



**The Community Foundation
OF FREDERICK COUNTY**

Sustainable Focus Option

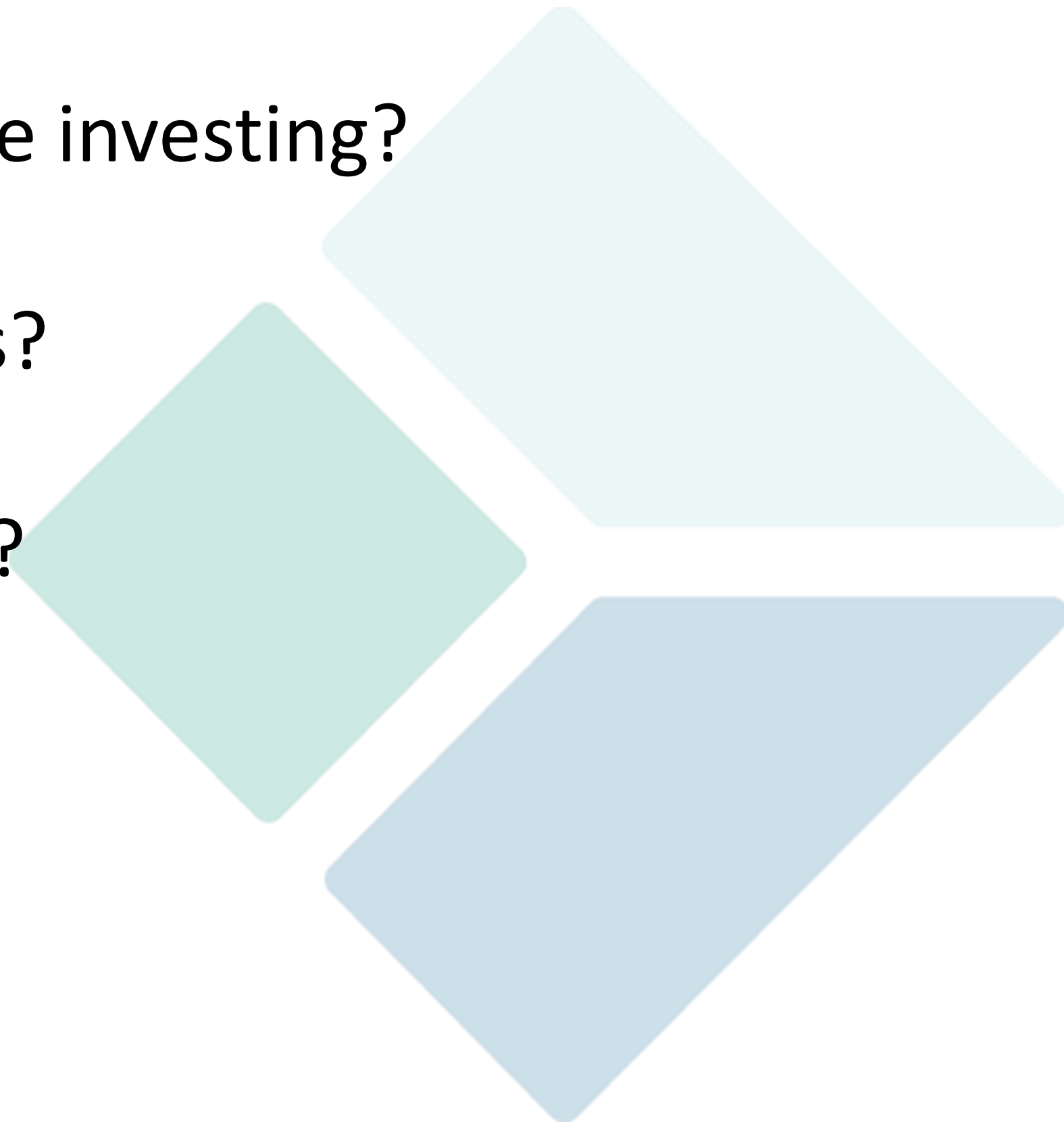
Information Session

March 7, 2024

www.FrederickCountyGives.org

What we will cover...

