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Marketing Material

Investor Update

July 2021

Schroder BSC Social Impact Trust plc

A unique investment opportunity to address UK social challenges



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## Schroder BSC Social Impact Trust plc (SBSI)

Provides investors with unique access to a diversified portfolio of high-impact, private market investments within a liquid investment vehicle.

### Investment opportunity

There is a growing private impact investment market in the UK, providing solutions that aim to help alleviate some of the country's most pressing social challenges, while targeting a sustainable financial return.

These impact driven investment opportunities are gaining increasing institutional investor backing; however, they are not easily accessible to other investors without specialist expertise and deep networks.

To bring these opportunities to a wider audience, Schroders and Big Society Capital (BSC), one of the UK's leading impact investors, have partnered to provide investors with unique access to a diversified portfolio of high-impact private market investments within a liquid investment vehicle.

Impact investing allows investors to invest in a way that has a specific and measurable impact on society. SBSI targets **the highest level of social impact, whilst seeking to provide an attractive risk and return profile.**

The trust adopts the Impact Management Project (IMP) framework, an initiative supported by the United Nations, which proposes a methodology for measuring and managing impact, as well as aligning investments to impact objectives. Within this framework, the trust intends to make investments in underlying enterprises that are directly seeking to **contribute to solutions** that address societal challenges in the UK.



### Highlights in the period

- Portfolio financial performance ahead of plan, with yields largely in line, and total return ahead of expectations, led by investments in Bridges Evergreen Holding's
- Portfolio 97% committed and on track to be fully committed, ahead of the anticipated 12-month timeframe<sup>1</sup>
- New £5m follow-on commitment to Social and Sustainable Housing LP (SASH)
- Within existing portfolio, Bridges Evergreen Holding's new investment in Skills Training UK
- Publication of BSC-led reports in the quarter from its work to build impact management norms in social and affordable housing

[Link to SBSI website](#)

Source: <sup>1</sup>Data as at 21 July 21. By value. <sup>2</sup>As a % of net proceeds at IPO.

\*Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

### Investment Objective\*

The principal investment objectives are to deliver measurable **positive social impact** and **long-term capital growth and income.**

SBSI seeks to achieve this by investing in a diversified portfolio of private market impact funds and direct co-investments alongside other impact investors.

### Key Figures

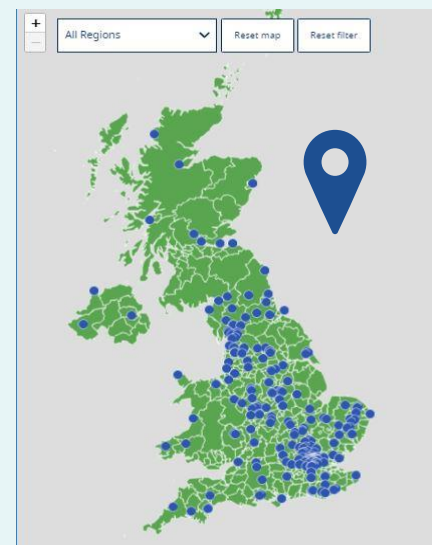
NAV per share (31 Dec 20)  
99.90p

% Committed<sup>2</sup>  
(21 Jul 21)  
97%

% Invested<sup>2</sup> (21 Jul 21)  
66%

### Interactive Map

We have developed an interactive map to show the location of the trust's impact across the UK



[Visit interactive map](#)

## Portfolio update

Since the last investor update dated 22 April 2021, the SBSI portfolio has been performing ahead of expectations – led by capital uplifts from Bridges Evergreen Holdings, driven by their investments into AgilityEco, a business that tackles fuel poverty primarily via government-backed schemes, and New Reflexions, a provider of integrated care, therapy and education for young people with complex needs.

Additional investment activity has taken the portfolio to 97% committed, and on track to be fully committed ahead of the original 12 month timeframe. The Company has made a new follow-on commitment of £5m into Social and Sustainable Housing LP (SASH) following its first £5m commitment acquired through the Company's Initial Portfolio in December 2020 (see p5). Within the existing portfolio, Bridges Evergreen made a new investment in Skills Training UK, an independent skills training provider delivering for funding partners in central and local government (see p3).

