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Marketing Material

Investor Update

February 2022

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

- Fully committed the proceeds of our November fundraise ahead of plan
- Secondary purchase of a fully deployed secured loan fund at a competitive discount, comprising secured loans to community based groups delivering social care, housing and fuel poverty outcomes for more disadvantaged groups
- Follow on commitments into the Man GPM RI Community Housing Fund and charity bonds
- Fund financial and impact performance in line with plan – interim results and annual impact report to be published in Q2
- Merits of the Trust recognised with three Impact and ESG awards

[Link to SBSI website](#)

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 (30 Jun 21)
104.3p

% Committed²
100%

% Invested³
75%

Interactive Map

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



[Visit interactive map](#)

Source: ¹Data as at 14 Feb 22. By value. ²As a % of net proceeds at IPO and secondary fundraise.

³As % of roll-fwd NAV (Nav as of 30 Jun 21 + fundraise proceeds).

*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.

Portfolio update

Since our last update to investors in November, the Social Impact Trust portfolio has been performing in line with plan – with continued revenue resilience through recent covid restrictions.

We have fully committed the proceeds of our November fundraising ahead of target. We targeted new investments into a combination of follow-ons, new private market funds and investments exclusively available through Big Society Capital's broader activities – such as co-investments and secondary purchases. We recently closed the secondary purchase of the SASC Community Investment Fund, a fully deployed portfolio of secured loans to local community organisations providing services to vulnerable groups (more details on p5). We were able to secure a competitive discount from the foundation seller, benefiting SBSI investors, while enabling the foundation to recycle the capital into new catalytic impact opportunities. In addition, we made follow-on investments into the Man GPM RI Community Housing Fund providing affordable housing and our Charity Bond Portfolio (see p6-7).

Some of the higher impact areas we invest in have longer fund ramp ups – we mitigate the cash drag this can have on

returns through our Liquid ESG allocation. This is invested in assets with similar risk return characteristics as the core asset allocation, though lower social impact given the lower availability of this in listed markets. Post the November fundraising, we have been targeting new Liquid ESG investments in areas with low interest rate duration and some inflation benefit, given our caution on fixed income duration in a rising inflation environment. At the end of last year, we made new investments in Greencoat UK Wind, Bluefield Solar and TwentyFour Sustainable Enhanced Income ABS Fund. In the period, existing investment drawdowns have been weighted towards delivering new affordable homes in High Impact Housing. In Debt for Social Enterprises there have been further investments in the secured co-investments with Charity Bank delivering in health and social care. In Social Outcomes Contracts, drawdowns have been to existing investments and a new project delivering on the challenges of refugee integration. Following these drawdowns, the capital raise and the benefit of the secondary purchase of a fully deployed fund, the portfolio is 75% invested relative to the roll-forward NAV as of the date of this publication.

Impact performance reports in the period have shown social outcomes generally running ahead of plan. The Resonance Homelessness Funds reported strong tenancy sustainment and additional positive social outcomes such as positive move-ons and support network development. AgilityEco which tackles fuel poverty published its 2020/21 Impact Report showing its programmes are reaching over 45,000 vulnerable households generating over £200m worth of lifetime savings. The Bridges Social Outcomes Fund (as featured in the Bridges annual report) showed significant outcomes across homelessness, employment and family breakdown (more details on p4). The Social Impact Trust will be publishing its first Annual Impact Report in Q2 of this year, providing further detail about the social impact being delivered for shareholders since IPO.

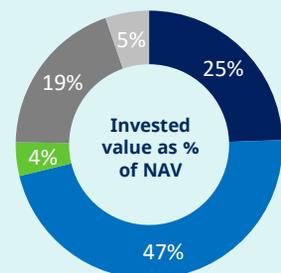
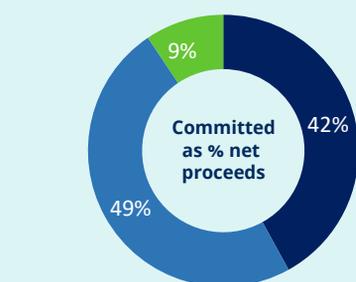
The Social Impact Trust has been recognised with a handful of recent awards (see p8). We see these awards as recognising the Trust's unique offering as well as the true stars of the Trust: the high impact enterprises we invest in and the differentiated social impact they are delivering for more disadvantaged groups across the UK.