- 1) Why are we talking about Sustainable investing?
- 2) What questions did we ask ourselves?
- 3) What are our steps moving forward?



Why are we talking about ESG investing?

The 2023 strategic plan includes the following in Pillar 1: Catalyst for Collaborative Impact:

5-Year Goals:...

*Use data-driven research to explore impact investing (program-related investments) in Frederick County and **broaden values-aligned investing (e.g., ESG factors or funds led by people of under-represented populations).***

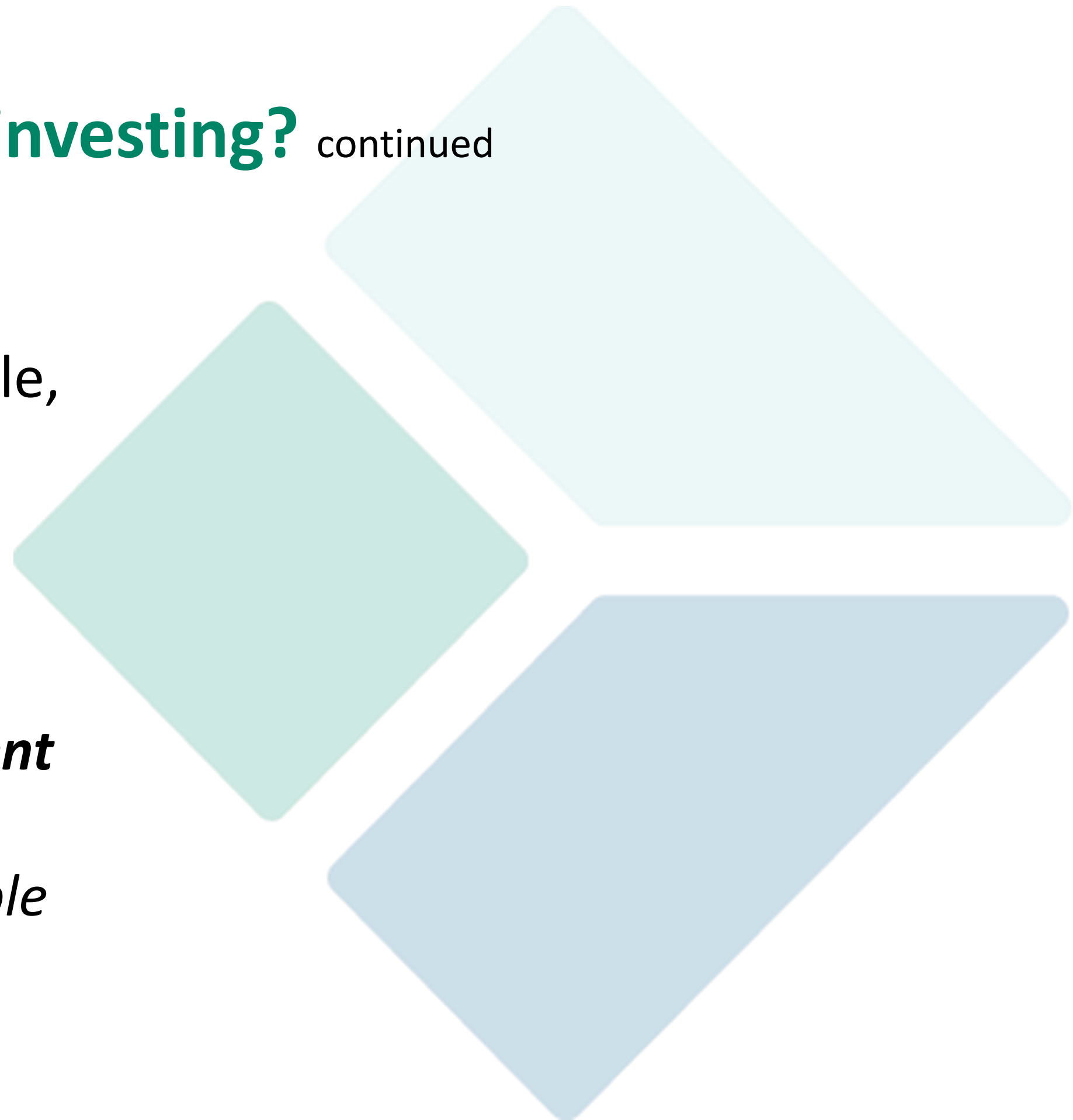


Why are we talking about ESG investing? continued

The 2023 strategic plan includes the following in Pillar 4: Effective, Sustainable, Impactful Enterprise:

5-Year Goals:...

