

THE BOND BUYER

The Daily Newspaper of Public Finance

Thursday, August 5, 2010

Targeting Investors Who Want Both Green Portfolios and Market Rates

BY SHELLY SIGO

BRADENTON, Fla. — Environmental sustainability. That was the main factor driving the California-based nonprofit RSF Social Finance to invest through its customized fixed-income portfolio in a municipal bond deal from the Florida Department of Environmental Protection in March.

But the purchase of bonds issued to finance restoration efforts in the Florida Everglades not only underscores growing interest in “mission-related investing” by those who want to support a cause, but also demonstrates the desire by such investors to get a good return.

The bifurcated DEP debt transaction was sold in two parts — \$13 million of tax-exempt bonds maturing from 2011 to 2017 and \$31 million of taxable Build America Bonds maturing between 2018 and 2029.

The bonds were rated A-minus by Fitch Ratings, A1 by Moody’s Investors Service, and AA-minus by Standard & Poor’s.

Proceeds of the bonds are going toward some of the cost for restoration projects being performed by local, state, and federal officials under the 35-year, \$10.5 billion Comprehensive Everglades Restoration Plan, or CERP.

RSF bought \$145,000 of the \$2.9 million of BABs maturing in 2027.

The investment goes to the organization’s core mission and values, said Don

Shaffer, president and chief executive officer of RSF.

The company works with investors and donors to provide capital to nonprofit and for-profit social enterprises focusing on food and agriculture, education and the arts, and ecological stewardship.

“The CERP is vital in helping to sustain and preserve the South Florida ecosystem and we are thrilled that our investment will further the cause,” Shaffer said.

In addition to environmental benefits, he said the restoration effort in the Everglades will be a catalyst for important economic benefits, including recreation, tourism, and agriculture that will aid in the recovery of a sustainable ecosystem.

manager decided to publicize the Everglades BAB investment because both have an investor base with environmental interests and they both wanted to get the word out that a portfolio can be constructed to target a particular mission, according to Community Capital co-founder Barbara VanScoy.

Although taxable BABs were created as part of the federal economic stimulus effort in order to help create jobs, VanScoy hasn’t been a huge fan of the taxable bonds.

That is partly because of corporate crossover buyers who have driven prices up and made them less competitive compared to other taxable municipal bonds.

But there were other reasons she felt

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Taryn Goodman, RSF Social Finance

RSF believes it is one of the first organizations to dedicate funds to a fixed-income portfolio that is comprised primarily of securities that support environmental initiatives.

RSF partnered with Fort Lauderdale-based Community Capital Management Inc. to create and manage an \$8.9 million customized portfolio comprised primarily of securities that support environmental initiatives, for which the Everglades restoration bonds were purchased.

RSF Social Finance and the investment

the Everglades BABs were a good fit for RSF’s fixed-income portfolio.

“In this case, we didn’t purchase the bonds from the job-creation aspect but from the environmental aspect because they are working to preserve and protect a very vital ecosystem,” VanScoy said.

While some market observers believe most people invest for returns and not for a particular cause, VanScoy said there is growing interest from people who want to put their money where it can support environmental sustainability.

“There’s a universe of investors out there that very much care, but they also demand market rates of return,” VanScoy said, adding that the two are not mutually exclusive.

The RSF portfolio focuses on both social and environmental impacts, so environmental-related investments are balanced with other economic development activities such as affordable housing, she said.

RSF also participates in other investment types, including the Small Business Administration’s 7(a) guarantee-loan program which helps start-up and existing small businesses obtain financing they might not be eligible to obtain through normal lending channels.

RSF invested in the SBA-guaranteed portion of a small loan to the Rabbit Run Farm

in Fort Myers, along Florida’s west coast.

The farm makes use of hydroponics, which is a method of growing plants using mineral nutrient solutions in water instead of soil.

“It’s a wonderful, wonderful project,” said VanScoy. “They use less water and land. It’s a great environmental story.”

Increasing awareness around social finance is part of RSF’s operating goals, according to Taryn Goodman, who manages the organization’s Donor-Advised Impact Investing Portfolio, which addresses global challenges such as climate change, resource depletion, poverty, health care and joblessness.

With a 76% mission-aligned portfolio, RSF is able to support organizations

addressing green technology, renewable energy, microfinance, land preservation, natural and organic consumer products, and community development.

“Our exact purpose is to transform the way the world works with money,” Goodman said. “We take that statement very seriously and realize we can’t do that alone.”

Publicizing RSF’s investment in the Florida Everglades bonds was a way of bringing awareness to the overall mission, according to Goodman.

“At the same time, we have limited funds,” she said, “but by getting the word out we’re hopefully encouraging more investments that are addressing social and environmental issues.”

Community Capital Management, Inc. is a Florida-based investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Investing involves risk, including possible loss of principal. Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. Current and future holdings are subject to risk. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that the an investment in the securities identified was or will be profitable. The information provided herein represents the views and opinions of the individual(s) interviewed and is not intended to be a forecast of future events, a guarantee of future results or investment advice.