

## *A Conversation with Hoa N. Quach, and Stephen M. Liberatore*



### **CBIS**

**Hoa N. Quach, CFA**  
*Managing Director, Catholic  
Responsible Investments*



### **TAL/Nuveen**

**Stephen M. Liberatore, CFA**  
*Senior Managing Director  
and Head of ESG/Impact for  
Global Fixed Income*

**Ms. Quach:** While investing in impact fixed income is relatively new and still growing, how are you defining impact bonds at this stage of their development?

**Mr. Liberatore:** In my view, an impact bond is something that has a direct and measurable social and/or environmental outcome associated with it. The final definition of the space is going to be iterative over time.

**Ms. Quach:** What are the primary differences between impact bonds and traditional fixed income securities?

**Mr. Liberatore:** Most fixed income issues, whether corporate or municipal, are offered for general corporate purposes. Within the impact space, issuers can control how proceeds are utilized. This important distinction allows asset managers to represent the views of investors in the deployment of their capital.

**Ms. Quach:** Why has TAL/Nuveen chosen to be involved in the issuance of impact bonds?

**Mr. Liberatore:** By being actively involved, we are positioned to influence the market in a way that aligns with what its investors are looking for. We're able to be a very strong advocate for our clients around how these deals come about.



**“What we’re doing is holistically acknowledging that the environment impacts society, and that impacts the economy.”**



**“Just because it says it’s a green bond doesn’t mean it is, and vice versa.”**



**Read CBIS’ [Impact Report](#) to learn more about impact bonds and their generated results.**

**Ms. Quach: Do you have a sense of the size of the impact bond universe?**

**Mr. Liberator:** I can say with some confidence tracking indicates the issuance of another trillion dollars in bonds this year, which would push the labeled market above four trillion dollars in size. The market is reflecting investor demand.

**Ms. Quach: The “labeled market”?**

**Mr. Liberator:** Generally, the parameters in the market utilize the International Capital Market Association’s Green Bond principles, which also apply to social bonds, sustainability bonds, sustainability linked and transition bonds. These bonds are labeled as such when they’re issued.

**Ms. Quach: How do the credit rating agencies look at impact bonds?**

**Mr. Liberator:** The rating agencies are starting to provide more information and analysis of impact securities. It’s important information, but it is critical managers have a process to make sure that a security fits their framework. Just because it says it’s a green bond doesn’t mean it is, and vice versa.

**Ms. Quach: Do impact bonds fall into identifiable categories of issuance?**

**Mr. Liberator:** We’ve evolved to a place where the market widely recognizes that impact can occur in any sector of the investment universe, as long it meets that definition that we use of direct and measurable. Currently we’re able to obtain impact exposure in every sector of the public fixed income market except for U.S. Treasuries.

**Ms. Quach: From a performance perspective, is the impact component a drag on relative returns?**

**Mr. Liberatore:** We try to make sure that we don't sacrifice any level of spread because there's impact associated with it.

**Ms. Quach: How do impact bonds relate to ESG?**

**Mr. Liberatore:** At TAL/Nuveen, we use ESG characteristics to identify the best operated and managed issuers. Impact investing is slightly different. Here, we're also trying to specifically draw or drive investment in particular outcomes, in particular the deployment of capital in certain assets or pools of assets. I'd suggest the goal is the same.

**Ms. Quach: Bottom line, why should investors include impact bonds in their portfolios?**

**Mr. Liberatore:** What we're doing is holistically acknowledging that the environment impacts society, and that impacts the economy. All of this can be a virtuous cycle if you're doing it correctly.

---

### Important Information

This material is prepared by and represents the views of Stephen Liberatore, and does not necessarily represent the views of TAL/Nuveen, its affiliates, or other TAL/Nuveen staff. These views are presented for informational purposes only and may change in response to changing economic and market conditions. This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors. Certain products and services may not be available to all entities or persons. Past performance is not indicative of future results. Economic and market forecasts are subject to uncertainty and may change based on varying

market conditions, political and economic developments.

Responsible investing incorporates Environmental Social Governance (ESG) factors that may affect exposure to issuers, sectors, industries, limiting the type and number of investment opportunities available, which could result in excluding investments that perform well.

Teachers Advisors LLC ("TAL"), an investment adviser subsidiary of Nuveen ("TAL/Nuveen"). Nuveen is the wholly owned investment manager subsidiary of TIAA. Nuveen provides investment advisory solutions through its investment specialists including Teachers Advisors, LLC, a registered investment adviser.

## Contact Us

**We want to hear from you!**

If you have any questions, please reach out to your CBIS representative:



**info@cbisonline.com**

or



**(877) 550-2247**