*Investigate purchasing and **investment practices relative to DEI** and create intentional policies to ensure equitable access by firms with diverse owners.*



What questions did we ask ourselves?

How can this fit with our current investment options?

Investment Options

Hundreds of named Community Foundation funds are invested as follows:

THE GROWTH OPTION

Growth to a certain benchmark defines this option. Almost the entire portfolio is held in equities. When the fund reaches the intended benchmark, it is transferred to another investment option to start awarding scholarships and/or grants.

THE BALANCED GROWTH OPTION

Growing the fund at an acceptable level of risk defines this option that is generally used for quasi-endowment funds. This portfolio has tiered investments, with the majority in equities and smaller amounts in other instruments.

THE BALANCED INCOME OPTION

Producing income while growing the fund defines this option generally used for endowment funds. This portfolio holds tiered investments, with the majority in fixed income instruments and smaller amounts in equities and money market funds.

DECISION AFTER CAREFUL REVIEW:

Add new standard option with ESG focus
Delete Balanced Income Option

THE MAINTENANCE OF PRINCIPAL OPTION

Preservation of principal is this option's only objective. This portfolio is held in money market accounts and certificates of deposit.

THE ALTERNATIVE INVESTMENT OPTION

Donors establishing a fund with \$500,000 or more may recommend an investment manager and strategy, subject to the approval of the Community Foundation's Board of Trustees.

THE SUSTAINABLE FOCUS OPTION

Investing the fund's assets in a way that promotes positive social and environmental outcomes. This portfolio invests in both equities and fixed income instruments.

What is Sustainable Investing?

Sustainable Investing Philosophies *Can Be:*

- Additional rigor in the investment process that considers **long-term material risk**
- Investing in a way that reflects a set of **personal values**
- These two philosophies are often – but not always - in agreement!

Sustainable Mutual Funds *Can Use Strategies Like:*

- Divesting from “Bad Actors” like fossil fuel industry, alcohol/tobacco, etc.
- Investing in companies that meet a set of “Good” criteria
- Engaging with companies through shareholder meetings and proxy votes to “improve” them

Most funds will do some combination of these things, but in many different ways

What is Sustainable Investing ... As defined by the Community Foundation's Working Group

- Investing in companies or efforts that exhibit positive environmental practices.
- Investing in companies or efforts that exhibit positive practices regarding gender, racial and ethnic equality, including but not limited to internal DEI efforts as well as positive public engagement with under-represented communities.
- Investing in companies or efforts that exhibit positive practices in raising the quality of life for all communities.
- Investing in companies that generate positive societal impact in Frederick County.
- Investing in companies that exhibit strong governance practices, including but not limited to board independence, board diversity, and executive compensation.
- **Generating returns in line with traditional investments in each asset class.**

What is important about Sustainable Investing ... As defined by Community Foundation Fund Founders

Through a focus group with a select group of Fund Founders, we heard the following:

- While sustainable characteristics are important, this is still an investment and performance numbers should still be a top priority.
- Funds that have a long track record are preferred.
- Funds that have a lot of money invested with them (i.e. large Assets Under Management (AUM)) are preferred

What is the Sustainable Focus Option?

A new investment option that can be chosen when you create your fund with the Community Foundation. It is replacing the Balanced Income option.

Investment Options

Hundreds of named Community Foundation funds are invested as follows:

THE GROWTH OPTION

Growth to a certain benchmark defines this option. Almost the entire portfolio is held in equities. When the fund reaches the intended benchmark, it is transferred to another investment option to start awarding scholarships and/or grants.

THE BALANCED GROWTH OPTION

Growing the fund at an acceptable level of risk defines this option that is generally used for quasi-endowment funds. This portfolio has tiered investments, with the majority in equities and smaller amounts in other instruments.

