

# An Overview of Faith-Based Investing

September 2024

# An Overview of Faith-Based Investing

This report looks at:

- The different facets of faith-based investing
- The history of faith-based investing
- The landscape of faith-based investments
- The role CCM plays in aligning faith and finance

Faith-based investing has a long history and offers diverse methods for aligning religious beliefs with financial goals. The approach to faith-based investing can vary widely, just as traditional investing strategies do. It can include everything from screening out companies that do not align with specific religious values to actively advocating for causes that resonate with those values and even engaging in community investing to support local initiatives.

This report aims to delve into the different facets of faith-based investing, providing an overview of its history and the various terminologies associated with it. It also explores the landscape of faith-based investments, offering a framework for connecting one's financial decisions with their faith.

Finally, the report will discuss how faith and finance can be aligned within the context of Community Capital Management (CCM), offering practical examples and strategies for investors looking to integrate their religious beliefs into their financial decisions. Whether you are new to faith-based investing or are looking to deepen your understanding, the goal of this report is to provide an overview of aligning faith with finance.

## History of Faith-Based Investing

The history of faith and finance stretches back centuries, with numerous examples across different religions of how communities have used financial resources to reflect and advance their values. Long before the term "impact investing" became widespread, religious groups were already leveraging the power of capital to create positive change in society.

For instance, many religious traditions have advocated for ethical guidelines in economic activities, such as the prohibition of usury in Islam, which led to the development of Islamic finance principles. Similarly, Judaism maintains a long-standing tradition of tzedakah (charitable giving) and ethical business practices that align with religious teachings. Christianity has also seen movements like the Quakers, who were among the first to exclude investments in industries like weapons and alcohol, laying the groundwork for modern ethical investing. In the Catholic faith, Pope Leo XIII penned the Rerum Novarum, a highly influential encyclical on capital and labor that called for members of society to contribute to its betterment.

These examples highlight how faith-based groups have historically been at the forefront of what we now call impact investing — using investments not just for financial returns but to advance social, environmental, and ethical goals that align with their beliefs. This legacy continues today, with faith-based investing being a key part of the broader impact investing landscape, guiding individuals and institutions in using their resources to bring about meaningful change in the world.

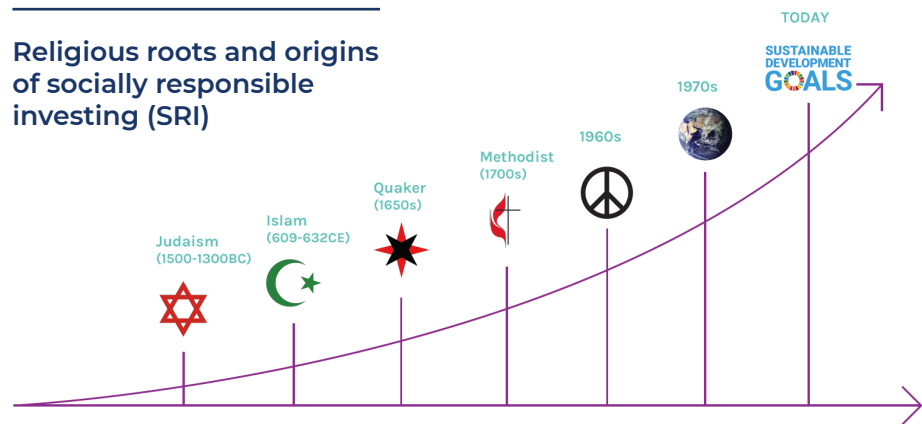
*“Faith-Based Investing aligns religious views and goals with the strategic investment of financial assets. It integrates faith, legacy, and fiduciary standards.”*

The United Nations' Sustainable Development Goals (SDGs) represent key development goals that aim to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

Read more in CCM's May 2024 perspective, [CCM and the SDGs](#).



