

# THREADNEEDLE UK SOCIAL BOND FUND SOCIAL PERFORMANCE OVERVIEW 2017

## About the Fund

The Threadneedle UK Social Bond Fund was launched in January 2014 as the first fixed income fund to offer retail and institutional investors an opportunity to see their savings and investments do social good, as well as produce a financial return. The fund's social objective is to support more inclusive, sustainable and balanced development in the UK.

The fund was developed as a partnership between Big Issue Invest (BII), the social investment arm of The Big Issue, and Columbia Threadneedle Investments, one of the UK's largest asset managers. Columbia Threadneedle manages the fund and BII acts as the fund's Social Advisor and reports on the fund's social performance annually.

## Social objective

The fund's social objective is to support more inclusive and sustainable economic development, primarily in the UK.

The fund achieves this objective by investing in a diversified portfolio of bonds across eight thematic impact areas, including affordable housing, education, financial inclusion and infrastructure. The fund's impact investment strategy is aligned with the United Nations Sustainable Development Goals (SDGs) and supports the achievement of the SDGs in the UK.

The Fund Manager actively manages the portfolio to meet impact expectations whilst simultaneously aiming to deliver UK investment grade corporate bond-type returns, optimising the balance between financial return, risk, liquidity and impact. The fund's stand-out feature in the mainstream market is its social objective.

A percentage of the fund's earnings goes towards supporting Big Issue Invest in its work financing social enterprises – businesses with a primary purpose of tackling poverty through opportunity – adding an additional layer of social impact to any investment made in the fund.

## Social outcome areas

The fund invests in bonds in eight thematic impact areas with the following goals:

### 1. Affordable housing –

supporting the increased provision of quality, affordable housing for low-income individuals and families.



### 2. Community services –

improving community services that improve well-being, particularly for people with specific social needs.



**3. Education –** supporting wider participation in higher education and promoting social mobility.



### 4. Employment and Training –

supporting inclusive job growth in major employment sectors.



### 5. Financial Inclusion –

improving access to affordable financial services for all.



### 6. Health and Social Care –

improving basic and innovative health and social care services.



### 7. Transport and Communication Infrastructure –

investing in national and regional infrastructure, particularly outside of London and the greater South East.



### 8. Utilities and Environment –

supporting the provision of affordable and sustainable water, energy and other essential services.



# SOCIAL PERFORMANCE AT A GLANCE

## Highlights

**Affordable Housing:** The fund is helping tackle the urgent need for affordable housing through investments in 14 registered housing providers, managing nearly 600,000 homes.

**Financial inclusion:** The fund has invested in the UK's three largest building societies, providing affordable banking services and mortgages to 12.6 million people across the UK.

**Job creation:** 74% of bonds are issued by organisations in sectors of the UK economy that favour inclusive job growth, measured by the rate and scale of job creation, average earnings relative to the living wage and opportunities for vulnerable groups.

**Supporting charities to access funding:** 2% of bonds are from charities issuing bonds for the first time as a means of raising funding for projects that benefit low-income communities and people in social need.

**£96M**

invested by both retail and institutional investors (annual growth in AUM of 12%)