THE SUSTAINABLE FOCUS OPTION

Investing the fund's assets in a way that promotes positive social and environmental outcomes. This portfolio invests in tiered investments, with the majority in equities and smaller amounts in other instruments, with decisions made with a sustainable focus.

THE MAINTENANCE OF PRINCIPAL OPTION

Preservation of principal is this option's only objective. This portfolio is held in money market accounts and certificates of deposit.

THE ALTERNATIVE INVESTMENT OPTION

Donors establishing a fund with \$500,000 or more may recommend an investment manager and strategy, subject to the approval of the Community Foundation's Board of Trustees.

What is the Sustainable Focus Option?

An investment option that is managed as rigorously as any of our other options, with a full asset allocation plan.

The Community Foundation of Frederick County
Statement of Investment Objectives and Policies
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Over a rolling three-year period, the Sustainable Portfolio will strive to achieve a blended, weighted total return exceeding the Community Foundation's asset allocation passive benchmarks. Acceptable parameters for investments are:

US Equities	20% to 60%
International Equities	7% to 40%
Fixed income	16% to 50%
Cash/Cash Equivalents	0% to 15%
Private Equity	0% to 15%

What is in the Sustainable Focus Option?

Largest Allocation: Parnassus Core Equity Fund



- By far the largest sustainable fund in the world (Over \$28B AUM)
- Active since 1992
- Has outperformed S&P 500 since inception (11.11% vs 10.25%)

Parnassus' Approach to Sustainable Investing

Our approach to sustainable investing occurs in three stages: pre-investment, which includes avoiding companies on our Restricted List; deep sustainable analysis as part of our investment process; and post-investment, which focuses on ongoing review of our Sustainable Risk Reports and active ownership through engagement.

Compare w 5 largest in
Balanced Growth

What is in the Sustainable Focus Option?

Style	Fund	Active Since	AUM (\$M)	Since Inception Performance Vs Benchmark
Mid-Cap	Boston Trust Midcap Fund	2007	\$225.93	Fund: 9.40%
				Russell Midcap: 8.64%
Small-Cap	Brown Advisory Small-Cap Growth 	1999	\$2,152.76	Fund: 7.42%
				Russell 2000 Growth: 6.49%
International	Nuveen ESG International Developed Markets Equity ETF	2017	\$394.8	Fund: 5.29%
				MSCI Intl ESG Index: 5.61%
Fixed Income	Calvert Bond Fund 	1987	\$2,936.18	Fund: 3.33%*
				Bbg U.S. Agg Bond: 2.64%*

 Maryland-Based Fund Manager

*15-year numbers

To Compare – 5 Largest Funds in Balanced Growth

Style	Fund	Invested Since	AUM (\$M)	Since Investment Performance Vs Benchmark
Large-Cap	Eagle Capital Large Cap Value	2013	\$26,458	Fund: 13.32%
				S&P 500: 13.10%
Large-Cap	Vanguard Equity Income	2020	\$54,179	Fund: 13.79%
				Russell 1000: 13.12%
International	WCM International	2017	\$54,784	Fund: 9.56%
				MSCI AC World ex USA Small Cap: 5.65%
Fixed Income	Prudential	2013	\$88,868	Fund: 2.31%
				Blmbg US Agg Index: 1.45%
Fixed Income	MacKay Shields	2013	\$4,260	Fund: 2.22%
				Blmbg US Agg Index: 1.45%

Can I change how my Community Foundation fund is invested?

You can make a recommendation to move your Community Foundation fund from its current investment option to the Sustainable Focus option. The Community Foundation Board of Trustees will review all recommendations and will approve the recommendation at its discretion.

To make a recommendation: Contact the Community Foundation with your recommendation in writing, via US Mail, hard copy hand off, or email.

The image features a white background with a decorative graphic on the right side consisting of three overlapping triangles pointing to the right. The top triangle is light blue, the middle one is a slightly darker blue, and the bottom one is a medium blue. The word "Questions?" is written in a bold, black, italicized font across the middle of these triangles. At the bottom of the image, there is a solid green horizontal bar.

Questions?