Some issuers in the Charity Bond Portfolio published impact reports in the quarter (see p4) – for example the Charities Aid Foundation showing their significant activity delivering covid response schemes to hundreds of charities on behalf of government and the finance industry – and Dolphin Living providing 580 affordable housing units at 60% of market rents. In each case the availability of finance from investors such as SBSI has helped charities grow their revenue generating activities and increase social impact delivered to more disadvantaged groups.

A core belief of SBSI's investment philosophy is building understanding of impact as a source of value, driving enterprise resilience and reducing risk. Across our portfolios we are consistently aiming to increase the quality of impact evidence. In the quarter we published two reports from the housing sector initiative we are leading with The Good Economy Partnership to establish new impact management norms and build greater ability to assess and compare impact performance and understand impact risk (more details on p6).

Another important part of our philosophy is the competitive advantage local providers have in delivering for more disadvantaged groups - given their understanding of local context. The local reach of the SBSI portfolio can be seen on our Interactive Map (link on p1). In the quarter we published a report with the Impact Investing Institute on broader Place Based Investing approaches. It highlights the increased institutional interest in investing to deliver local impact. It features many of the investments of SBSI such as Bridges Evergreen Holdings and the Resonance Homelessness funds.

The overall portfolio and pipeline outlook for SBSI continue to be favourable. The immediate pipeline includes a secondary opportunity in Debt for Social Enterprises, and in High Impact Housing a follow-on opportunity and a new multi-tenure fund targeting more disadvantaged groups.

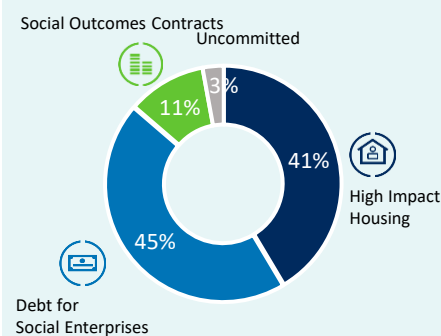
## Current holdings<sup>1</sup>

Investment	Investment focus	Committed (% net proceeds) <sup>3</sup>	Invested Value (% of NAV)	Committed (£m) <sup>3</sup>
Charity Bond Portfolio	Regulated social sector organisations targeting impact in poverty or other vulnerable groups.	20%	20%	15
Bridges Evergreen Holdings	Long-term, large scale, investment to established mission-locked organisations.	14%	15%	10
Resonance Real Lettings Property Fund	Homes to facilitate the transition away from temporary or emergency accommodation.	8%	8%	6
UK Affordable Housing Fund	Homes for people unable to purchase or rent in the open market.	13%	6%	10
Charity Bank Co-Investment	Larger loans to mission driven organisations.	7%	5%	5
Bridges Social Outcomes Fund II LP	UK outcomes contracts across children's services, homelessness and health and social care.	11%	4%	8
Triodos Bank UK Bond Issue	Lender to sustainability and social impact focused organisations.	3%	3%	3
Social and Sustainable Housing LP	Homes for high need groups in receipt of wrap around support.	13%	2%	10
Man GPM RI Community Housing Fund	Multi-tenure UK affordable housing for people on lower incomes.	7%	1%	5
Listed ESG Bond Funds			14%	
Cash deposits and other assets/liabilities			22%	
<b>Total</b>		<b>97%</b>	<b>100%</b>	<b>72</b>

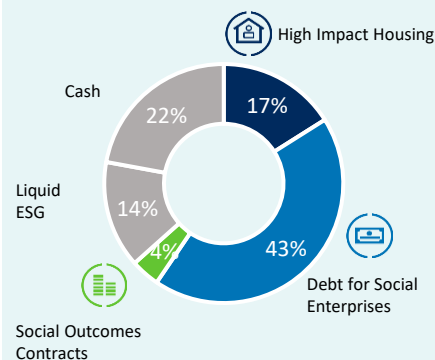
Source: <sup>1,2</sup>Data as at 21 Jul 21. <sup>2</sup>By value. <sup>3</sup>Rounded to nearest integer. Slight differences between "Total" and sum of individual investments may occur due to rounding.