## Religious roots and origins of socially responsible investing (SRI)



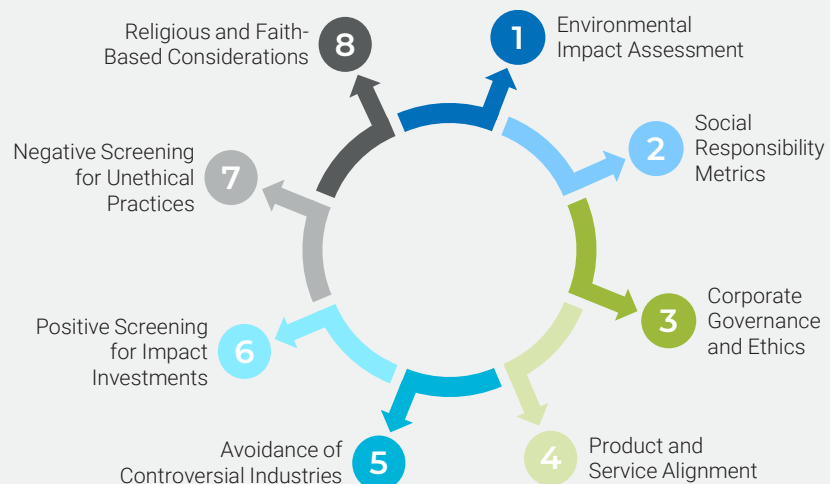
Source/Source Note: <https://www.mycnote.com/blog/the-history-of-socially-responsible-investing/>; The above image provides a cursory summary of some of the movements and institutions that have shaped SRI investing as they know it today. It is not intended to be a completely exhaustive list.

## Impact Investing and Faith-Based Investing

Impact investments, by definition, aim to generate positive, measurable social and environmental outcomes in addition to financial returns. Faith-based investments fall within this broader category but add a distinct dimension — aligning these investments with specific religious beliefs and values. This alignment can vary significantly across different religious groups, reflecting the unique missions, ministries, goals, and values of each faith tradition or individual investor.

The key distinction in faith-based investing is the alignment with religious principles, which adds a layer of ethical consideration. As a result, faith-based investing can offer a tailored approach to impact investing that resonates deeply with the values and convictions of religious individuals and organizations.

## Examining Ethical Filters for Investing Choices



Source: <https://fastercapital.com/content/Faith-based-investing-Faith-based-Investing-A-Path-to-Ethical-Entrepreneurship.html>

## Landscape of Faith-Based Investments

While the landscape of faith-based investors is extremely diverse, faith-based investors tend to pursue low-risk, market-rate investments for their portfolios. According to the GIIN's Faith-Based Investing Survey published in January 2020 (the Survey), 82% of the faith-based investor respondents target risk-adjusted, market-rate returns. A main motivation for pursuing such returns is how faith-based investors see the purpose of their investment portfolios – namely, to fund programmatic work or retirement plans.<sup>1</sup>

### Target Returns

n=33

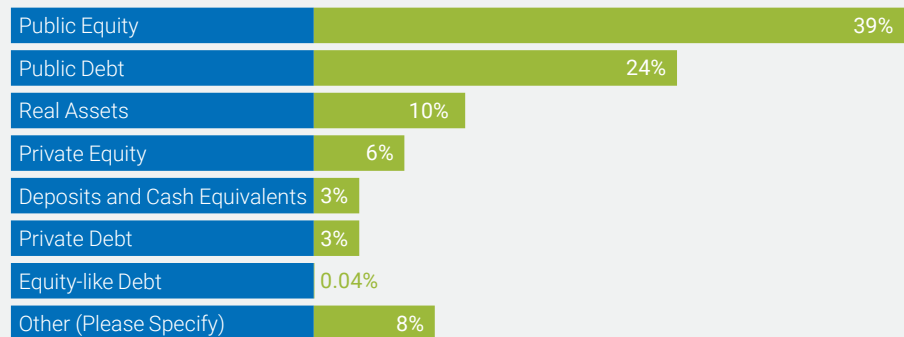


Source: [GIIN](#)

Taking a snapshot from the Survey, respondents prefer investing in the public markets. Over 60% of respondents' total reported assets under management (AUM) is placed through public equity or public debt instruments. During interviews, many faith-based investors cited a need to pursue low-cost and low-risk investment solutions and believed that public market products were more attractive in this regard compared with private market investments. However, the Survey also shows that respondents are pursuing asset classes in the private markets, such as real assets, private equity, and private debt. With these instruments, the preference is to invest in low-cost and low-risk options as well. Interviewees shared some of the barriers they faced when assessing private market opportunities; at times, high costs associated with due diligence and management fees, or limited track record of fund managers prevented them from pursuing certain private market investments.<sup>2</sup>

### Asset Allocations by Instrument

n=29; four respondents did not share AUM data. Respondents may allocate to a single instrument or multiple instruments.



