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Schroder BSC Social Impact Trust plc

Investor Update February 2024

A unique investment opportunity to
address UK social challenges



Schroder BSC Social Impact Trust plc (SBSI)

Seeks to provide 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, 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. The Company targets **the highest level of social impact, whilst seeking to provide an attractive risk and return profile.**

The Company 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 Company intends to make investments in underlying enterprises that are directly seeking to **contribute to solutions** that address societal challenges in the UK.



Recent highlights

- [New investment in Community Energy Together Limited \(£3.6m\)](#) – aligned with the Just Transition to Net Zero impact theme
 - Recycling capital from scheduled capital repayments and the partial exit from a housing investment announced in the half year report
 - Portfolio 98% committed (fully committed after dividend and share buybacks) and 90% deployed into High Impact Investments
- Dividend increased by 77% in 2023; guidance range increased to 2-3% of Net Asset Value (NAV) (from 1-2% NAV)
- On 19 December 2023, the Company published its [Quarterly NAV to 30 September 2023](#):
 - (0.65)% NAV/share return in the quarter since June 2023
 - 7.91% total NAV/share return since inception in December 2020

¹As a % of net proceeds at IPO and secondary fundraise. ² Provisional data as of 31 December 2023, as % of latest published NAV (as of 30 September 2023). ³Since launch of the Company, per the 2023 Annual Impact Report.

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

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 amount originally invested.

Investment Objective*

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

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

Key Figures

- £ NAV per share (30 Sep 23) 104.22p
- Dividend per share (20 Dec 23) 2.3p
- Share price (27 Feb 24) 89.25p
- % Committed¹ 98%
- % Deployed² 90%
- Benefitting³ More than 276,000 people
- Of whom at least³ 94% disadvantaged, vulnerable or underserved

Interactive Map

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



[Visit interactive map](#)

[Link to SBSI website](#)

Portfolio update

Since our last update, the Company announced a new debt investment in [Community Energy Together Limited \(CETL\)](#), a community renewable energy company, which contributes to 'Just Transition to Net Zero'. This transaction successfully re-deploys capital returned to the Company from recent portfolio repayments, into a fully deployed investment with strong return expectations and low correlation to public markets.

We've seen two exits from the portfolio in Debt and Equity for Social Enterprises: Sue Ryder have used proceeds from an asset sale to repay their loan, while Bridges Evergreen Holdings (BEH) announced the [sale of AgilityEco to M Group Services](#), in a transaction that delivered a money multiple return of 3.4x on the original investment by BEH (2.7x since

investment by the Company).

[NAV / share as of 30 September 2023](#) was 104.22p, a 0.65% decrease from the 30 June NAV / share (104.49p), driven by a write-down in the Bridges Evergreen portfolio, partially offset by income and capital gains from the other High Impact Investments, which continue to perform to plan. Liquidity Assets had a positive contribution to returns.

The Company paid a dividend of 2.30p per share in December 2023, a 77% year-on-year increase. The Company increased its dividend guidance to 2-3% of NAV/share, from 1-2% announced at IPO.

The Board continued its share buy back programme announced at the beginning of 2023, with a total of 1.7m shares bought back since the start of the programme.

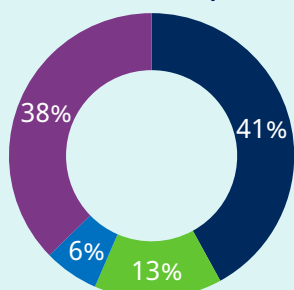
During the coming year, the Company expects capital to be repaid from scheduled repayments and investment reaching maturity. The Portfolio Manager, Big Society Capital, continues to review an active pipeline of new and follow-on High Impact Investments, and will seek to re-deploy this capital into investments delivering high quality returns for investors, with low correlation to traditional quoted markets, and significant social impact for vulnerable, disadvantaged and underserved groups in the UK.

The Half Year Report to 31 December 2023 will be published on, or around 28 March 2024.

Government and Inflation linked revenue

We have followed closely the risks of higher inflation, with our asset allocation designed to be resilient through periods of rising prices. The portfolio includes assets such as index linked leases, the ownership of real assets such as housing, social enterprises with government contracts that have historically moved with inflation, and floating rate debt. We aim for 2/3 of the asset allocation to be assets that are linked to inflation, and do not expect the portfolio to track every spike in inflation including the current high inflation experienced – our target return is defined as over 3-5 years.

