

## Threadneedle UK Social Bond Fund

# Pioneering a strong bond between social impact and consistent financial results

## OVERVIEW

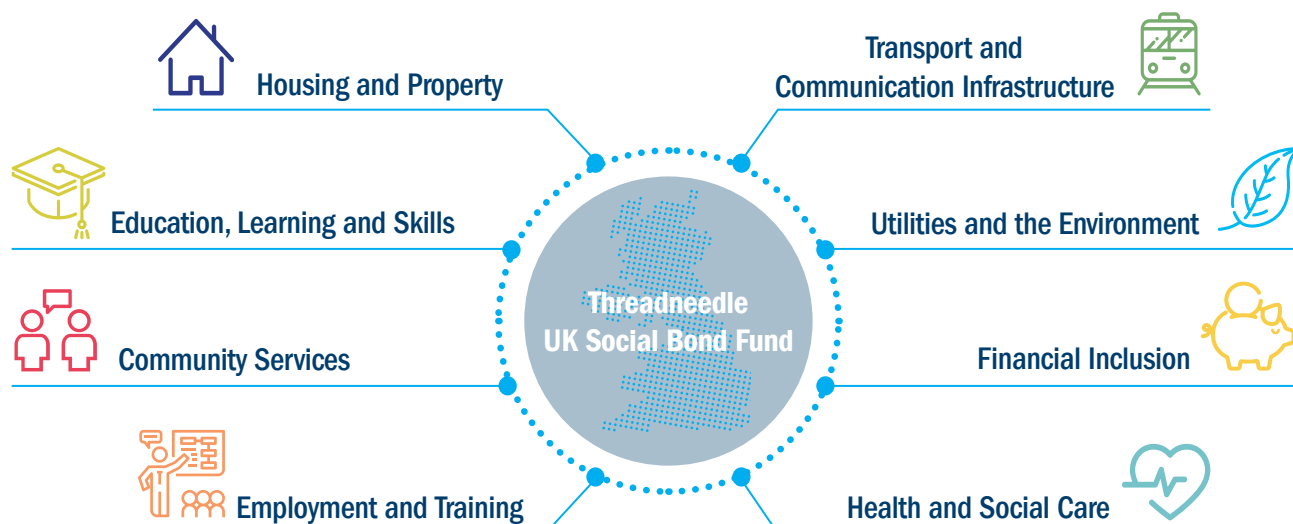
The Threadneedle UK Social Bond Fund unlocks the full potential of bonds to deliver both financial returns and positive social outcomes.

To meet the twin fund objectives, bond investments are only included if proceeds deliver both a financial return and positive social impact. Bonds have the multiple advantages of scale, scope and 'targeted' ability to

support highly social outcomes and impacts, while they are tradable and offer liquidity.

We actively allocate capital to outcomes that address real social needs predominantly in the UK, using a broad universe of bonds issued by corporates, government agencies, regional & local government bodies, mutuals and charities.

**To qualify for inclusion in the portfolio, each bond must target at least one of eight social needs**



## STRENGTH IN PARTNERSHIP



Our proven experience in both fixed income credit and responsible investment is enhanced by our social partnership with Big Issue Group, social entrepreneurs and a leader and innovator in backing sustainable social businesses in the UK.

**The Big Issue Group, brings its expertise and reputation by:**

- > Advising on our proprietary social classification methodology
- > Challenging our social assessments via independent panel
- > Producing an independent annual report

## POSITIVE INCLUSION, EVIDENCE-BASED ANALYSIS AND ENGAGEMENT

We actively source bonds from the eight key social fields set by The Big Issue Group, targeting the most beneficial projects in the areas of most need, with geography being a key driver.

Eligible investments are ranked as high, medium or low intensity by our specialist Responsible Investment team, while our Investment grade credit research analysts

ensure investment ideas pass rigorous financial and liquidity tests for inclusion in the portfolio.

We actively engage with company managements to understand how their businesses work and take a proactive role with both corporates and government in the development and growth of the social bond market.