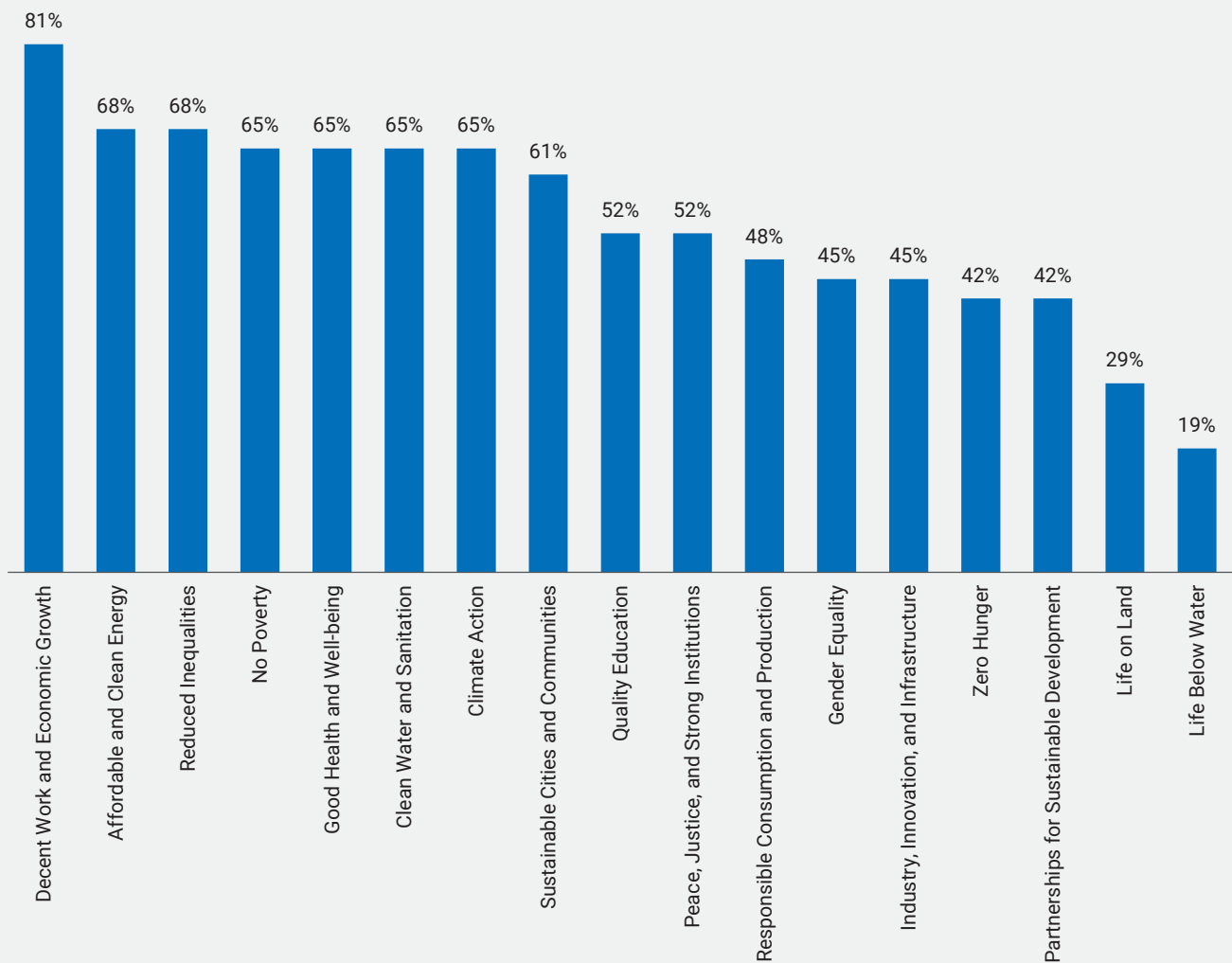
Note: "Other" includes inclusive finance, hedge funds, absolute return strategies using private debt and equity-like-debt, hard currency guarantees, infrastructure pooled funds, and loan guarantees.

