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Marketing Material

Investor Update

July 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, with 80% drawn into private market social impact investments, which continue to perform in line with plan.
- Liquid ESG investments³ (19% of NAV) expected to detract overall from full year performance with weakness in credit markets.
- First annual [Impact Report](#) published 14 June, highlighting the portfolio is benefitting more than 160,000 people of whom at least 90% are disadvantaged and vulnerable.
- Continuing to see attractive opportunities across Trust target asset classes with ongoing pipeline and policy engagement for future fundraises.
- Recent Portfolio Manager report on Social Outcomes Contracts, "[Outcomes for All](#)", launched at Parliament event on 21 June – showing outcomes contracts have generated £1.4bn of public value to date, with every £1 spent by commissioners generating over £10 in public value.

[Link to SBSI website](#)

Source: ¹As a % of net proceeds at IPO and secondary fundraise.
²Data as of 30 Jun 22, as % of latest published NAV (as of 31 Dec 21). ³Liquid ESG investments used to mitigate cash drag of capital awaiting deployment; the Trust charges no fees on the LESG part of the portfolio.
 *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.

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

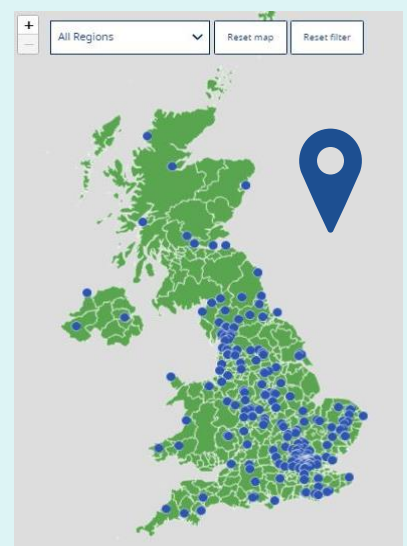
€ NAV per share (31 Dec 21)
104.66p

% Committed¹
100%

% Deployed²
80%

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 our last update to investors in February, the portfolio is 80% deployed, with the UK Affordable Housing Fund now fully drawn. Deployed assets continue to perform in line with plan, whilst the Liquid ESG allocation (19%) is expected to detract from performance with weakness in credit markets.

This quarter we published our first annual [Impact Report](#), to measure and recognise the broad-based impact achieved through partnership between investors, funds and social organisations. SBSI helps connect organisations working for social change with the capital needed to address some of the most important social challenges in the UK. Portfolio headline results show that our investments support those in greatest need, reaching 160 organisations, benefitting more than 160,000 people, of whom at least 90% are from disadvantaged or vulnerable groups, and delivering 10,000 affordable homes.

Furthermore, 100% of investments are aligned with the UN Sustainable Development Goals¹ including SGD1: to

eliminate poverty and SDG10: to reduce inequality, among others.

To mitigate cash drag as a result of longer fund ramp up periods, a maximum of 20% of our portfolio can be invested in Liquid ESG assets. Given the volatile inflationary environment, we continue to rebalance our Liquid ESG portfolio toward areas with low interest rate duration and some inflation benefit.

Throughout the quarter, the Portfolio Manager (Big Society Capital – BSC) has continued policy engagement with the broader social sector. In June, BSC published [“Outcomes for All”](#), the first ever report on the market level value derived from Social Outcomes Contracts (SOCs). SOCs have been used to tackle a wide range of complex social issues throughout the UK, with Bridges Social Outcomes Fund II being in SBSI’s portfolio. The UK is a global leader in SOCs, with a 10-year track record of developing the market. Analysis shows that for every £1 invested in SOCs, £10 of value is generated, which includes fiscal, social and economic value. The results

showcased the huge impact that many of these projects have created in a way that generates savings for Government as well as returns for investors.

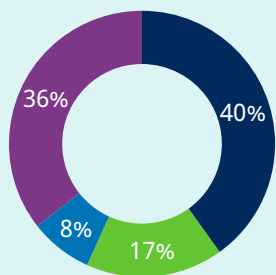
The pipeline for high impact housing remains strong. BSC’s High Impact Housing team ran a broad manager review in February, calling on real estate fund managers to submit their strategies to tackle the UK housing crisis. 145,000 new social and affordable homes are needed each year, with over one million people waiting for social housing and housing providers struggling to cover the shortfall. BSC has partnered with pensions advisory specialist, Cardano, to review potential investments across their combined strategies. They have received 26 responses to the review, with a total target AuM of over £10bn.

More detailed insights gained on market participants through this process will be shared in our next Investor Update.

Government and Inflation linked revenue

We have closely followed 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

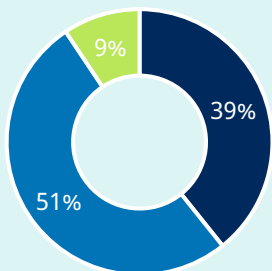


- **Housing & Renewables** – mix of longer dated index linked leases, shorter property leases, Feed in Tariffs
- **Mezzanine** – value driven by government mandated sources that have historically moved with inflation
- **Floating Rate** – UK base rate driven returns
- **Fixed income and SOCs** – targeting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

64% of our committed capital seeks to benefit from higher inflation

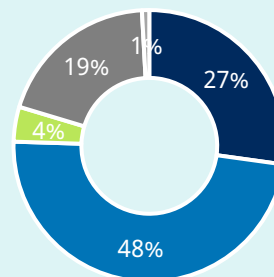
Portfolio allocation

High Impact Portfolio Exposure as % of NAV



- High Impact Housing
- Social Outcomes Contracts
- Debt for Social Enterprises
- Liquid ESG
- Cash

Invested as % of NAV



¹Individual investments align with multiple SDGs. On average, frontline investments align with 3 SDGs.