### How we have been doing it



#### 1 Financials

##### No concessions

- > We aim to maximise return per unit of risk, pursuing income within a total return framework to deliver consistent, sustainable returns
- > Particular attention is paid to managing liquidity and a proportion of the fund will be in highly liquid but lower yielding investments



#### 2 Controversy & ESG

##### Culture / materiality

- > The PM works with our RI analysts to identify the best opportunities based on ESG analysis and engagement with issuing entities
- > The Big Issue Group targets the PM with maintaining a third of exposures in each of the high, medium and low social intensity buckets

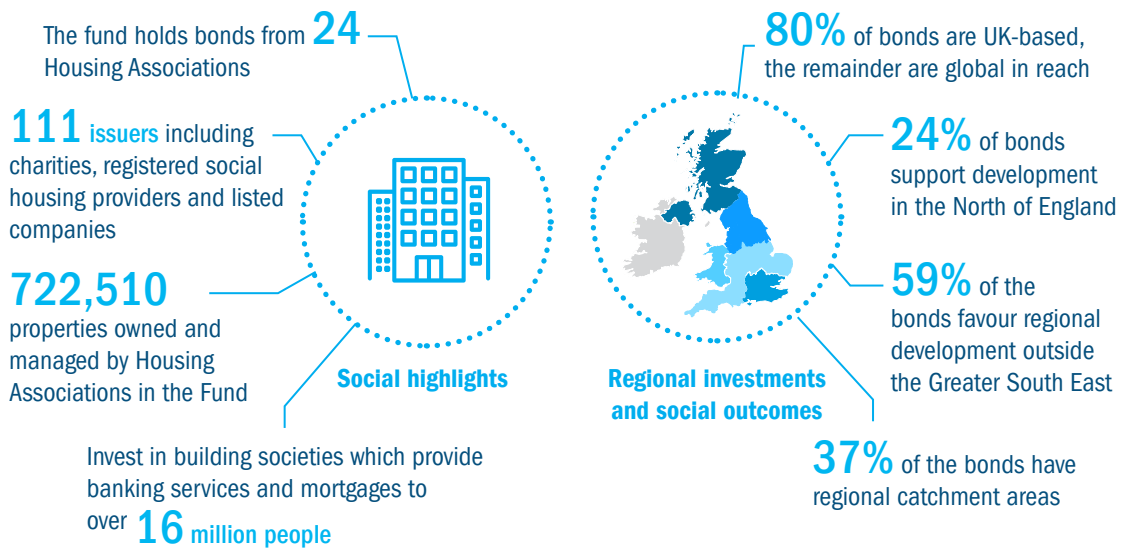


#### 3 Impact

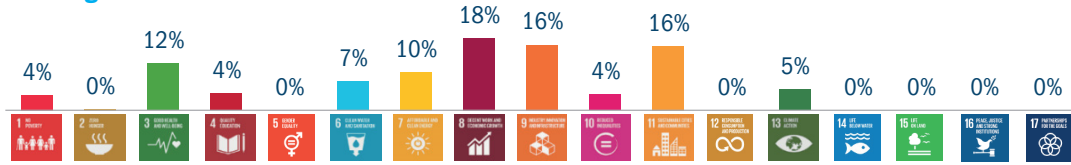
##### Externalities

- > The PM works closely with RI analysts to build a well-diversified portfolio of social bonds, targeting a minimum of 80% UK social domestic outcomes
- > The Social Advisory Committee ensures oversight of the fund's activities