Source: [GIIN](#)

Another interesting finding from the GIIN Survey is that while there is variation in values across faiths, commonality does exist, and impact investing presents an opportunity to magnify these shared values through collaboration among faith-based investors and secular impact investors. Faith-based investors often cited advancing human dignity and protecting the environment as values they use to guide investment decisions. These values align with commonly pursued impact investing themes, including the United Nations Sustainable Development Goals (SDGs). The top three SDGs pursued through respondents' faith-based portfolio were decent work and economic growth (81%), affordable and clean energy (68%), and reduced inequalities (68%).<sup>3</sup>

### Targeted SDG-Aligned Themes

*n=31; Optional question. Respondents could indicate multiple themes.*



Source: [GIIN](#)

## Achieving Impact and Financial Performance<sup>4</sup>

According to GIIN's report, "Pursuing Faith-Based Impact Investing: Insights on Financial Performance," understanding financial performance is important for all investors, including faith-based investors, to inform capital allocation decisions, shape investment management strategies, and support their quest for alpha. However, as the impact investing industry grows in depth and sophistication, investors are exercising a multi-dimensional approach to decision making, considering various facets relevant to the particular investment thesis at the intersection of financial performance, impact performance, and risk. For investors — including faith-based investors — seeking to engage further with impact investing, incorporating considerations beyond risk and return factors can help them achieve the results they seek with their investments.

To attain impact and financial performance in line with their goals, impact and faith-based investors balance six key facets that influence capital allocation and performance management:

- **Financial return objectives:** The extent of financial returns that an investor seeks relative to a predefined financial threshold.
- **Impact objectives:** The extent of the impact returns an investor seeks relative to a predefined impact threshold.
- **Financial risk tolerance:** The capacity to accept the risk of financial loss relative to financial return expectation.
- **Impact risk tolerance:** The capacity to accept the risk of intended impact not being realized relative to impact return expectation.
- **Resource capacity:** The extent to which the investor has the resources, such as skills, financial funds, and capacity, to provide for all the costs associated with making impact investments, including setting goals, measuring results, and reporting on results.
- **Liquidity constraints:** The extent of time/duration after which the investor needs the investment to be readily convertible to cash.

Once financial objectives are established, it is important to consider faith-based objectives and values:

**Clarification of Values and Goals:** Identify the specific moral or ethical issues that matter most, such as avoiding industries like alcohol, gambling, or fossil fuels, and supporting those in line with faith values, like renewable energy or community development.

**Personal Faith Considerations:** Different religious traditions may have specific guidelines about what is acceptable in investments. For example, Islamic finance follows Shariah law, which prohibits investing in companies dealing with interest or certain other industries.

**Level of Involvement:** Decide how involved you and/or your religious organization want to be in managing your investments. You can choose between self-managed portfolios, faith-based mutual funds, or working with a financial advisor or investment consultant specializing in faith-based strategies.



## Investment Options

Faith-based investors have options across asset classes when it comes to aligning their investments with their values.



**Stocks**  
Public



**REITs**  
Public



**Real Estate**  
Private



**Bonds**  
Public



**Private Equity (PE)  
Funds**  
Private



**Direct Investment  
Funds**  
Private



**Mutual Funds**  
Public



**Venture Capital (VC)  
Funds**  
Private



**Direct Investment  
Syndicates**  
Private



**Exchange-Traded  
Funds (ETFs)**  
Public



**Separately Managed  
Account (SMA)**  
Public



**Direct Investment  
Platforms**  
Private

## What Role Does CCM Play in Faith-Based Investing?

### About CCM:

- Pioneer in managing impactful fixed income investments
- Over \$6 billion in assets under management\*
- Approximately \$16.3 billion invested in environmental and social initiatives nationwide on behalf of clients\*

\*As of 06/30/24

Community Capital Management (CCM) began managing assets in 1999 and has kept its mission the same over its 25-years: seeking to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes. The firm's strategies utilize an innovative approach to fixed income investing by combining the positive environmental and/or social outcomes of impact investing with rigorous financial analysis, an inherent focus on risk management, and transparent research.