## Portfolio allocation<sup>2</sup>

### Committed as % net proceeds



### Invested value as % of NAV



## Debt for Social Enterprises – Bridges Evergreen Holdings new investment

Bridges Evergreen, a long-term capital vehicle that makes subordinated debt, quasi-equity and equity investments into mission-led businesses, provides investors with access to a differentiated portfolio of high-impact, income-generating investments. It works in partnership with its investee organisations to help them scale over time, build their teams and embed impact, with the goal of delivering better outcomes for people and planet.

Bridges Evergreen has recently invested in Skills Training UK, an independent skills training provider.

### Skills Training UK

Skills Training UK (STUK) is a leader in its sector; it has a long track record of growth and achievement in the design and delivery of individual-focused skills programmes that align with business needs, creating sustainable employment and supporting social mobility.

Working with a number of funding partners in central and local Government and with Local Economic Partnerships, Skills Training UK offers a diversified range of apprenticeships, traineeships, adult skills and employability courses that support 16-24 year olds and adult learners, many of whom are from disadvantaged communities, to achieve positive outcomes.

Bridges Evergreen's investment into Skills Training UK will help support its increased provision and delivery of individual-focused apprenticeships and skills programmes that align with business needs, creating sustainable employment and supporting social mobility. There is a growing demand for high-quality training and re-skilling programmes, particularly post-Brexit and the Covid-19 pandemic, and Skills Training UK is well-placed to contribute towards solving this challenge, helping people to up-skill and access quality jobs.



### Dimensions of Impact

What	☐	Delivery of high quality courses across a range of sectors and funding streams.
Who	◯	Youth (16-18 yrs.) and adults looking to develop skills or upskill living in the UK.
How Much	⋮	Over 6,800 learners enrolled across a wide range of courses in 2020, including over 1,200 apprentices.
Contribution	+	STUK courses equip learners with skills and improved opportunities for employment / progression.
Risk	△	Mitigated by STUK's track record as a leader in its sector and relationships with a number of funding partners.



Source: Skills Training UK. For more information on the UN Sustainable development goals please visit the United Nations website.

## Debt for Social Enterprises – Charity Bond Portfolio

The purpose of charity bonds and debt funds is to offer loans with interest to charities and social enterprises to allow them to expand activity and increase their social impact. Some of these loans are secured and others are unsecured, with such loans being taken up by social enterprises aiming to achieve a broad range of social outcomes in, for example, housing, employment, physical health and mental health services. Given charities' and social enterprises' specialist business models, finance is often not available from traditional providers. On the other hand, demand for the services offered by these social enterprises has sadly increased during the pandemic.

Charity bonds and debt funds provide investors with fixed income investment opportunities. Interest payments on these debt products are often **backed by the delivery of government contracts**, with a **low correlation** to the mainstream financial markets or to trading revenue generated by delivering products and services with social impact.

These debt opportunities provide a **low volatility yield** base to the portfolio. The underlying charities and social enterprises are expected to be delivering interventions often to the most disadvantaged or vulnerable members of society, in areas such as health and social care, often with **government-backed revenue streams**.