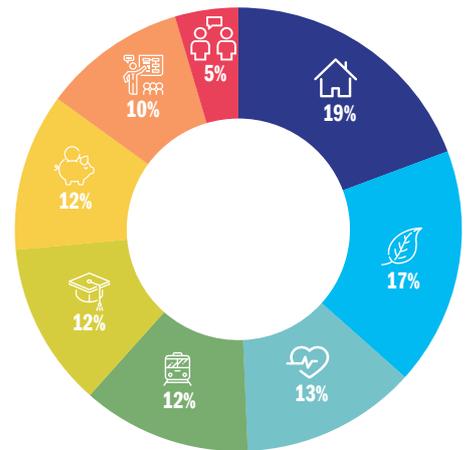
**96 bonds from 72 issuers**

including charities, registered social housing providers and listed companies

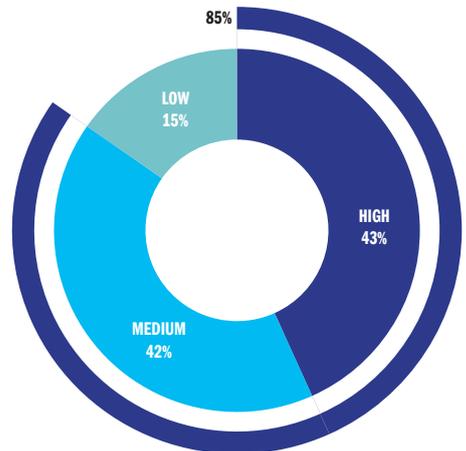
## Top 25 Bond Holdings, 2017

Name of Issuer	Social Outcome Area	Social Rating	% of Portfolio (March 2017)	% change (2016 - 2017)
BUPA	Health and Social Care	Medium	3.98	0.62
Wellcome Trust	Health and Social Care	High	3.95	-0.17
Motability Operations Group	Financial Inclusion	High	3.52	-0.23
Lloyds ESG	Employment and Training	Medium	3.42	0.34
UNITE Students	Education Learning and Skills	Medium	3.29	-0.29
Manchester Airport Group	Transport and Communication Infrastructure	Medium	3.18	0.00
Nationwide Building Society	Financial Inclusion	Medium	3.04	0.08
Dwr Cymru (Welsh Water)	Utilities and the Environment	High	2.75	1.01
A2 Dominion Housing Association	Housing and Property	High	2.41	0.17
Legal and General	Financial Inclusion	Low	2.39	1.69
Northern Ireland Electricity	Utilities and the Environment	Medium	2.30	0.06
BBC Pacific Quay	Transport and Communication Infrastructure	High	2.12	-0.75
Wheatley Housing Association	Housing and Property	High	2.11	-0.24
Charities Aid Foundation	Community Services	High	2.11	0.41
Pennon (South West Water)	Utilities and the Environment	Low	2.08	-0.09
London & Quadrant Housing Association	Housing and Property	Medium	2.05	1.56
Electricity North West	Utilities and the Environment	High	2.03	0.14
Scottish and Southern Energy	Utilities and the Environment	Low	1.97	0.99
Intu Metrocentre	Employment and Training	Medium	1.88	-0.08
Places for People Homes	Housing and Property	High	1.75	-0.34
Cardiff University	Education Learning and Skills	High	1.72	0.12
Associated British Ports	Transport and Communication Infrastructure	Medium	1.68	0.75
Sanctuary Capital	Housing and Property	High	1.66	-0.16
Circle Anglia Social Housing	Housing and Property	High	1.64	0.06
IADB EYE bond	Education Learning and Skills	High	1.63	-0.12
			60.66	

## Breakdown by bond social performance rating



## Breakdown by bond social performance rating



Social Performance (by value): **85% of bonds are rated High and Medium** in terms of their overall social impact (up from 83% in 2016) and well above the performance target of 66%.

# Investment for inclusive and balanced development in the UK

The map below helps to visualise the geography of the fund's investments within the UK (for a selection of holdings). The fund is invested in every nation and region of the UK, helping to support inclusive and sustainable economic development – “an economy that works for everyone”. The investments are mapped onto the UK’s landscape of socio-economic deprivation, showing that the fund is supporting many of the country’s most disadvantaged communities.

**89%**

of the bonds are UK based, the remainder being global in reach

**33%**

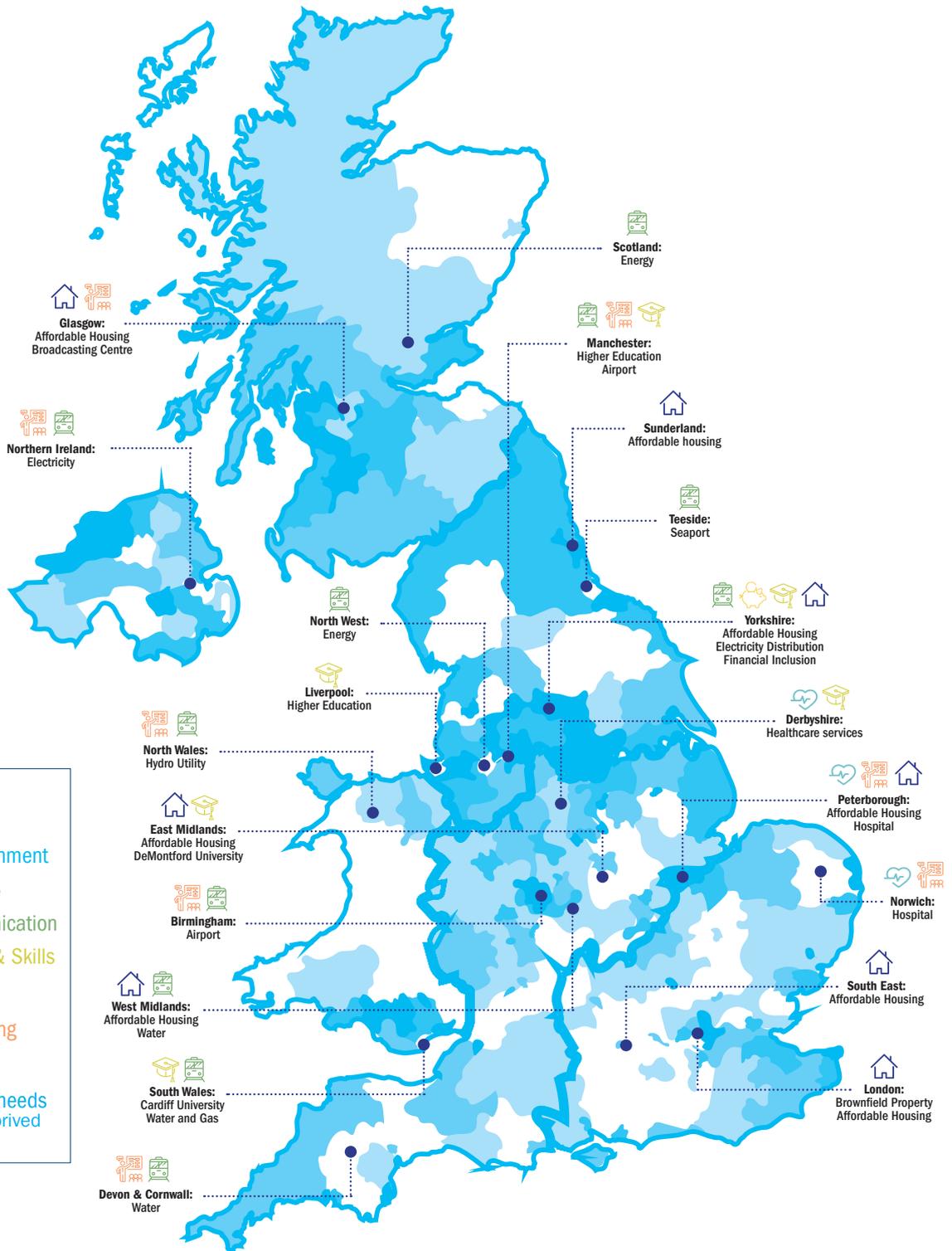
of the bonds support development in the North of England

