunities that help expand the quality of access to education.

Advocacy may also fuel meaningful economic and social progress. Advocacy efforts can leverage change and drive further positive impact through direct dialogue, activism and policy involvement with key decision makers. Extending the previous example, that same foundation may also choose to spend operational resources and shareholder power toward advancing key policies to support the foundation’s education mission. Advocacy, in the sustainable and impact investing space more broadly, requires robust expertise from investment professionals to navigate dynamic facets of mission-driven alignment.

Philanthropy and Advocacy Work Together

Investors increasingly recognize they can achieve financial returns while also making significant contributions to the pillars of empowerment. Moreover, today’s suite of sustainable and impact investing opportunities can work synergistically with philanthropy and advocacy, allowing for innovative financing approaches that amplify organizations’ and individuals’ missions and values.

The pillars of empowerment are deeply multifaceted and interconnected, and complex financial vehicles within capital markets can be leveraged for positive impact. With increasing awareness of sustainable and impact investing, alongside its growing capabilities thanks to technology and data availability, the industry and its capacity for impact will continue to evolve.

For information on investment solutions that seek to advance the range of pillars of socioeconomic empowerment, please email SustainableAndImpactInvesting@glenmede.com.

¹ Out of Reach. National Low Income Housing Coalition, 2023. <https://nlihc.org/oor>.

² Ibid.

³ Ibid.

⁴ Allegretto, S., E. Garcia and E. Weiss. "Public Education Funding in the U.S. Needs an Overhaul." Economic Policy Institute, 2022. <https://www.epi.org/publication/public-education-funding-in-the-us-needs-an-overhaul/>.

⁵ <https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/access-health-services>.

⁶ <https://www.brookings.edu/articles/procompetitive-health-care-reform-options-for-a-divided-congress/>.

⁷ "Food Security in the U.S." Economic Research Service, September 8, 2021.

<https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-u-s/interactive-charts-and-highlights/>.

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