### Q2 was a busy reporting period for the charity bond portfolio:

- The Trust's charity bond portfolio is managed by **Rathbones**, who were awarded the **Fund Manager of the Year Award 2021** in the £Corporate Bond category, for The Rathbone Ethical Bond Fund.
- Allia C&C has published the first of its new bi-annual **RCB investor updates**, providing commentary on each of the borrowers that has raised funding through the Retail Charity Bonds Plc (RCB) platform. The RCB platform was established by Allia as a special purpose vehicle to raise debt finance for charities through bonds listed on the Order book for Retail Bonds (ORB) of London Stock Exchange. Six of the charity bonds in the SBSI portfolio have been issued by RCB.
- Several charity bond borrowers included in the SBSI portfolio have issued **impact reports: Dolphin Living, Hightown Housing Association, Charities Aid Foundation, Golden Lane Housing**

### In broader industry news:

- The charity bond issuer RCB has published a **sustainability bond framework**, allowing future issues to be classified as either social, green or sustainable bonds. The sustainability bond framework has been produced to provide a transparent account of the process by which the board of RCB reviews each prospective charity borrower, ensures that the proceeds of each bond issue are used for their intended purpose and reports the impact created. A second-party opinion has also been published by S&P Global Ratings, confirming the alignment of the framework with the ICMA green and social bond principles.



New Commitment in the Period

£ 5m Follow-on Commitment to Social and Sustainable Housing (SASH)

New follow-on commitment of £5m into Social and Sustainable Housing LP (SASH) following its first £5m commitment acquired through the Company’s Initial Portfolio in December 2020



SASH aims to improve the lives of vulnerable individuals by increasing their access to safe, stable and appropriate housing. The fund provides investment to high-performing social sector organisations with local knowledge, networks and a strong track record in management of transitional supported housing. In turn, these organisations purchase properties that can deliver housing and support services to vulnerable individuals, including survivors of domestic violence, children leaving the care system, ex-offenders, asylum seekers, people with complex mental health issues and people with addiction issues.

SASH aims to deliver risk adjusted commercial returns in an uncertain market. SASH’s financial returns rely on property appreciation and rental incomes, predominantly from inflation linked government-backed rental payments.

A recent SASH investment example is Simon Community Scotland (“SCS”) which focuses on providing housing and support for people facing homelessness. Working across Scotland, the charity supports people to resolve their homelessness and recover from extremely difficult circumstances. The investment enables SCS to expand its services into Edinburgh and buy 15 one- and two-bedroom properties that will provide permanent homes for people with complex needs and experiencing or facing homelessness.

SASH investment case study

Hull Women’s Network  
Location: Hull



About their Investment	Dimensions of Impact
August 2019 £3m property loan (10-year term)	What <input type="checkbox"/> Transition to independent living, free from domestic violence.
The loan was fully deployed and all the 49 properties were successfully purchased by Q2 2021, despite lockdown in 2020	Who <input type="radio"/> Women and children fleeing domestic violence in Hull
	How Much <input type="checkbox"/> 49 houses gives capacity to support more than 300 women and children over the life of the loan
	Contribution <input type="checkbox"/> The loan enables HWN to provide a mix of crisis and supported accommodation, alongside move-on housing. Without this, HWN was increasingly limited in its capacity to support women and children fleeing domestic violence.
	Risk <input type="checkbox"/> Mitigated by HWN’s in-depth expertise and established local networks trusted by service users.



“The women’s centre was my saviour in so many ways and I will forever be grateful to every single person who helped me on my journey. I could never have imagined that I would be where I am today.”  
Preston Road Women’s Centre customer

## High Impact Housing – Equity Impact Project

The scale of the housing crisis is critical with over 95,000 households, including over 121,000 children, currently spending each night in temporary accommodation in the UK, double the number ten years ago. That's why Big Society Capital have joined forces with social advisory firm The Good Economy (TGE), because private capital has a role to play as a positive force to tackle the need for more social and affordable housing.

As a result of this collaboration (with input from 10 fund managers and other sector stakeholders<sup>1</sup>), BSC and TGE have released two publications that aim to establish norms of practice that can help shape an inclusive housing market:

**Towards an Approach to Impact Reporting for Investments in Affordable Housing:** sets out a framework to describe the social impact created through partnerships between housing investment funds and housing providers, and to enable investors to report on that impact in a consistent and transparent way. The fund managers working with BSC will now be adopting and testing this framework over the next 12 months and reporting against it as part of their annual impact reporting.

