



How to Use the Bucket Strategy to Accelerate Impact Investing

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Introduction

Today we will discuss:

- Bucket Strategy
- The Differences between ESG, SRI, and Impact Investing
- Examples of Impact Investments
- Q & A on Impact Investing

Bucket Strategy



- Comprehensive approach to risk management which includes all the investable assets of an individual or organization
- Investor makes the appropriate allocations into various buckets
- Appropriate allocation is dependent on many factors and is unique to each investor's needs

Bucket Strategy Overview

	CAPITAL PRESERVATION	INCOME PRODUCING	GROWTH AND INCOME	GROWTH
	DAILY LIQUID SHORT-TERM CASH	DAILY LIQUID SHORT-TERM FIXED INCOME	DAILY LIQUID LONG-TERM INVESTMENT PORTFOLIO	ILLIQUID & HIGHER RISK ASPIRATIONAL ASSETS
	Current Amount: \$ _____ _____ % of portfolio	Current Amount: \$ _____ _____ % of portfolio	Current Amount: \$ _____ _____ % of portfolio	Current Amount: \$ _____ _____ % of portfolio
ESTIMATED TIME IN YEARS	0 to 2 Years	2 to 5 Years	5 to 10 Years	10 Years Plus
TYPICAL HOLDINGS	Bank savings, checking accounts, money market funds	Short-term CD and Bonds	Professionally managed, diversified portfolio of funds	Private equity, highly concentrated stock positions, real estate, etc.
PURPOSE OF THE MONEY	Current spending needs	Potential spending needs	Future financial obligations	Opportunity for significant growth
GOAL DESCRIPTION	Safe, daily liquid spending money	Preserve my wealth "rainy day fund"	Preserve and grow my wealth	Take speculative risks to grow my wealth
LIQUIDITY DESCRIPTION	Liquid: "I may need this money to buy something in the next few months."	Liquid: "I may need this money to buy something in the next few years."	Liquid: "I will need this money to fund future financial obligations."	Illiquid: "I do not need this money to fund future financial obligations."
TIME HORIZON	Today	Short-term	Medium-Term	Long-term

First Bucket

First Bucket:

Goal: Capital Preservation

Daily Liquid /Short-Term Cash

Investment Time Horizon:

0-2 Years

Examples:

Bank savings and checking

Money market funds

CAPITAL
PRESERVATION

DAILY LIQUID
SHORT-TERM CASH

Current Amount:
\$ _____
_____ % of portfolio

ESTIMATED TIME IN YEARS	0 to 2 Years
TYPICAL HOLDINGS	Bank savings, checking accounts, money market funds
PURPOSE OF THE MONEY	Current spending needs
GOAL DESCRIPTION	Safe, daily liquid spending money
LIQUIDITY DESCRIPTION	Liquid: "I may need this money to buy something in the next few months."
TIME HORIZON	Today

Second Bucket

Second Bucket:

Goal: Income Producing

Daily Liquid /Short-Term Fixed Income

Investment Time Horizon:

2-5 Years

Examples:

Short-term CD and bonds

INCOME PRODUCING
DAILY LIQUID SHORT-TERM FIXED INCOME
Current Amount: \$ _____ _____ % of portfolio

ESTIMATED TIME IN YEARS	2 to 5 Years
TYPICAL HOLDINGS	Short-term CD and Bonds
PURPOSE OF THE MONEY	Potential spending needs
GOAL DESCRIPTION	Preserve my wealth "rainy day fund"
LIQUIDITY DESCRIPTION	Liquid: "I may need this money to buy something in the next few years."
TIME HORIZON	Short-term

Third Bucket

Third Bucket:

Goal: Growth and Income

Daily Liquid Long-Term Investment Portfolio

Investment Time Horizon:

5-10 Years

Examples:

Professionally managed globally diversified portfolio of funds

GROWTH AND INCOME

DAILY LIQUID LONG-TERM INVESTMENT PORTFOLIO

Current Amount:
\$ _____
_____ % of portfolio

ESTIMATED TIME IN YEARS	5 to 10 Years
TYPICAL HOLDINGS	Professionally managed, diversified portfolio of funds
PURPOSE OF THE MONEY	Future financial obligations
GOAL DESCRIPTION	Preserve and grow my wealth
LIQUIDITY DESCRIPTION	Liquid: "I will need this money to fund future financial obligations."
TIME HORIZON	Medium-Term

Fourth Bucket

Fourth Bucket:

Goal: Growth

Illiquid and higher risk aspirational assets

Investment Time Horizon:

10+ Years

Examples:

