

# MAKE A POSITIVE IMPACT IN YOUR PORTFOLIO

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APA believes municipal bonds are a natural fit for socially responsible investment and green initiatives. The municipal bond market offers state and local governments access to low-cost capital to finance a range of diverse climate-aligned projects, such as transportation issues or efficient energy programs, thereby allowing investors to align their personal interests with their portfolios. For investors who want to invest in sustainability, APA offers our Positive Impact Strategy, which seeks to maximize tax-exempt income and preserve capital while emphasizing positive environmental, social, and governance (ESG) objectives.

The landscape of the “green” municipal bond market is expanding and evolving rapidly in response to changes to our climate that increase the urgency for environmentally sustainable projects. We believe the surge in the issuance of green municipal bonds over the past several years should continue as state and local governments look for ways to pay for much-needed infrastructure upgrades and plug any gaps in federal funding for those projects. Through sustainable or impact investing, we can positively influence the environment and society while seeking to maximize returns. Municipal bonds backed by taxes and revenue collected from essential public services, such as water and sewer, have historically had a significantly

lower default risk than corporate bonds. The 5-year municipal default rate since 2007 was 0.15% versus global corporate defaults of 6.92%.

APA’s Positive Impact Strategy targets primarily what we believe are high-quality municipal bonds that are labeled “green” by their issuers and/or bonds that finance climate-aligned projects. APA’s Credit Research Group (CRG) has expertise across the municipal-credit spectrum and identifies sectors that we project will have the greatest impact, with a focus on essential projects backed by fiscally sound and forward-thinking municipalities. Bonds selected by our investment professionals meet APA’s green standard, as part of our fundamental analysis and is not limited to bonds labeled “green” at issuance. Sustainable investing can include municipal bonds from any of the following sectors:

**Water and sewer bonds** — which often meet upgraded environmental standards while providing an essential service to the public.

**School district bonds** — investing in schools strengthens communities by eventually lowering the local unemployment rate, increasing median household incomes, and raising overall education levels.

**Transportation bonds** — which help reduce carbon emissions by encouraging people to embrace mass transit, upgrade infrastructure, and create new infrastructure.

**Healthcare bonds** — including buying clean energy and offsetting the amount of greenhouse gas (GHG) emissions to become “carbon net positive,” increasing recycling efforts, reducing water usage (a large expense for hospitals), and/or pursuing new collaborations to reduce risks in the hospitals’ communities.

**Clean energy** — improving energy efficiency and implementing renewable energy projects can reduce carbon pollution.

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## LOOKING FOR POSITIVE IMPACT FROM YOUR PORTFOLIO?

APA customizes portfolios using the principles of sustainable investing while keeping in mind our clients’ portfolio objectives and values.

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