Current holdings¹

Investment	Investment focus	Committed (% net proceeds) ³	Invested Value (% of NAV)	Committed (£m) ³
Charity Bond Portfolio	Regulated social sector organisations targeting impact in poverty or other vulnerable groups.	20%	17%	17
Bridges Evergreen Holdings	Long-term, large scale, investment to established mission-locked organisations.	12%	17%	10
Man GPM RI Community Housing Fund	Multi-tenure UK affordable housing for people on lower incomes.	12%	5%	10
Social and Sustainable Housing LP	Homes for high need groups in receipt of wrap around support.	12%	4%	10
UK Affordable Housing Fund	Homes for people unable to purchase or rent in the open market.	12%	8%	10
Bridges Social Outcomes Fund II LP	UK outcomes contracts across children's services, homelessness and health and social care.	9%	4%	8
Charity Bank Co-Investment	Larger loans to mission driven organisations.	8%	5%	7
Resonance Real Lettings Property Fund	Homes to facilitate the transition away from temporary or emergency accommodation.	7%	7%	6
Community Investment Fund	Secured loans to charities and social enterprises	5%	5%	5
Triodos Bank UK Bond Issue	Lender to sustainability and social impact focused organisations.	3%	3%	3
Liquid ESG Bond Funds			19%	
Cash deposits and other assets/liabilities			6%	
Total		100%	100%	85

Source: ^{1,2}Data as at 14 Feb 22. ²By value. ³Rounded to nearest integer. Slight differences between "Total" and sum of individual investments may occur due to rounding.

Portfolio allocation²



Portfolio highlights – Social Outcomes Contracts

Social need: Public services have traditionally been contracted in a prescribed method that is focused on payments for activities with mixed attention on desired outcomes and impact for people.

Solution: The Social Impact Trust invests in funds or direct opportunities that provide capital for expert charities and social enterprises to deliver government contracts with payments linked to the desired outcomes (across homelessness support, health, education, family therapy and children's services) to achieve better impact for vulnerable people and provide better value for money for public funds.

Bridges Social Outcomes Fund II LP (SOF)

Bridges supports partnerships that typically work intensively alongside young people and adults dealing with challenges in areas like housing, health, employment and family breakdown. Many of these challenges were exacerbated by the Covid-19 pandemic, and the associated restrictions made it more difficult to provide support in the normal way.

In the face of these challenges, the partnerships were able to react quickly, pivoting their delivery models to embrace remote provision and providing extra help to those in particular need. In doing so, they benefited from the inherent flexibility of outcomes partnerships. Traditional Government contracts often have fairly rigid service specifications, which can be problematic in a rapidly changing environment.

Despite the challenges of Covid-19, delivery organisations in the portfolio continue to expand their services following good results. An example is the Young Person Homelessness Prevention programme in Greater Manchester. The project is run by Bridges Outcomes Partnership and delivered by a network of local experts led by local youth homelessness charity Depaul, who bring in depth local knowledge and a flexible evidence based approach. Following the successful outcomes delivered for an initial 270 people, Greater Manchester Combined Authority has expanded the outcomes contract by £4.85m to support a further 1,500 young people at risk of homelessness.

In the year to March 2021, the SOF partnerships had provided services to



6,344
people

and achieved

£11m
of outcomes
payments



with an estimated
short-term value to



Government
of over
£17m



Portfolio highlights – Social Outcomes Contracts – Case study

Kirklees Better Outcomes Partnership

Part of the Bridges SOF II portfolio, in 2020/2021, the service achieved £4.5m in outcomes against a forecast of £4.3m; the financial outperformance reflects the fact that the project is running ahead of plan on its impact goals.