Private equity, highly concentrated stock position, real estate

GROWTH

ILLIQUID & HIGHER
RISK ASPIRATIONAL
ASSETS

Current Amount:
\$ _____
_____ % of portfolio

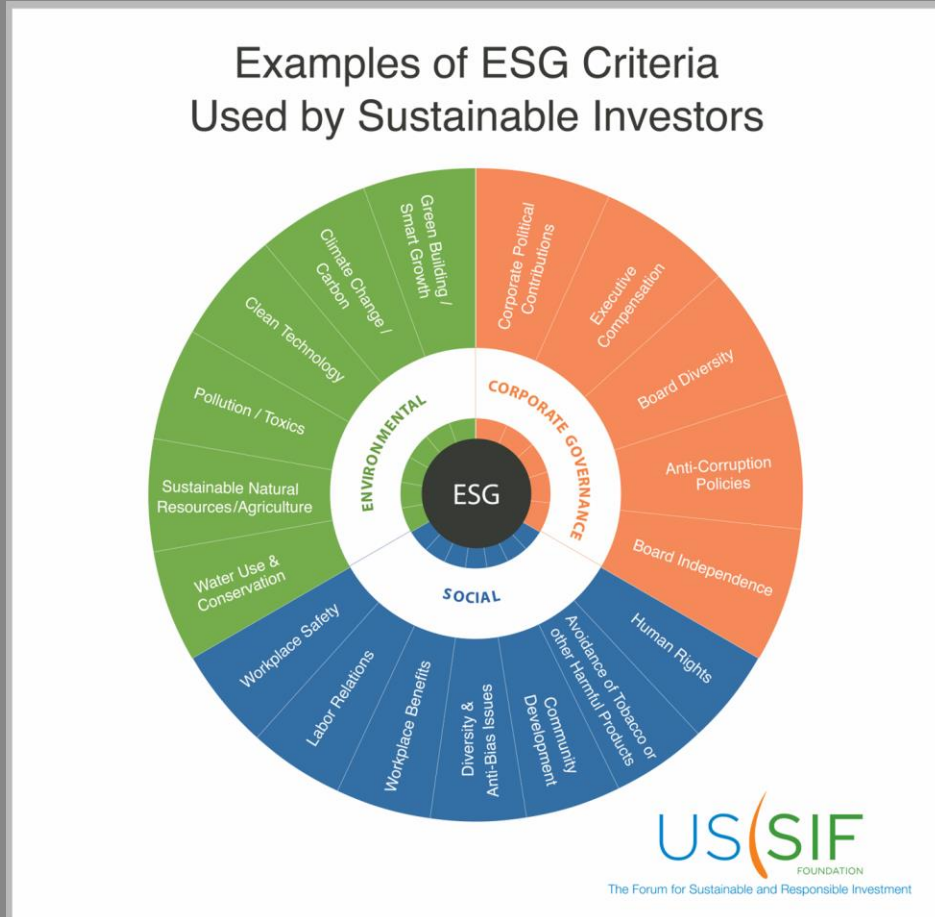
ESTIMATED TIME IN YEARS	10 Years Plus
TYPICAL HOLDINGS	Private equity, highly concentrated stock positions, real estate, etc.
PURPOSE OF THE MONEY	Opportunity for significant growth
GOAL DESCRIPTION	Take speculative risks to grow my wealth
LIQUIDITY DESCRIPTION	Illiquid: "I do not need this money to fund future financial obligations."
TIME HORIZON	Long-term

SRI —Socially Responsible Investing

- Actively include investments based on ethical guidelines
- Actively remove investments that oppose values