High Impact Portfolio – Committed Capital

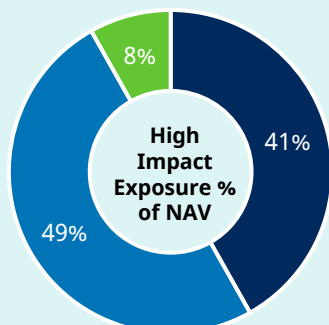


- **Housing & Renewables** – mix of longer dated index linked leases, shorter property leases, Feed in Tariffs
- **Mezzanine** – value driven by government mandated sources that have historically moved with inflation
- **Floating Rate** – UK base rate driven returns
- **Fixed income and SOCs** – targeting lower duration assets

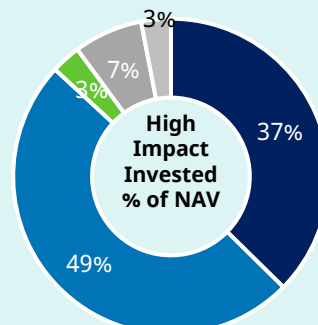
60% of our committed capital seeks to benefit from higher inflation

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

Portfolio allocation



- Debt and Equity for Social Enterprises
- High Impact Housing
- Social Outcomes Contracts
- ESG Liquidity Assets
- Cash



Notes: Data as of 31 Dec 2023. "High Impact Portfolio Exposure" defined as NAV (as of 30 Sept 2023) plus outstanding commitments for High Impact Portfolio (High Impact Housing, Debt for Social Enterprises and Social Outcomes Contracts). This excludes Liquidity Assets and cash.

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New investment – Debt and Equity for Social Enterprises

Putting renewable energy into community hands to help make places better for people, whilst accelerating the transition to net zero: Community Energy Together Limited (CETL), £3.6m junior loan

In December 2023, the Company announced a new debt investment in Community Energy Together Limited (CETL), a community Renewable energy project company, contributing to a ‘Just Transition to Net Zero.’ The investment is in the form of a junior loan of £3.6m, alongside Big Society Capital (BSC) and Power to Change. This is the biggest completed transfer of community solar assets in the UK to date.

The Junior Loan has a five-year term and targets an internal rate of return of 8.2% (fixed coupon of 7% p.a. and additional rolled up interest paid at exit). This investment is strongly aligned with the Company’s investment thesis, delivering positive social outcomes for communities alongside a good risk adjusted financial return. CETL's assets also benefit from government-backed, inflation linked cash flows.

CETL is a partnership of five community organisations that have acquired seven cross-collateralised solar farm assets (3-7MW) across the UK. These solar farms benefit from government backed subsidies (Feed-in-Tariffs and Renewables Obligations Certificate schemes) and the assets are funded on a cross-collateralised basis for scale and risk-sharing.

In addition to economic value creation and renewable energy generation, any surplus cash flow after covering costs and debt service obligations is allocated towards community benefit funds, benefitting areas in the lower 40% of the UK based on the Index of Multiple Deprivation (IMD). CETL is forecast to generate total community benefit funds in the region of £20 million over the assets' lifetime of 20-25 years.

This [video](#) provides more information on the investment and the community energy projects, directly from community and social enterprise representatives

What	□	The transition to net zero by 2050 requires huge investment alongside widespread engagement across the UK. Community energy, where solar and wind farms and put into community hands, offers a valuable way to build community resilience, and accelerate progress to net zero.
Who	○	5 community businesses across the UK
How Much	≡	Energy generated from solar farms to power almost 13,000 homes. Forecast to generate total community benefit funds in the region of £20 million over the assets’ lifetime of 20-25 years,
Contribution	+	Community ownership model delivers revenues that would not otherwise be allocated to local community issues including tackling fuel poverty and financial inclusion
Risk	△	Variability in energy prices is offset by Feed-in-Tariffs and Renewables Obligations Certificate Schemes



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Portfolio exit – Debt and Equity for Social Enterprises

Provider of fuel poverty alleviation, energy efficiency and low carbon services to vulnerable households: AgilityEco sold to strategic buyer M Group Services

In January 2024, [Bridges Evergreen Holdings \(BEH\)](#) announced a sale of its investment in [AgilityEco](#) to [M Group Services](#), delivering a money multiple return of 3.4x on BEH’s original investment (2.7x since investment by the Company).

AgilityEco is a home decarbonisation delivery platform, providing energy efficiency solutions to some of the most vulnerable low-income households in the UK.

Since BEH’s investment in 2019, AgilityEco’s revenues have grown alongside its social and environmental impact outcomes. The turnover has increased more than threefold to over £100m and the number of employees has doubled.

In 2022/23, AgilityEco worked with over 36,000 households delivering energy efficiency measures that will save over £2,600 for each home on their lifetime energy bills. Those measures will also save

over 113,000 tonnes of CO2 emissions.

In 2023, the organisation achieved B Corp status reflecting their impact best practice within the business.

M Group Services is a leading infrastructure services provider in the UK with a strong environmental, social and governance (ESG) commitment; the acquisition of AgilityEco reinforces this commitment, significantly enhancing the M Group Services’ contribution towards achieving the UK’s net zero target.

The acquisition strengthens AgilityEco’s platform for growth, enhancing its ability to support more vulnerable families living in fuel poverty and to prepare Britain’s homes for Net Zero.