Its flagship impact core strategy is an investment grade, intermediate duration bond portfolio that seeks to preserve capital, deliver attractive risk-adjusted returns, provide a high level of current income, and serve as the ballast in a portfolio while investing in well-researched bonds that have direct and measurable positive societal impacts. The flagship impact core fixed income strategy is available via a mutual fund and/or in a separately managed account.

*At CCM, religious clients can use their investment dollars as an extension of their ministries to positively impact communities.*

## Faith-Based Investing at CCM

Faith-based clients can use their investment dollars as an extension of their ministries to positively impact people and communities in need. CCM's pioneering customizable impact offers faith-based investors the opportunity to align their values with their investments to support specific geographies, impact themes, and/or impact initiatives.

### Customizable Impact

#### Impact by Geography

Investments can target geographic regions down to the county level. Investors can choose multiple geographies within different counties, states, and/or regions with the investments supporting a variety of CCM's impact themes.



or

#### Impact by Theme

Investments can target one or more of the firm's impact themes. When a client selects this option, each investment will align with at least one of those specified impact themes. These investments can be anywhere in the U.S.



or

#### Impact by Initiative

Investments can target one or both of our impact initiatives: Minority CARES or First-Time Homebuyer. These investments can be anywhere in the U.S.



As an investor of our religious clients' capital, we are committed to verifying and reporting on the intended faith-based alignment of investments. Our transparency into the use of proceeds and measurement of anticipated impact is a critical component of our investment process. CCM offers personalized impact reports to clients meeting certain criteria. Impact reports detail a variety of impact metrics and outcomes. They also include impact narratives that share real-world examples illustrating the positive outcomes of clients' investments. Narratives help clients understand the human and environmental impact behind the numbers. By focusing on these elements, CCM looks to ensure that its investments make measurable positive impacts on society and the environment, while also meeting clients' financial goals.



## CCM Faith-Based Case Studies

### Impact Themes



Affordable  
Housing



Environmental  
Sustainability

### Episcopal Organization (Customization by Geography)

#### New York City Housing Development Corporation

New York, NY | Taxable Municipals

#### Impact Story

The New York City Housing Development Corporation (NYCHDC) is a public benefit corporation created to provide and encourage investment of private capital in safe and sanitary housing in New York City that is within the financial reach of low-income people and families. NYCHDC seeks to foster thriving, diverse, and sustainable neighborhoods, finance new construction for residents of a mix of incomes, preserve affordability within existing housing stock, and protect the city's most vulnerable residents through supportive housing developments. NYCHDC's Sustainable Development Bonds are intended to foster the development of more equitable and affordable communities, benefiting New Yorkers for generations to come.

NYCHDC's Multifamily Housing Revenue Bonds will finance mortgage loans and refund previous NYCHDC bonds that financed mortgage loans. The new and refunded mortgage loans all finance the development of affordable housing properties where the majority of units are reserved for households whose income does not exceed 80% of the area median income (AMI). The NYCHDC will provide annual updates on the disbursement of the proceeds from prior Sustainable Development Bonds until the mortgage loans are fully funded.



Some of the affordable housing developments financed are expected to receive Enterprise Green Communities (EGC) certification and Energy and Environmental Design (LEED) certification. EGC certification is administered by Enterprise Community Partners, Inc., a non-profit corporation. LEED certification is provided by the U.S. Green Building Council, which reviews LEED applications and assigns points to each project based on its level of achievement in improved environmental performance.