ESG — Environmental, Social, Governance

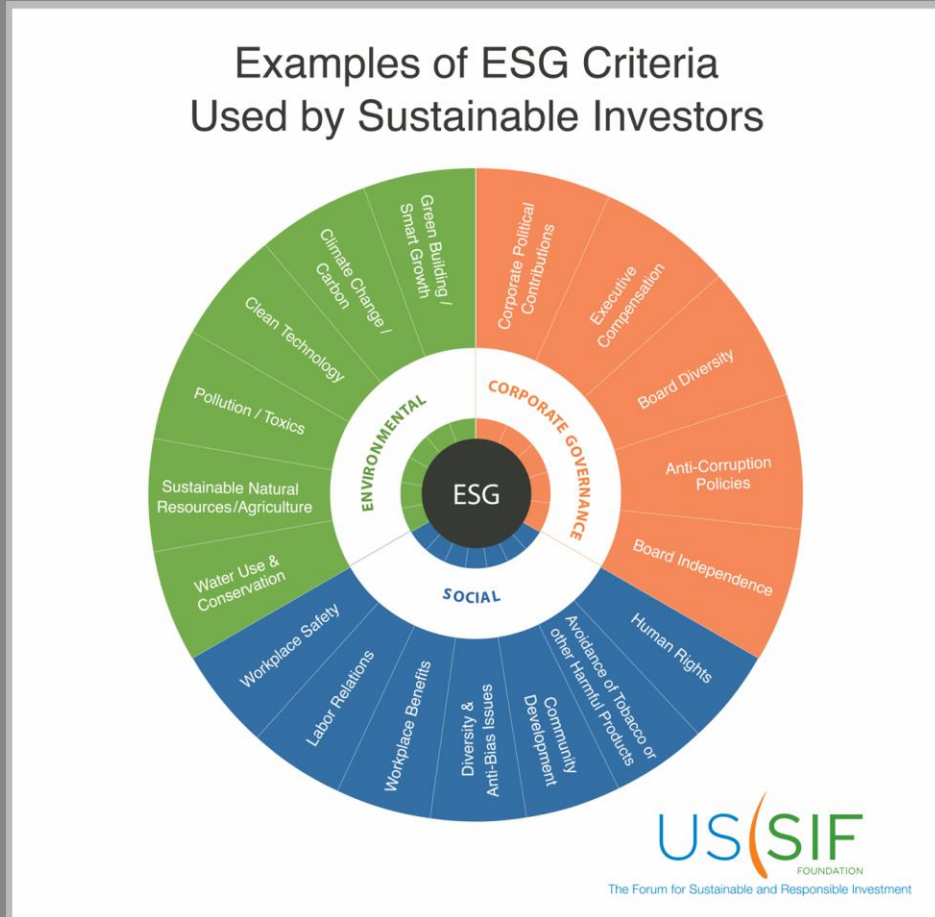


Environmental:

- Excluding Pollution and Toxins
- Green Building
- Climate Change
- Clean Technology
- Sustainable Natural Resources and Agriculture
- Water Use and Conservation

Source: Examples of ESG Criteria Used by Sustainable Investors [digital image]. (2017). Used by permission of USSIF, <https://www.ussif.org>.

ESG — Environmental, Social, Governance

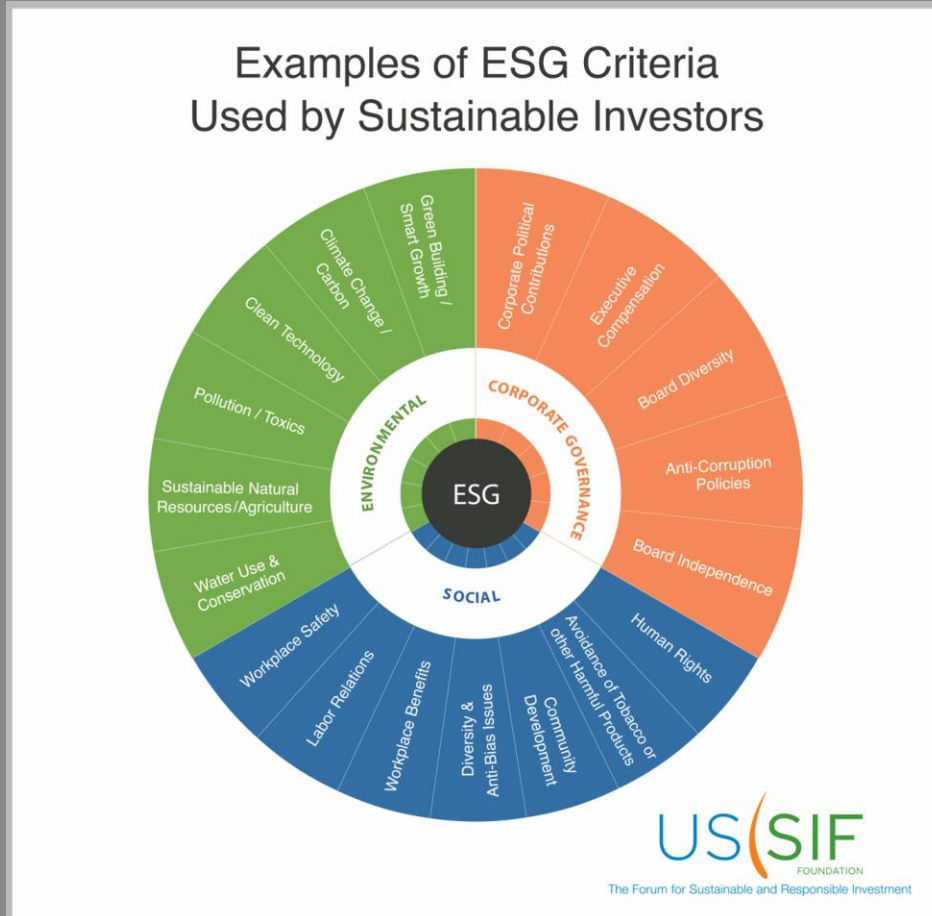


Social:

- Human Rights
- Workplace
- Labor Relations
- Diversity and Anti-Bias Issues
- Community Development
- Avoidance of Tobacco and Harmful Products

Source: Examples of ESG Criteria Used by Sustainable Investors [digital image]. (2017). Used by permission of USSIF, <https://www.ussif.org>.

