Appendix E: Example – Responsible Investment Rate Sensitivity Analysis

Purpose: to illustrate impact on returns with a portfolio limit of 10% for responsible investment products with lower than market returns.

EXAMPLE: Sensitivity on return of lowest expected return (1%) on responsible investment products with limit of 10% of total investments. Assumptions: Market Rate 2%; Lower Rate 1%; Principal $10M.

Table 1: Earnings impact of 10% @ lower rate (1%) on $10M

Scenario	Portfolio %	Earnings	Eff Rate
100% Market Rate	100% @ 2.0%	$200K	2.0%
90% Market Rate 10% Lower Rate	90% @ 2.0% 10% @ 1.0%	$190k	1.9%

CRD PORTFOLIO SENSITIVITY:

Applying the effective rate to the average CRD portfolio holdings (Average $250M), yields ($250K) lower interest income. Table 2 identifies the relative sensitivity of higher % invested at lower rates.

% PORTFOLIO @ LOWER RATE		
ALLOCATION	CHANGE IN RETURN ($)	CHANGE IN RETURN (%)
0%	0	0.00%
10%	(250,000)	-0.10%
20%	(500,000)	-0.20%
30%	(750,000)	-0.30%
40%	(1,000,000)	-0.40%
50%	(1,250,000)	-0.50%
60%	(1,500,000)	-0.60%
70%	(1,750,000)	-0.70%
80%	(2,000,000)	-0.80%
90%	(2,250,000)	-0.90%
100%	(2,500,000)	-1.00%