## Impact Themes

-  Affordable Health and Rehabilitation Care
-  Affordable Housing
-  Education and Childcare
-  Environmental Sustainability
-  Gender Lens
-  Human Empowerment
-  Minority Advancement
-  Poverty Alleviation
-  Sustainable Communities

## Impact Designations

-  Majority-Minority Census Tract
-  Racially or Ethnically Concentrated Areas of Poverty (R/ECAP)

## Walk, Bike, Transit Scores®

- 94** Walk Score
- 79** Bike Score
- 62** Transit Score

## Catholic Organization (Customization by Impact Theme)

### Beecher Terrace III

Louisville, KY | Agency CMBS

### Impact Story

Beecher Terrace III is an affordable housing development in Louisville, Kentucky (Jefferson County). Of the 185 units, 103 units (56%) are reserved for low-income residents. Specifically, 37 units are Low-Income Tax Credit (LIHTC)-only affordable units and 66 are Project-Based Voucher (PBV)/LIHTC units. The PBVs are committed pursuant to a Section 8 HAP contract to this development. The initial term for the PBVs is 20 years. The property is in Census Tract 0049.00, a majority-minority, high-poverty census tract where 54% of the population are minorities and 30% live below the poverty line. When the Beecher Terrace construction project began in 2020, 50% of the population in this census tract was living below the poverty line.

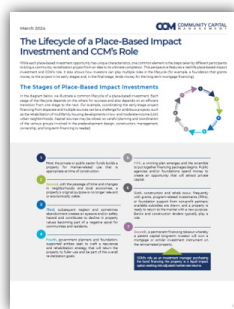
Beecher Terrace was a severely distressed public housing complex built in 1939 in the Russell Neighborhood of Louisville. As part of a major revitalization effort, the Beecher Terrace buildings are being demolished or renovated in four phases. The entire project began in 2017 and is expected to be completed in August 2025. The third phase was completed in September 2023. Phase III encompasses 185 multifamily units in townhomes and garden-style apartments distributed between 23 buildings. Construction also included a pool, pool house, and play area.

Louisville Metro Housing Authority (LMHA) received a Choice Neighborhoods Initiative Implementation grant award from HUD for the Russell Neighborhood transformation. The new sustainable, walkable, and amenity-rich Beecher Terrace community features commercial businesses on the first floor of select buildings along 9th Street and Muhammad Ali Boulevard and a renovated and expanded community center flanking an Olmsted-designed Park. Eliminating the super-block by reestablishing the historic street pattern throughout the site created a walkable, pedestrian-friendly neighborhood and enhanced a sense of community. Green spaces and playgrounds also help promote a healthier lifestyle among residents. The Beecher Terrace Choice Neighborhood project included an aggressive Section 3 program designed to help provide training, employment, and contracting opportunities for economically disadvantaged people. Historically, LMHA has exceeded its goals for minority business enterprise, female business enterprise, and disabled business enterprise (MBE/FBE/DBE) participation in its projects. To achieve this consistently high level of performance, LMHA has an MBE/Section 3 Coordinator on staff. The housing implementation company for Beecher Terrace III, McCormack Baron Salazar, also has a track record of achieving Section 3 participation goals on its revitalization projects, significantly exceeding HUD's requirements for paying Davis-Bacon or prevailing wages (whichever is higher) to Section 3 residents for new jobs and allocating construction contracts to Section 3 businesses.

The entire redevelopment is Enterprise Green Community and Energy Star certified; it is pursuing LEED for Neighborhood Development (LEED ND)



Beecher Terrace was featured in CCM's perspective, "The Lifecycle of a Place-Based Impact Investment and CCM's Role." The perspective includes more details on the Russell neighborhood where Beecher Terrace resides, and how each stage of the lifecycle depends on the others for success.











certification. All the homes in the new Beecher Terrace are Energy-Star certified; they are designed to be energy efficient to ensure lower utility costs and to provide a healthier living environment for low-income households. Specific green features and activities for the Beecher Terrace project include:

- Recycling of demolished materials and construction waste
- Low-flow kitchen and bathroom faucets and toilets
- Use of south facing windows and daylighting tubes
- ENERGY STAR-rated appliances, lighting, fans, and heating and air conditioning equipment
- ENERGY STAR-compliant roofing and pavement that reflects heat
- Use of vegetation to conserve energy and landscaping that includes 50% native and adaptive plant material
- Efficient water irrigation systems
- Biofiltration swales and an underground storm retention system
- Electric vehicle charging stations
- Low VOC (volatile organic compound) paints, primers, and adhesives
- Composite wood products with low or no levels of formaldehyde
- On-site organic waste composting and recycling stations in the parking lots on each block




