



SILVERCREST
ASSET MANAGEMENT GROUP

A Different Perspective on Impact Investing



BUCK STEVENSON
MANAGING
DIRECTOR

Investors who seek to complement a financial return with social impact often are unaware that highly impactful investments exist in full view (and sometimes right around the corner) in many U.S. communities.

Often, these investments are in the form of high-yield municipal bonds that support charter schools, independent hospitals, substance abuse counseling

centers and other social service providers that are critical to the fabric of communities they serve.

Non-profit institutions that serve distressed and under-served communities tend to be completely off-the-radar in the impact world—which is why they are called “nonintuitive impact investments.”

Consider, for example, New Dawn. This charter high school in Brooklyn seeks to resuscitate the academic careers of children who have dropped out or are in danger of doing so. A recent \$26 million bond to renovate its facility offered investors a 5-3/4% coupon and a 5.70 yield to maturity, with the longest maturity at 30 years. In addition to receiving an attractive return on a non-rated, revenue secured bond, investors support the school’s efforts to provide educational opportunities to over-aged and under-credited students. A large number of these students are English language learners or disadvantaged.

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Impact investment opportunities also exist among the nation’s not-for-profit, independent hospitals, many of which are on unsteady financial ground. For example, Great Plains Medical Hospital is a 76-bed facility in Elk City, Oklahoma, which

provides critical health services to the sparsely populated westernmost region of the state. Although the hospital is well-run and has a sound balance sheet, its financial status has been shaky for more than a decade—partly because Oklahoma does not participate in Medicaid/Obamacare reimbursements. They issued bonds that offered investors a 5-1/8 coupon, a 5.21 yield to maturity, and an impact opportunity to ensure that the mostly blue-collar families in the region receive adequate healthcare.

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The default rate of these types of impact investments is comparatively low. For instance, the default rate of BB-rated acute care hospitals is 1.86% according to S&P. This contrasts with an 18% default rate of corporate BB credits.

Silvercrest financed a 7.5 million dollar deal to build a premier leader of mental health services by providing holistic care grounded in science while building awareness and acceptance through education called HopeWay. With the purchase of 12 acres in southwest Charlotte, NC, our bonds financed the building of a 53,000 square foot facility. HopeWay diagnoses and treats many mental health issues. They have outpatient as well as residential programs. HopeWay works with surrounding hospitals and is approved by Blue Cross Blue Shield, which is the main provider. HopeWay is working to provide the best treatment practices for PTSD and traumatic brain injury for our veterans. We structured two terms, a 10-year term at 5% and a 30-year term at 6%. The 10-year term has a sinking fund that redeems bonds every year at 100, giving you a 6-year average life. They are the only facility of its type and quality for its surrounding counties.

Carefully selected high-yield municipal investments can be an attractive (and nonintuitive) opportunity for investors with an impact focus.

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