ESG — Environmental, Social, Governance



Corporate Governance:

- Board Diversity
- Board Independence
- Executive Compensation
- Anti-Corruption Policies

Source: Examples of ESG Criteria Used by Sustainable Investors [digital image]. (2017). Used by permission of USSIF, <https://www.ussif.org>.

Impact Investing

- Least known type of responsible investing
- Potential for higher levels of impact than other types
- The Global Impact Investing Network (GIIN) cites four characteristics of impact investing:



1. Intentionality
2. Investment with Return Expectations
3. Range of Return Expectations and Asset Classes
4. Impact Measurement

GIIN's Four Characteristics of Impact Investing

1. Intentionality (GIIN, 2020):

An investor's intention to have a positive social or environmental impact through investments



GIIN's Four Characteristics of Impact Investing



2. Investment with return expectations (GIIN, 2020):

Expected to generate a financial return on capital or, at minimum, a return of capital

GIIN's Four Characteristics of Impact Investing

3. Range of return and asset classes (GIIN, 2020):

Target financial returns that range from below market to risk-adjusted market rate and can be made across asset classes

Including but not limited to:

- cash
- fixed income
- venture capital
- and private equity



GIIN's Four Characteristics of Impact Investing

4. Impact measurement (GIIN, 2020):

- Measure and report the social and environmental performance of investments
- Transparency and accountability
- Inform the practice of impact Investing and build field



Bucket #1 — Cash

Example: Climate First Bank

- Florida bank planned to open in 2021, focusing on impacting climate change
- FDIC insured with personal and business services
- Incentivizes loans that will impact climate change



Bucket #1 — Cash

Example: Sunrise Bank

- A Community Development Financial Institution — CDFI
 - Focuses on expanding economic opportunity within local underserved communities
 - Provides access to financial products and services for local residents and businesses
- Locally owned bank that promotes financial inclusion and economic development (Impact Report, 2019)
- Gives a minimum of 2% net income per year through corporate donations and sponsorships

Bucket #2 — Short-Term Fixed Income

CNote

- Offers a 30-month fixed income product with up to 2.5% annual return (Mycnote.com, 2020)
- Invests in Community Development Financial Institutions — CDFIs
- The money is used to provide loans to under-served population segments, such as women and minority-owned businesses
- No investment minimum



Bucket #2 — Short-Term Fixed Income

Calvert Community Investment Notes

- Invests in a global portfolio of intermediaries and funds that finance mission-driven organizations
- Notes range from 1-year with 0.4% annual return to 10-year with 2.5% annual return (Calvert Impact, 2020).



Bucket #2 — Short-Term Fixed Income

Calvert Community Investment Notes

In 2019, the outcomes of Calvert Impact Capital's borrowers included:

- 72,404 homes created or preserved
- 27 million of metric tons of CO₂ avoided
- 73,945 smallholder farmers supported

(Calvert Impact Report, 2020)



Bucket #3 — Investment Portfolio

Access Capital Community Investment (ACCSX)

- Short-term bond fund that focuses on supporting affordable housing, job creation, healthcare, and infrastructure projects that foster sustainable economic development
- All investments are evaluated for impact (Frye, 2020)



Bucket #3 — Investment Portfolio

Praxis Impact Bond Fund (MIIX)



- Intermediate-term bond fund that designates 1/3 of its investments towards positive impact investments such as renewable energy projects, green buildings, affordable housing
- 1% of the fund's assets are invested in established not-for-profits to provide economic opportunity for disadvantaged communities around the world (Praxis, 2020)

Bucket #4 — Illiquid and Higher Risk

- Many of these types of illiquid and higher risk funds are for accredited investors only — must meet certain income and asset requirements
- Big Path Capital is an investment bank focused on impact and sustainable investments; they assist impact investment fund managers in raising capital from mission-aligned institutional investors



Other Avenues for Impact Investing

Donor Advised Fund



Summary

Today we discussed:

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- The Differences between ESG, SRI, and Impact Investing
- Examples of Impact Investments
- Q & A on Impact Investing

Q & A — Impact Investor David Bromelkamp



Q & A — Webinar Participants



Thank You



Thank You

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