An essential component of the Choice Neighborhood grant is the Community and Supportive Services (CSS) plan. The CSS plan was designed to prepare individuals for the transition from Beecher Terrace to their new communities during the revitalization process, offer services that support success in the workplace, and move families toward a path of self-sufficiency. Programs and services include needs assessments and comprehensive case management services for all Beecher Terrace residents. Programs will include:

- Healthcare services that are accessible and affordable, including the HUD health initiative "With Every Heartbeat is Life," which focuses on self-help management for chronic illness
- Job placement
- Financial skills training
- A scholarship program for residents who are high school/GED graduates and wish to pursue higher education
- Recruitment for early childhood education programs
- Transportation assistance
- Homeownership counseling and a Section 8 homeownership program that offers subsidy toward a mortgage payment for eligible candidates

## Impact Themes

-  Affordable Housing
-  Environmental Sustainability
-  Gender Lens
-  Human Empowerment
-  Minority Advancement
-  Poverty Alleviation
-  Seniors, Veterans, and People with Disabilities
-  Sustainable Communities

## Impact Designations

-  Low- and Moderate-Income Census Tract
-  Majority-Minority Census Tract
-  Racially or Ethnically Concentrated Areas of Poverty (R/ECAP)

## Walk, Bike, Transit Scores®

- 84** Walk Score
- 33** Bike Score
- 43** Transit Score

## Jewish Organization (Customization by Geography)

### St. Johns Plaza Apartments

Lemon Grove, CA | Agency CMBS

### Impact Story

St. Johns Plaza Apartments is an affordable housing property for seniors in Lemon Grove, California (San Diego County). The 99 residential units receive Section 8 assistance under Section 8 Contract CA16T821044, which was initiated August 26, 2016, and renewed through March 31, 2041. The property is in Census Tract 0144.00, a moderate-income, high-minority, high-poverty census tract where 81% of the population are minorities and 25% lives below the poverty line. The property is also in a racially or ethnically concentrated area of poverty (r/ecap).

The U.S. Department of Housing and Urban Development (HUD) has developed a census tract-based definition for R/ECAPs that must have a non-white population of 50% or more. Regarding the poverty threshold, neighborhoods of extreme poverty are census tracts with 40% or more of individuals living at or below the poverty line. Because overall poverty levels are lower in many parts of the country, HUD supplements this definition with an alternate criterion. Thus, a neighborhood can be a R/ECAP if it has a poverty rate that exceeds 40% or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower.

St. Johns Plaza Apartments is a gated three-story apartment building nestled in a garden setting that offers studio and one-bedroom apartments. Community amenities include a laundry room, recreation room, library, courtyard, and on-site management. An on-site service coordinator organizes social activities, arranges transportation, serves as a resident advocate, and provides case management for the residents of the property. Apartments feature a private balcony and grab bars in the bathroom.

## Conclusion

Religious organizations have a long history of aligning faith and finance. For those just getting started, collaboration and experience from those already making faith-based investments is key to furthering its growth and participation. A good starting point is looking at the organization's theological goals. Since faith-based investing can address a wide array of environmental and social issues, it is important to know what specific types of impact the organization wishes to address. Working with an advisor or consultant is an important aspect of faith-based investing, and it helps to work with one who has experience in managing impact investments and can provide recommendations and ideas based on spiritual and financial goals. Today, there are an assortment of options to choose from across asset classes to integrate faith into a portfolio that meets risk profiles and investment portfolio requirements. Just as with any investment portfolio, ongoing evaluation, monitoring, and reporting are essential components of a faith-based investing portfolio.

## About CCM

Community Capital Management, LLC (CCM) is an investment adviser registered with the Securities and Exchange Commission. The firm's mission seeks to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes. For more information, please visit: [www.ccminvests.com](http://www.ccminvests.com).

<sup>1</sup> <https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/research/engaging-faith-based-investors-in-impact-investing-final.pdf>

<sup>2</sup> <https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/research/engaging-faith-based-investors-in-impact-investing-final.pdf>

<sup>3</sup> <https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/research/engaging-faith-based-investors-in-impact-investing-final.pdf>

<sup>4</sup> <https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/research/pursuing-faith-based-investing-insights-on-financial-performance-finalwebfile.pdf>

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