



## Second Quarter 2015

Investing for Good<sup>SM</sup>  
www.domini.com

### Strengthening Communities with the Domini Social Bond Fund

Our quarterly Social Impact Updates generally focus on the Domini Social Equity Fund and our work to improve corporate social and environmental performance. This quarter, we focus on the Domini Social Bond Fund. Stock ownership offers the opportunity to set standards for corporate behavior and to influence management through the exercise of shareholder rights. Fixed income investments offer a different set of opportunities for long-term, lasting impact.

#### Shareholder Proposals

Each year, the **Domini Social Equity Fund** submits shareholder proposals to appear in corporate annual proxy statements. These proposals, which come to a vote at corporate annual meetings, ask companies to address a broad range of social and environmental issues. Last quarter, we announced the successful withdrawal of four shareholder proposals (see our *First Quarter Social Impact Update*). See below for a look at our proposals that went to a vote in the second quarter.

| Company   | Vote |
|---|------|
| <b>AT&amp;T</b><br><i>Disclosure of indirect political contributions (trade associations, etc.)</i>               | 26%  |
| <b>Chipotle Mexican Grill</b><br><i>Sustainability Reporting</i>  | 31%  |
| <b>Energen Corp.*</b><br><i>Methane Emissions Reporting</i>   | 29%  |
| <b>Kraft Foods Group</b><br><i>Deforestation</i>  | 30%  |
| <b>United Parcel Service*</b><br><i>Political Lobbying Disclosure</i>   | 16%  |
| <b>Verizon Communications</b><br><i>Disclosure of indirect political contributions (trade associations, etc.)</i> | 32%  |

\*Domini is playing a supporting role in these engagements.

If you think of a bond as a loan, the key questions for responsible lenders should be: *To whom am I loaning my money and for what purpose?* We look to diversify our holdings in the Fund across a broad range of social issues, including affordable housing, small business development, education, community revitalization, rural economic development, the environment, and health care.

The Fund's investments cover a range of potential impacts, from "low" impact bonds, such as corporate bonds that meet Domini's social and environmental standards, to high impact bonds focused on meeting particular community needs. Currently, more than 14% of the Domini Social Bond Fund's portfolio is represented by securities that Domini characterizes as high social and environmental impact (as of 6/30/15). Below are a few examples.

**Low-Income Housing:** Approximately 11.5% of the portfolio is represented by bonds issued by **Fannie Mae** for low-income or very low-income housing, including a bond backed by mortgages on a 47 unit building in Tulsa, OK where 87% of the units are for very-low income families. These securities finance multifamily loan pools under Fannie Mae's Delegated Underwriting and Servicing program ("DUS"). Fannie Mae classifies families as "very low income" if they earn less than 50% of area median income (AMI), and "low income" if they earn 50 - 80% of AMI.

The Fund also holds a security issued by **Community Reinvestment Fund USA** (CRF). CRF purchases existing multifamily affordable housing mortgages in order to recapitalize local affordable housing loan funds. This security was originally collateralized by 45 multi-family rental properties, 85% affordable housing and 15% senior housing, in four states. CRF requires that the local lending partner reinvest the new funds provided by the financing in affordable housing.

**HEALTH CARE:** When identifying appropriate municipal bonds for the Fund, we are seeking to make investments that address unmet needs, and are particularly interested in bonds designed to improve healthcare in underserved areas. A number of the Fund's holdings provide financing for non-profit hospitals around the country, including **Memorial Sloan Kettering** and **New York Presbyterian** in New York City, and **Kaiser Foundation Hospital** based in Oakland, CA. Each of these institutions serve a significant portion of uninsured or under-insured people.

One bond finances the **Ochsner Clinic Foundation**, one of the largest fully integrated health care delivery systems in the Gulf South Region, providing healthcare in minority and low-income regions, serving communities where 14% are uninsured, and 20% of children live in poverty. The parent hospital remained open during and after hurricane Katrina, serving many uninsured. The Fund also holds a bond issued by **City of Hope**, a nonprofit public benefits corporation operating a specialty hospital, a number of research facilities, and medical schools with a focus on cancer, diabetes treatments as well as prevention for HIV/AIDS.