Challenge

Due to cuts across services, a lack of social housing, and changes to the housing benefit system, homelessness in the UK has been rising. In Kirklees, rough sleeping increased by 66% between 2015 and 2019.

Historically, those at risk of homelessness have often received a specific service focused only on their immediate need; this can sometimes

lead to dependency and negative self-image. What’s more, these individuals often end up dealing with multiple services (housing, employment, health etc). Unless these services operate in a coordinated way – and attempt to identify the cause rather than focusing on the symptoms – individuals are unlikely to get the support they need to make positive change in their lives.

Investable Solution

Kirklees Better Outcomes Partnership (KBOP) is commissioned by Central Government, and delivered via eight local charities. Instead of the previous floating services, these organisations now coordinate their activity via a central entity, under a social outcomes

contract supported by Bridges Fund Management.

The goal is to help vulnerable people live independently, sustain their tenancies and improve their overall life chances – by providing accommodation and practical support that is tailored to their strengths, not their presenting ‘needs’.

This holistic approach helps to ensure better longer-term health, wellbeing and employment outcomes for individuals; as well as cost savings to Kirklees and other commissioners by avoiding crisis situations and repeat service users.

What □	Preventing homelessness by providing housing and practical support
Who ○	Those at risk of homelessness and/or receiving housing benefits, including individuals with mental health, addiction and disability challenges
How Much ≡	1,877 adults at risk of homelessness
Contribution +	Programme increases accessibility and quality of services vs. previous service model, which had proven to be inefficient and ineffective
Risk △	Risk of unsuccessful outcome delivery mitigated through a holistic approach tailored to individual strengths and aspirations



“ For the first time in my life, someone just listened and talked through what I wanted, until I realised what I could achieve for myself. ”

New Commitments in the Period

Debt for Social Enterprises: New Commitment: Community Investment Fund (CIF) £4.5m

The Community Investment Fund (managed by Social and Sustainable Capital) provides long dated secured debt to charities and social enterprises focused on community renewable energy, social housing and specialist supported housing, early years education and family support in the community.

Operating since 2014, CIF has a diversified portfolio of loans to community based, locally led organisations providing essential services to improve the wellbeing of local residents, particularly those who are vulnerable and disadvantaged.

Through this acquisition, the Social Impact Trust purchases a stake in a fully invested portfolio, with a seven-year track record of delivering returns and impact.

Case Study: Giroscope

Giroscope was set up in 1985 to regenerate a deprived neighbourhood of Hull. The collapse of the trawling industry had resulted in low levels of owner occupation and high volumes of poorly maintained private rented housing. Giroscope buys and renovates empty properties to provide homes for those in need. Giroscope works with people who are at risk of social exclusion, and trains them through the Construction Skills Certification Scheme.

What	☐	Enabling positive transition to affordable housing, employment and training
Who	○	Vulnerable people, at risk of homelessness and long-term unemployment
How Much	≡	12 flats bought and refurbished, and 3 new houses built 71 volunteers were supported by the charity in 2021
Contribution	+	The secured loan enabled greater access to affordable accommodation and training opportunities for vulnerable people in the local community
Risk	△	Mitigated by Giroscope's 35 year+ track record of working with vulnerable people and of renovating housing



New Commitments in the Period

Debt for Social Enterprises: Follow-on investment: Increase in Rathbones charity bond mandate £1.6m

The Social Impact Trust’s current Charity Bond Portfolio consists of 9 bonds tackling issues such as elderly care, local infrastructure and supported housing for people with a learning disability, benefiting more vulnerable groups.

The Trust’s current Charity Bond Portfolio is delivering an annualised yield of 4.5% alongside a low historical default rate.

