

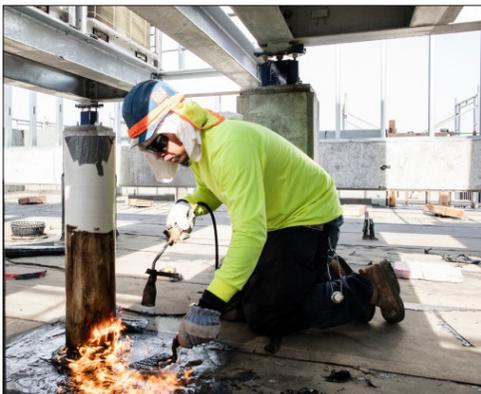
Impact Investing:

Measuring the Impact of HIT's Investments

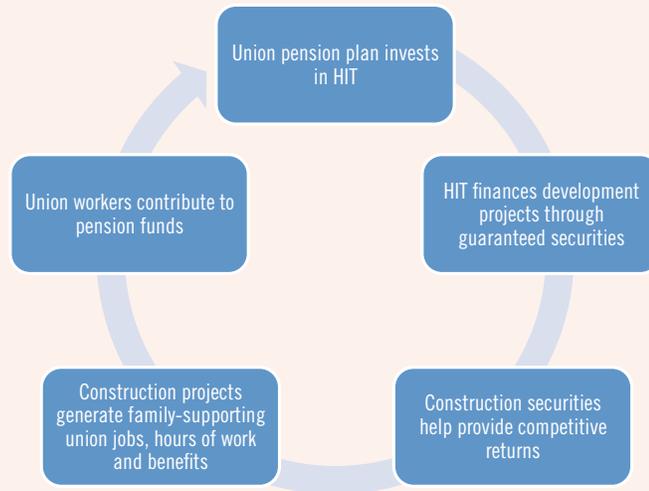
According to The Forum for Sustainable and Responsible Investment, the responsible impact investing market has grown from \$4.8 trillion in 2012 to \$8.1 trillion as of the end of 2016. The market now accounts for \$1 out of every \$5 invested by U.S. asset managers. Even as this sector has evolved, the labels remain variable –ESG, Socially Responsible Investing, Impact Investing¹.

As institutional investors have gained greater sophistication, the field has evolved from a focus on implementing a set of factors and exclusionary screens to a set of strategies that generate measurable social impacts together with competitive returns. As part of this evolution, institutional investors are increasingly interested in quantifying the impact of their investments along with the financial return.

With an over 30-year track record of providing competitive returns while generating measurable social impacts, the AFL-CIO Housing Investment Trust (HIT) is a leader in impact investing. The HIT has created union construction jobs and affordable housing that it can measure. It can also estimate the broader economic and fiscal impacts on the community of each



THE CYCLE OF SUSTAINABLE INVESTMENT



project it finances as the benefits of the construction work ripple throughout the community. The HIT utilizes the widely accepted IMPLAN model to estimate the impacts of its investments².

The HIT's strategy is built on a cycle of sustainable investment, which begins when union pension plans invest capital in the HIT. This pension capital enables the HIT to pursue investments in multifamily development projects by purchasing government/agency multifamily construction-related securities.

The securities help in the HIT's efforts to achieve competitive returns for its investors, while the projects create union construction jobs. For each hour of work on a project, contributions are made into the workers' pension plans. The pension plans then may have more capital that can be invested in the HIT and the cycle continues.

This HIT investment cycle seeks to meet the needs of many of the HIT's local and national Taft-Hartley pension plan

investors for competitive returns and low credit risk, while creating union construction hours of work, and increased pension plan contributions. But it also seeks to meet the needs of public employee pension plans by investing in projects that may add to the state or municipality's tax base, which in turn may support the long-term health of their pensions and help reduce the burden on local governments.

As these HIT investments build and preserve housing affordable to working families, they improve the lives of local residents. These projects also help create economic development and become catalysts for future economic development. True impact investing can help transform communities.



For a full version of the article, "Domestic Impact Investing," by Thalia Lankin and Leslylee White, featured in the October issue of Benefits Magazine, please contact Vanessa Parrish at vparrish@aflcio-hit.com

HIT Case Study

Charlesview Apartments

One example of the measurable impact of the HIT's investments is Charlesview Apartments in Boston, MA. The data below shows the estimated impacts of HIT's investment in the project and the estimated impact for members of the International Brotherhood of Electrical Workers (IBEW) Local 103.

| | |
|---|------------------------|
| Project: | Charlesview Apartments |
| Location: | Boston, Massachusetts |
| Units: | 240 Affordable Units |
| TDC: | \$152.0 million |
| HIT Commitment: | \$58.2 million |
| Total Construction Hours: | 1,520,900 |
| Hours of IBEW Work: | 228,000 |
| Wages Generated for IBEW Workers: | \$11 million |
| Pension Contributions Generated for IBEW Workers (HIT estimated): | \$3.3 million |



“Investment in the HIT puts our pension capital to work building projects that create good union jobs and strengthen communities.”

— Mike Monahan, International Vice President, IBEW District 2



¹ Report on US Sustainable, Responsible and Impact Investing Trends 2016, The Forum for Sustainable and Responsible Investment, page 12.

² The estimates of jobs and economic and financial impacts were calculated by Pinnacle Economics and the HIT using an IMPLAN input-output model based on HIT project data. The IMPLAN model works by tracing how and where money spent on construction investments circulates through the economy. The data for IMPLAN is collected by the U. S. Department of Commerce, the U.S. Bureau of Labor Statistics, and other federal and state government agencies. Data are collected for 528 distinct producing industry sectors of the national economy corresponding to the Standard Industrial Categories (SICs). IMPLAN is utilized currently by a number of impact managers to quantify their outputs.

This document contains forecasts, estimates, opinions, and/or other information that is subjective. Statements concerning economic, financial, or market trends are based on current conditions, which will fluctuate. There is no guarantee that such statements will be applicable under all market conditions, especially during periods of downturn. It should not be considered as investment advice or a recommendation of any kind.

Investors should consider the HIT's investment objectives, risks, and charges and expenses carefully before investing. This and other information is contained in the HIT's prospectus. To obtain a prospectus, call the HIT at 202-331-8055 or visit www.aflcio-hit.com. The prospectus should be read carefully before investing.

Economic Impact Data: Job and economic benefits in this newsletter are estimates calculated by Pinnacle Economics and the HIT using an IMPLAN input-output model based on project data from the HIT and its affiliate Building America. In 2016 dollars.

AFL-CIO Housing Investment Trust

2401 Pennsylvania Ave., NW, Suite 200 | Washington, DC 20037 | 202.331.8055

www.aflcio-hit.com