(continued on reverse)



**ENVIRONMENTAL BENEFITS & JOB CREATION:** We hold a number of bonds issued to finance more energy efficient buildings, including a bond issued by the **Massachusetts Institute of Technology (MIT)**. A bond issued by the **Pennsylvania Industrial Development Authority** helps to provide low-interest loans for eligible businesses that commit to creating and/or retaining jobs in the local economy.

## Corporate Engagement

During the quarter, we continued our engagement with **PNC Financial Services Group**, including a conversation with PNC's CEO about climate change, and participated in a call with **General Mills** regarding pesticides that have been linked to significant declines in honey bee populations. We joined investors representing more than \$5 trillion and several major companies in a letter urging the **Roundtable on Sustainable Palm Oil (RSPO)** to strengthen its standards to better protect the environment and human rights. We helped gather corporate signatories to the letter, including **Pepsi**. **AMD** (*semiconductors*) published its twentieth annual corporate responsibility report in June, reflecting comments we provided during an ongoing engagement with the company on sustainability reporting.

We met with several non-governmental organizations, including the **Union of Concerned Scientists** (*palm oil*), **Friends of the Earth** (*pesticides*) and **Labour Action China**, a Hong Kong based labor rights organization (*factory worker health and safety*). We continued our work with the **Global Network Initiative** (*free expression and privacy rights*) and joined an investor taskforce on corporate taxation coordinated by the **UN Principles for Responsible Investment**.

## Public Policy

We met with **U.S. Secretary of Labor Thomas Perez** to discuss the legal standards guiding fiduciaries that invest for social impact, and submitted a comment letter to the **Securities and Exchange Commission** regarding the exclusion of shareholder proposals that "conflict" with management proposals.

### ABOUT DOMINI SOCIAL INVESTMENTS

Domini Social Investments manages mutual funds for individual and institutional investors who wish to create positive change in society by integrating social and environmental standards into their investment decisions. Visit [www.domini.com](http://www.domini.com) or call 1-800-582-6757 to learn more.

The Domini Funds are not insured and are subject to market risks, such as sector concentration and style risk. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. You may lose money.

The Domini Social Bond Fund is subject to interest rate and credit risks. During periods of rising interest rates, bond funds can lose value. The Fund currently holds a large percentage of its portfolio in mortgage-backed securities. During periods of falling interest rates, mortgage-backed securities may prepay the principal due, which may lower the Fund's return by causing it to reinvest at lower interest rates. Some of the Fund's community development investments may be unrated and carry greater credit risks than its other investments. The Domini Social Bond Fund may hold a substantial portion of its assets in the direct obligations of U.S. government agencies and government-sponsored entities, including Fannie Mae and Freddie Mac, and in the mortgage-backed securities of Government National Mortgage Association (Ginnie Mae), Fannie Mae, and Freddie Mac. Ginnie Mae is a wholly owned government corporation that guarantees privately issued securities backed by pools of mortgages insured by the Federal Housing Administration, the Department of Veterans Affairs, and the Department of Agriculture under the Rural Housing Service Program. Fannie Mae and Freddie Mac are government-chartered corporations whose mandate is to enhance liquidity in the secondary mortgage markets. (Ginnie Maes are guaranteed by the full faith and credit of the U.S. Treasury as to the timely payment of principal and interest. Freddie Macs and Fannie Maes are backed by their respective issuer only, and are not guaranteed or insured by the U.S. government or the U.S. Treasury.)

This information is provided for educational purposes only, and should not be considered investment advice with respect to any of the holdings listed. As of June 30, 2015, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: AT&T (<0.01%), AMD (<0.01%), Chipotle (1.95%), Kraft (<0.01%), Pepsi (2.53%), PNC (<0.01%), United Parcel Service (<0.01%), Verizon (<0.01%); and the following percentages of the Domini Social Bond Fund's portfolio: City of Hope (0.20%), CRF Affordable Housing (0.21%), FNMA Pool AM7598 (Tulsa, OK) (1.09%), Memorial Sloan Kettering (0.04%), Mass. Institute of Tech (0.07%), NY Presbyterian Hospital (0.25%), Ochsner Clinic Foundation (0.38%), Pennsylvania St. Industrial Development Authority (0.36%), Kaiser Foundation Hospital (0.06%). Energen and General Mills were not held by the Funds. The composition of the Funds' portfolios is subject to change.

*This material must be preceded or accompanied by a current prospectus.* DSIL Investment Services LLC, Distributor. 8/15