## MEASURING THE SOCIAL VALUE ADDED

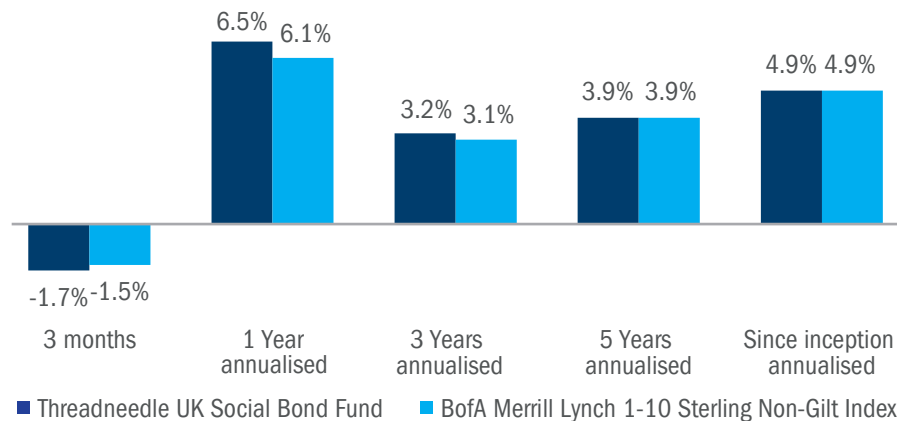


### SDG alignment



Source: Columbia Threadneedle Investments, Annual Social Impact Report, data as 30 June 2020. Data shown is for the Threadneedle UK Social Bond Fund. NB: Additive/contextual SDGs are often relevant across outcomes; eg, the link of an outcomes intensity in addressing social exclusion and deprivation and the Poverty SDG). The Fund itself and work around it link to SDG 17: Partnership for the Goals.

## FINANCIAL RETURNS IN LINE WITH CORPORATE BOND RISK TAKEN



Calendar year performance	2020	2019	2018	2017	2016
Threadneedle UK Social Bond	4.8%	5.9%	-0.0%	4.2%	10.2%
Index	4.8%	5.9%	-0.6%	3.9%	10.6%

Source: Columbia Threadneedle Investments and FactSet, as at 31 March 2021. Fund returns gross of tax and TER (GB00BF233790) for comparison with indices. All data is quoted in GBP. From 01.04.2010 fund gross returns are calculated in FactSet using daily official Global Close valuations and daily cash flows. All prices are calculated by the fund's administrator. All returns are gross of fees and included gross reinvested income. Benchmark was BofA Merrill Lynch 1-10 Year Sterling Non-Gilt Index from 6 April 2017 and BofA Merrill Lynch Sterling Non-Gilt before 6 April 2017. Past performance is not a guide to future performance. Note: since inception is fund inception of 5 December 2013.

## REASONS TO INVEST



### Twin rewards

A fixed income portfolio that aims to deliver both positive social outcomes and financial returns, as well as providing daily liquidity.



### Proven evidence-based research

We focus on issuer and security selection, where there is a higher probability of success, to drive sustainable returns.



### Pioneers in impact investing

The Big Issue Group and Columbia Threadneedle have been early pioneers in impact investing and one of the first to launch a mainstream impact investment product.



### Proven track record

We have successfully managed outcomes-focused social bond strategies since 2013, and have over £1 billion invested in a range of strategies for clients in the UK, Europe and the US (as at 31 March 2021).

## KEY FACTS

#### FUND MANAGER

Simon Bond

#### FUND INCEPTION DATE

1 January 2014

#### FUND SIZE

£330 million  
(as at 31.03.2021)

#### ADVISORY COMMITTEE

The Big Issue Group acts as the social advisor to the Fund, via the Social Advisory Committee. The Committee's role is to advise, review and challenge the Fund's investment from a social performance perspective

## KEY RISKS

Past performance is not a guide to future returns and the fund may not achieve its investment objective. Your capital is at risk. The value of investments can fall as well as rise and investors might not get back the sum originally invested. 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 may hold assets that are not always readily saleable without suffering a discount to fair value. The fund may have to lower the selling price, sell other investments or forego

another, more appealing investment opportunity. Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time. Changes in interest rates are likely to affect the fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions.



[columbiathreadneedle.co.uk/uksocialbond](https://columbiathreadneedle.co.uk/uksocialbond)

Your success. Our priority.

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