**74%**

of the bonds favour regional development outside the Greater South East

**20%**

of the bonds are in each of the Midlands and the South West



# CASE STUDY GOLDEN LANE HOUSING

Community services



Charity bonds expand the pool of capital for investments that benefit low-income communities and people in social need



Golden Lane Housing (GLH), a division of the charity Mencap, is a leading supported housing landlord for people with a learning disability. Since GLH's inception in 1998, they have helped transform the lives of over 1,700 people with a wide range of needs living in more than 750 properties across the UK.

Alastair Graham, director of Golden Lane Housing, said: "There are approximately 1.4 million people in the UK who have a learning disability, yet only 16 per cent of those known to the local authority are in secure long-term tenancy or own their own home. By offering safe and appropriately adapted accommodation, with security of tenure, we enable our tenants to have greater independence and control over their lives."

In 2014, through the Retail Charity Bond platform, GLH became the first ever charity to issue a bond listed on the London Stock Exchange.

- The bond raised £11 million in less than two weeks. The fund was one of the first investors.
- This capital has been used to adapt and purchase 30 high quality houses and bungalows providing homes for 112 people with a learning disability in their community

In 2015, GLH commissioned an external report into the social impact of the new bond-financed properties. The results showed tenants reporting increased confidence, learning of new skills, a wider social life and increased participation in the community. Golden Lane Housing has now also captured the impact on parents of their son or daughter moving into a property:

	Baseline	Follow up
Agree that their relative has the support they need	85%	100%
Agree that their relative has sufficient space in their property	68%	91%
Agreed that they "have enough time for myself after spending time with my relative"	55%	95%
Agreed "I have an active social life and can visit friends regularly"	48%	77%
Agreed "Caring for my relative has meant my family's social life has suffered"	38%	23%

## KEY RISKS

Past performance is not a guide to future returns and the fund may not achieve its investment objective. The value of the fund may fluctuate in response to the performance of individual securities and general market conditions and investors may not get back the sum originally invested. When investing in fixed income securities, the fund's value can be impacted by changes in interest rates as well as the impact of inflation on the value of capital and income over time. The fund may invest in derivatives to reduce risk or minimise the cost of transactions. This may benefit or negatively affect the performance of the fund. The fund invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay or perceived to be unable to pay. The fund can hold assets that may prove difficult to sell, which may result in the fund having to accept a lower selling price, sell other investments or forego more appealing investment opportunities. The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold. Please read the Key Investor Information Document and the Fund Prospectus if considering investing.

To find out more visit [columbiathreadneedle.com](http://columbiathreadneedle.com)



**Important information:** Data as at 31 March 2017 unless otherwise specified. Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested. Threadneedle Opportunity Investment Funds ICVC (TOIF) is an open-ended investment company structured as an umbrella company, incorporated in England and Wales, authorised and regulated in the UK by the Financial Conduct Authority (FCA) as a Non-UCITS scheme. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services. Subscriptions to a Fund may only be made on the basis of the current Prospectus and the Key Investor Information Document, as well as the latest annual or interim reports and the applicable terms & conditions. Please refer to the "Risk Factors" section of the Prospectus for all risks applicable to investing in any fund and specifically this Fund. The above documents can be obtained free of charge on request from: Columbia Threadneedle Investments PO Box 10033, Chelmsford, Essex CM99 2AL. The analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. Issued by Threadneedle Investment Services Limited, Registered in England and Wales, Registered No. 3701768, Cannon Place, 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. Issued 04.18 | Valid to 10.18 | J27523 | 2060473