

Socially Responsible Investing: The Selection Process

View the video at www.cpg.org/SRI.

Anne Mallonee:

I am Anne Mallonee, Chief Ecclesiastical Officer for the Church Pension Group. Today I am speaking with Alan Snoddy, a Managing Director in our Investment Group. How do you identify what socially responsible investments you are going to make?

Alan Snoddy:

In the socially responsible investing (SRI) space, we are really starting from scratch, building out a network, building out a database of managers. I think that we are really at the forefront of what a lot of institutional investors are doing here.

Whenever an SRI investment is identified, it will be brought to that asset class in which it sits. If it is a microfinance investment, the socially responsible team will look at this. Then they bring in the fixed income team, who will then look at it against other fixed income investments in our portfolio and determine, if this getting us the right risk-adjusted return relative to our other fixed income investments, where it can be included in the portfolio. We certainly are actively trying to go out and find these investments.

Mallonee:

You spoke about creating a network that had not previously existed.

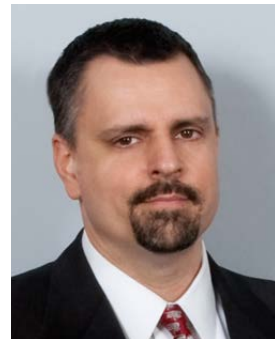
Snoddy:

I think an important part about building out the network is trying to find other like-minded investors. One area of this is other faith-based institutions, and we have really been trying to bring in other faith-based institutions and work with them in helping to identify particular investment ideas.

We go to conferences; not only do we attend conferences, we have started to host conferences. Recently, we hosted a conference with Equilibrium Capital, which is a leader in socially responsible investing. Here at the offices of The Church Pension Fund we invited people from the community who are interested in these areas. We are really trying to build this network that does not really exist at this point.



Anne Mallonee
Executive Vice President and
Chief Ecclesiastical Officer



Alan Snoddy
Managing Director,
Investments

“We have really been trying to bring in other faith-based institutions and work with them in helping to identify particular investment ideas.”

Mallonee:

This represents a great deal of investment of time and energy to be able to find these investment opportunities that really will work for CPG.

Snoddy:

This is very, very important to the constituents of the Church, to the organization as a whole, and to me personally, so it is really worth the time and effort that we are spending doing this.

Mallonee:

Alan, you have described extensive research that is done to identify a possible socially responsible investment. You vet it across the organization with your colleagues and the Investment Group; there's a lot of work that goes into it. After you finally decide that this is an investment you are going to make, how do you measure whether it has been successful?

Snoddy:

We currently have \$900 million invested, we have another \$250 million that is committed to be invested over the next 12 to 18 months, and we have realized \$1.2 billion, so these are sort of the quantitative measures.

However, I think it is important to look at it qualitatively. What I mean by that is, were we catalytic in some of these? This is something that is very important to us. If we can be a lead investor in a fund that is struggling to get off the ground, and attract other people to this investment, then this makes it a very successful investment idea.

We have made a number of microfinance investments, which are making small-balance loans to individuals to start businesses. I was able to actually travel to Hyderabad in India and go to a village and see where the loans were actually made, all the way back to the main office.

There was one individual whose first loan was to buy a sewing machine. She became the local tailor and she made enough money to pay off that loan. She then wanted to expand into something else and was looking at what the village needed. For this particular village, the milk truck only came once every three days, and they did not necessarily know exactly what day it was coming. As a result, roughly two-thirds of the milk that was being produced was spoiling. She took out a loan to have a refrigerated repository for the milk and it had a place where the milk truck would come and hook up to it. She would buy the milk from people on the days that it was produced at ninety cents on the dollar and then she could sell it to the milk cooperative at the full price.

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Mallonee:

I would think it would be very gratifying to meet an individual who has been able to not only change her own life, but it sounds as though she has transformed the life of her whole village. How does that feel?

“It’s very rewarding, and it’s something that obviously keeps us going.”

Snoddy:

It feels amazing. I think that it is something that you really start to see the knock-on effects. When you make an investment, not only are you affecting this one individual, but then that individual can affect other individuals. When we provide capital, if we can be catalytic in making these investments and attract other capital, and be a leader in the industry, the more capital that is attracted to these issues and investment ideas, the more people who can be affected. It is very rewarding and it is something that obviously keeps us going.

Alan Snoddy is a Managing Director in the Church Pension Group's Investments Department. He is responsible for overseeing the global real estate portfolio and assists in identifying socially responsible investment opportunities. He received a BA from The College of William & Mary and an MBA from Fordham University, from which he graduated with a 4.0 GPA. He is also a CFA® Charterholder.

The Rev. Canon Anne Mallonee serves as Executive Vice President and Chief Ecclesiastical Officer. Prior to joining CPG, Canon Mallonee served as Vicar and a member of the Senior Leadership Team at Trinity Wall Street in New York City. Before that, she spent several years as Interim Dean at Christ Church Cathedral, Hartford, CT, and served for six years at the Cathedral Church of St. Mark, Minneapolis, MN, the last two as Acting Dean. She is a graduate of the University of Kansas and received her MDiv from Berkeley Divinity School at Yale University. She serves as chief advisor to the CEO on all Church related matters and is a member of the CPG Executive Leadership Team.

To learn more about CPG's SRI-related initiatives, please visit cpg.org/sri. Members of the press who have an interest in speaking with Mr. Snoddy can contact Curt Ritter at critter@cpg.org.