Case Study: B4RN – Broadband for the Rural North

Investment into a community-led project bringing high speed affordable broadband to homes and businesses in rural Lancashire. The area previously had no, or very slow speed broadband, significantly limiting small business productivity and isolating elderly or vulnerable people in the community. B4RN is owned by its 2,500 members with no majority owner and all investors holding equal voting rights. Surpluses above interest payments are reinvested back into the community (such as providing free internet access to local primary schools), increasing community resilience and local opportunities.

What <input type="checkbox"/>	Providing affordable high speed internet access to underserved rural communities
Who <input type="radio"/>	Householders and business owners previously only served with slow internet connection, or none at all
How Much <input type="checkbox"/>	So far nearly 10,000 properties connected
Contribution <input type="checkbox"/>	Rural communities now better connected and able to operate effectively online, increasing business opportunities and job creation and developing community resilience
Risk <input type="checkbox"/>	Mitigated through community involvement and targeted to local need



New Commitments in the Period

High Impact Housing: Follow-on investment: Man GPM RI Community Housing Fund £5m

The Fund aims to address the UK housing crisis through delivering new affordable rental and shared ownership homes, with a strong focus on creating sustainable communities.

The Fund level target is to provide 70% affordable housing, with mixed tenure affordable homes predominantly leased to UK Housing Associations to help meet local housing needs.

The Fund seeks to achieve high single-digit returns driven by long-term, inflation linked income streams, in addition to clear social impact.

Case study: Alconbury Weald, Huntingdonshire

Investment in 95 high quality new homes from an award-winning developer, part of a new master planned community. 100% of stock will be offered at a discount to the market through affordable rent and shared ownership tenures, helping to address the affordability crisis in the area. The site has been designed to create a safe and healthy environment with footpaths and cycleways linking a range of community facilities, woodlands and parks. Construction on site has progressed well and the first tenants were able to move into their new homes in December 2021.

What	□	Affordable and inclusive mixed tenure development to help address housing crisis in local area
Who	○	Households earning the median income and below including key worker households who are currently underserved by the housing market
How Much	≡	95 new single-family homes and apartments
Contribution	+	Increased supply of affordable homes in a strategically significant location and provision of community spaces
Risk	△	Mitigated through social underwriting in investment process aligning to delivery of social outcomes - rental homes have been leased to a housing association for 10 years



Award Recognition

The Schroder BSC Social Impact Trust has won three awards since its launch. Judges cited its unique offering of a diversified portfolio delivering deep social impact for more disadvantaged groups across the UK.

In September the Trust won 'Fund of the Year – Multi-Asset/Other' at the Environmental Finance IMPACT Awards 2021, being praised by the judges for its approach to delivering high impact through "innovative" investment areas, including housing for vulnerable people and lending to charities and social enterprises. Judges also commented on its clear impact targets, the diversity of its "innovative" impact investment areas and its reporting approach. These awards are intended to honour best-in class fund providers, research & ratings teams and service providers who have a key part to play as sustainable and ESG investing moves firmly mainstream.

In October, the Trust won Most Innovative Sustainable & ESG Fund Launch at the prestigious Investment Week Sustainable & ESG Investment Awards 2021.

Earlier in February of this year, The Trust was awarded Best ESG Investment Fund: Multi-Asset at the ESG Investing Awards 2022. These awards celebrate the best in ESG funds, research and products. The Trust's investment thesis and disclosure through the interactive map were praised by judges.



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, Big Society Capital published its first [Disclosure Statement](#) and [Independent Verification Report](#) provided by BlueMark.



Source: ¹Roll-forward NAV calculated as NAV as of 30 June 2021 plus net proceeds of fundraise in November 2021.

Company overview

Structure UK incorporated investment trust

Ticker SBSI

ISIN GB00BF781319

SEDOL BF78131

Net Assets¹: £89.0million (31 Dec 2021)

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 2022

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

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Past Performance is not a guide to future performance and may not be repeated.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

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