**Equity Impact Project Insight Brief:** is a companion piece to the previous report, looking more explicitly at equity investment models from a risk, return and impact perspective so as to build shared market understanding and knowledge of these new and emerging financing models.

This project follows on from the **ESG Sustainability Reporting Standard (SRS)** launched by The Good Economy in November 2020 as a voluntary reporting standard for housing associations, covering 48 criteria across ESG considerations such as affordability, safety standards and energy efficiency.



## Impact Management Disclosure Statement

Big Society Capital, SBSI's portfolio manager is a signatory to the International Finance Corporation's Operating Principles for Impact Management. In March 2021, BSC published its first Disclosure Statement and Independent Verification Report provided by BlueMark.



Source:<sup>1</sup>Project Group Members: Association of Real Estate Funds (AREF); BMO Real Estate Partners; Civitas Investment Management; Funding Affordable Homes; LaSalle Investment Management; M&G Real Estate; Man Group; Nuveen Real Estate; PGIM Real Estate; Resonance Limited; Triple Point Investment Management; Trowers and Hamblins.

## Company overview

**Structure** UK incorporated investment trust

**Ticker** SBSI

**ISIN** GB00BF781319

**SEDOL** BF78131

**Net Assets** £74.9million (31 Dec 2020)

**Currency** GBP

**Domicile** United Kingdom

**Target return** CPI + 2% net of fees once portfolio is fully invested and averaged over a 3-5 year period.

**Target Yield** Anticipated dividend of 1-2% once fully invested.

**Manager** Alternative Investment Fund Manager – Schroder Unit Trust Limited; Portfolio Manager – Big Society Capital.

## Key Dates

**Financial year end** June

**Next AGM** December 2021

## Board of Directors

Susannah Nicklin (Chair)

Michael Balfour (Audit Chair)

Jamie Broderick

Alice Chapple

## Contact

**Schroders Investment Management**

[Website](#)

0207 658 6000

## Key risks that are specific to the company

- There can be no guarantee that the Company will achieve its investment objective or that investors will get back the amount of their original investment.
- The Company has a limited operating history and investors have a limited basis on which to evaluate the Company's ability to achieve its investment objective.
- The Company has no employees and is reliant on the performance of third party service providers. Failure by the AIFM, the Portfolio Manager or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company.
- The financial performance of the Company will depend upon the financial performance of the underlying portfolio. The Company's portfolio will include Social Impact Investments over which the Company and Portfolio Manager have no control. In particular, investments in Impact Funds and certain Co-Investments will be managed by third party managers. The Company's performance and returns to Shareholders will depend on the performance of those Social Impact Investments and their managers.
- The Company's objective is to deliver measurable positive social impact as well as long term capital growth and income and these dual aims will generally be given equal weighting. Social impact is the improvement of the life outcomes of beneficiaries in a specific target group or groups. There is no universally accepted definition of 'impact', an assessment of which requires value judgments to be made. The Company's impact focus may mean that the financial returns to Shareholders are lower than those which might be achieved by other investment products.
- The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals and the information and deal flow they generate, especially given the specialist nature of social impact investing. The departure of some or all of the Portfolio Manager's investment professionals could prevent the Company from achieving its investment objective.
- The Company will make investments where the Company's commitment is called over time. Due to the nature of such investments, in the normal course of its activities the Company expects to have outstanding commitments in respect of Social Impact Investments that may be substantial relative to the Company's assets. The Company's ability to meet these commitments, when called, is dependent upon the Company having sufficient cash or liquid assets at the time, the receipt of cash distributions in respect of Investments (the timing and amount of which can be unpredictable) and the availability of the Company's borrowing facilities, if any.
- The Company's investments may be illiquid and a sale may require the consent of other interested parties. Such investments may therefore be difficult to realise and to value. Such realisations may involve significant time and cost and/or result in realisations at levels below the value of such investments estimated by the Company.
- Any change in the Company's tax status or in taxation legislation or practice generally could adversely affect the value of the investments held by the Company, or the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.



## Important information

This information is a marketing communication.

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