What	□	Reduction in fuel poverty gap for vulnerable households
Who	○	Low income and vulnerable households in or at risk of fuel poverty
How Much	≡	Over 36,000 vulnerable households served in 2022/2023, saving over £2,600 for each home on lifetime energy savings
Contribution	+	Business performance and customer satisfaction ratings indicate meaningful contribution over existing market alternatives
Risk	△	Mitigated by significant delivery experience with target group



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Portfolio exit – Debt and Equity for Social Enterprises

Sue Ryder (Charity Bank Co-Investment, £2.6m secured loan) – state of the art specialist neurological centre sold to brain injury specialist charity Brainkind

Sue Ryder is a palliative and bereavement support charity. The organisation also focused on neurological services until a change of strategy in 2023, which led to the decision to divest from the space and focus on the other services.

The charity received a £7.5m secured variable rate loan from the Company (£2.6m) alongside Charity Bank and BSC, for the development of a purpose-built, state-of-the-art, specialist neurological centre in Preston.

In 2023, the charity undertook a strategic review and decided to divest themselves of their neuro care units and focus on their bereavement and end of life care services, with the goal of becoming the biggest provider of these services within 5 years. This resulted in the decision to sale the Preston neuro centre (subject of the original funding).

Brainkind (formerly the Disabilities Trust) was chosen as the successful bidder due to its expertise in supporting people with brain injuries. The acquisition will enable Brainkind to grow the reach of their services, both geographically and in terms of the breadth and number of people with a brain injury or related neurological condition that they can support.¹ There is strong values alignment between the two organisations, ensuring the continuation of the impact delivered through the Preston neuro centre.

Using the proceeds of the sale, Sue Ryder repaid the loan. The Company will use the proceeds from the exit to invest in other high impact investment opportunities aligned with its investment thesis.

What	□	Neurological care, rehabilitation and support – including long term residential care and support for independent living
Who	○	People with conditions that get worse over time, such as motor neurone disease and Parkinson's
How Much	≡	Provision of 2.2 million hours of care across Sue Ryder, including 40 residents in Preston
Contribution	+	Community care and independent living that can create savings and better outcomes
Risk	△	Mitigated by focus on quality support and 65+ year delivery track record



¹<https://brainkind.org/news/new-acquisition-for-brainkind/>

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Current holdings

Investment	Investment focus	Committed (£m) ¹	Committed (% net capital raised) ¹	Invested Value (% of NAV) ¹
Charity Bond Portfolio	Regulated social sector organisations targeting impact in poverty or other vulnerable groups.	16	17%	17%
Bridges Evergreen Holdings	Long-term, large scale, investment to established mission-locked organisations.	10	13%	13%
Man GPM RI Community Housing Fund	Multi-tenure UK affordable housing for people on lower incomes.	10	12%	9%
UK Affordable Housing Fund	Homes for people unable to purchase or rent in the open market.	10	12%	12%
Social and Sustainable Housing LP	Homes for high need groups in receipt of wrap around support.	10	11%	10%
Bridges Social Outcomes Fund II LP	UK outcomes contracts across children's services, homelessness and health and social care.	8	8%	3%
Charity Bank Co-Investment	Larger loans to mission driven organisations.	7	6%	6%
Resonance Real Lettings Property Fund	Homes to facilitate the transition away from temporary or emergency accommodation.	5	6%	6%
Community Investment Fund	Secured loans to charities and social enterprises.	5	6%	6%
Community Owned Renewable Energy	Junior loan to help acquire solar farm assets	4	4%	4%
Triodos Bank UK Bond Issue	Lender to sustainability and social impact focused organisations.	3	3%	3%
Rathbone Ethical Bond Fund	Liquidity Assets	-	-	1%
Greencoat UK Wind plc	Liquidity Assets	-	-	2%
Bluefield Solar Income Fund	Liquidity Assets	-	-	3%
TwentyFour Sustainable Enhanced Income ABS Fund	Liquidity Assets	-	-	2%
Cash deposits and other assets/liabilities		-	-	2%
Total		84	98%	90%

¹Data as of 31 Dec 23. NAV as of 30 Sep 23 (before dividend payment). Values rounded to nearest integer. Slight differences between "Total" and sum of individual investments may occur due to rounding.

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Award Recognition

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

The Company has been shortlisted as finalist in ESG Investing Awards 2024 for Best ESG Investment Fund: Impact (private markets). Winners will be announced on 7th March

Impact Management Disclosure Statement

Big Society Capital, Schroder BSC Social Impact Trust plc 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.



Company Overview

Structure UK incorporated investment trust

Ticker SBSI

ISIN GB00BF781319

SEDOL BF78131

Net Assets: £87.8 million (30 Sep 2023)

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 2-3% once fully invested.

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

Key Dates

Financial year end June

Next AGM December 2024

Board of Directors

Susannah Nicklin (Chair)

Michael Balfour (Audit and Risk Committee Chair)

James B. Broderick (Management Engagement Committee Chair)

Alice Chapple (Nomination Committee Chair)

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.

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder BSC Social Impact Trust plc (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares.

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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.

Schroders and Big Society Capital have expressed their own views and opinions in this document and these may change.

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