To Friends of Calvert Impact Capital,

We are excited to share an update on our work—looking back at our accomplishments in 2017 and looking ahead to what we expect to be another great year. None of our success is possible without the tireless work of our staff and Board of Directors and the continued support of our investors, borrowers, and partners.

To all of you, thank you.

2017 in review

2017 was a record year. We ended the year with $440 million in total assets—the largest in our history, and an increase of 18% over 2016. Since our founding, we have cumulatively channeled more than $2 billion into communities and we see tremendous potential to continue expanding our work.

Our 2017–2019 Strategic Plan outlined two major pillars of our strategy: (1) continue to strengthen and grow our core business, and (2) leverage our experience for enterprise and industry growth.

Key accomplishments of our core business

- **A new name and brand**: We have a new name! This name was developed to more accurately reflect who we are and what we do. It celebrates our history and clarifies our future.
- **Self-sufficiency**: We have refined our business model and reached a scale such that our core work is not reliant on grant support. After 22 years, we have reached financial self-sufficiency and plan to operate sustainably going forward.
- **Portfolio growth and quality**: We ended the year with a $354 million portfolio balance, up 13% over 2016. More importantly, the quality of our portfolio has remained strong with no delinquencies among our borrowers for the second year-end in a row.
- **Investor growth**: Our Community Investment Note® balance reached a record high of $380 million outstanding, thanks to thousands of individual and institutional investors. We also surpassed $400 million in cumulative sales through our distributor, Incapital, through whom our Note is accessible to hundreds of brokerage firms and their clients across the country.
- **Infrastructure**: We made significant investments in our internal infrastructure—including our IT systems and internal policies—and welcomed new talent to our Board of Directors to ensure we have a solid foundation and governance structure for future growth.

Key accomplishments of our growth business

- **Syndications**: The pilot year of our Syndication Services was a success, and we decided to formalize the business line for 2018 and beyond. As of the end of 2017, we closed six
deals representing more than $75 million invested. We also built a strong pipeline for new deals that we will pursue in 2018.

- **Thought leadership**: In collaboration with partners, we hosted the first in a series of investor events that will continue throughout 2018 to engage and educate investors about investing for gender equity. We published a framework on how to incorporate a gender lens into your investment strategy based on the type of capital one has, and completed research from our five years of investments that will be published later in 2018.

- **Impact measurement**: We refined our impact measurement strategy to incorporate the impact our organization has on our investors, our portfolio organizations, and the end beneficiaries they serve. This holistic approach better captures the direct and indirect effects of our work.

**2018 look ahead**

We see three major opportunities and challenges in our industry that are helping to focus our work:

1) If the past few weeks are an indicator for what is to come, 2018 will be a year of volatility in markets. The sustainable, community-based investments in our industry are intended to be an antidote to market tumult given their focus on creating long-term, inclusive economic value. We see robust demand for financing across impact sectors as entrepreneurs and organizations continue to build innovative structures and vehicles to meet the needs of their clients. These investments exist outside of the public markets and are more connected to and responsive to the needs of communities, which could be an additional driver of interest for investors.

2) There is heightened urgency to leverage private capital for global good due to the implementation of the Paris Agreement, the Sustainable Development Goals, and the uncertainty around public spending and the role of government in supporting the social safety net. There is near-universal recognition that private capital can and should play a significant role in scaling solutions to social and environmental challenges, and with that recognition, the already big tent of “impact investing” is getting even bigger. This brings unique challenges as the industry wrestles with a need to better define various segments, strategies, and impact intentions.

3) Despite this expansion, we continue to see a lack of appreciation for intermediation that enables private capital to reach into under-resourced communities. Significant infrastructure is required to enable the capital markets to fit into the impact markets (i.e., a square peg into a round hole), but little attention is paid to it. Some attempts to engage private capital through technology platforms have struggled because they were built to operate outside of the traditional financial system instead of within it. Our industry needs to meet the money where it is if we want to open the spigot of private capital for impact.
Against this backdrop, in 2018 we are focusing our work on three main activities:

1) **Integrity in investments**: We will continue to originate high-impact transactions that provide access to flexible capital for populations and/or sectors that are underrepresented in the traditional capital markets. We intend to continue demonstrating that these investments generate strong financial, environmental, and social returns.

2) **Investor activation**: We remain committed to expanding and democratizing the practice of impact investing and will continue to make it as easy as possible for investors to get off the sidelines and engage in our markets. We will reach retail investors through our Community Investment Note, and institutional and accredited investors through both the Community Investment Note and our Syndication Services—which offer deals with a broader range of risk, return, and impact profiles.

3) **Lead by doing**: We will leverage our practitioner experience and platform to share our learnings, introduce new thinking, and pursue financing innovations that can be replicated across industries or geographies.

Our future success is dependent on collaboration with partners both new and long-standing. We look forward to your feedback and working with you to demonstrate how private investments can make our world more equitable and sustainable.

Jenn Pryce
President & CEO, Calvert Impact Capital