Notes: Data as of 30 Jun 22. Percentages may not add up to 100% due to rounding. “High Impact Portfolio Exposure” defined as NAV (as of 31 Dec 21) plus outstanding commitments for High Impact Portfolio (High Impact Housing, Debt for Social Enterprises and Social Outcomes Contracts). This excludes liquid ESG investments and cash.

Portfolio highlights – Social Outcomes Contracts

Social Outcomes Contracts (SOCs) are a form of public service commissioning where Government pays for the successful delivery of outcomes for a specified cohort of people. SBSI invests in funds or direct opportunities that provide capital for expert charities and social enterprises to deliver these contracts. We believe SOCs can offer high quality, non-correlated returns for investors alongside transformational social impact in some of the toughest social issue areas.

With 90 SOCs launched in the past ten years, the UK has established itself as the global leader of the social outcomes contract model. To detail the decade long experience of designing and investing in SOCs, BSC launched the [“Outcomes for All”](#) report in the House of Commons this June.

The first published study on the market value of SOCs to date, it provides evidence of the level of savings generated - outlining SOCs success as a proven way of shifting the focus to prevention and away from crisis response, helping reduce the pressure on public services.

With the future pipeline of SOCs investments dependent on government policy, BSC continues to pursue active and positive engagement with key stakeholders and policy makers.

“
Outcomes to date from these projects have generated **£1.4bn** of public value...
...where every **£1** spent by commissioners has generated **£10.20** of public value¹
”

Case Study: Bridges Social Outcomes Fund & Refugees Better Outcomes Partnership

The UK offers protection to over 13,000 refugees each year. Refugees face multiple barriers to self-sufficiency, including high levels of unemployment, lack of access to stable housing, mental health issues and English language difficulties.

To address this, Bridges created the Refugee Better Outcomes Partnership (RBOP). RBOP is part of the Bridges Social Outcomes Fund II, to which SBSI has a £8m commitment.

RBOP is a partnership co-ordinator supporting the development of local delivery partnerships, including a

mix of local authority and charity delivery teams.

The partnerships bid to the Home Office and were awarded the contracts to deliver these services in Plymouth and across ten local authorities in the North East of England.

The service is now underway, providing one-to-one support to refugees on the transition out of asylum accommodation and into the community.

Both projects in Plymouth and North East England are on track in terms of the number of refugees engaged.

What	□	Long term integration and employment
Who	○	Refugees who have come through the asylum process
How Much	≡	Programme will support 800 refugees, with 350 enrolled so far; aiming to support at least 290 into sustained employment
Contribution	+	Existing support for this group is fragmented; without a targeted service that pro-actively engages them, many will not receive support
Risk	△	Active management of delivery reduces co-ordination risk given the number of different agencies involved in providing support for this group



¹Source: “Outcomes for all” report. Value of total UK SOCs market, not SOCs within SBSI portfolio.

²Source: “How many people do we grant asylum or protection to?”, National Statistics., Home Office

Portfolio highlights – Debt for Social Enterprises

In the current challenging market environment, we continue to monitor our social lending activities for additional business pressures. We aim to invest in higher quality, more established organisations with stronger balance sheets and so far we are seeing ongoing revenue resilience and no evidence of increased defaults.

Going forward in the high inflation environment we are experiencing, our priority in this asset class will be to preserve real returns, reducing exposure to fixed rate investments where possible. We will closely monitor opportunities to invest in floating rate and/or shorter duration, higher returning assets with some degree of inflation-linkage.

Case Study: Community Investment Fund & Resilient Energy

SBSI holds a £5m investment with the SASC Community Investment Fund (CIF) which provides flexible, long-dated finance to small and medium size social organisations across England.

As an example of their investments, CIF provided £1.6m asset finance to Resilient Energy Mounteneys Renewables, a Community Benefit Society in Stroud, to build two 500kW community wind turbines.

Whilst established wind technology provides moderate to low variation in annual yield, revenues from energy generation are supported by the Government backed Feed in Tariff Scheme providing inflation linkage.

The organisation has committed to allocate 4% of its turnover to help build community resilience locally, addressing current needs and future challenges by funding projects in local schools, community facilities and recreational areas.

What	☐	Access to affordable energy; energy saving and support for community projects
Who	○	Local households at risk of fuel poverty
How Much	☰	£13k annual community benefit funds generated
Contribution	+	Delivering additional funding targeted at community need
Risk	△	Mitigated through community benefit society with a clear social governance structure and established community developer



Portfolio highlights – High Impact Housing

The pipeline for new high impact housing investment opportunities continues to develop, with BSC currently undertaking a broad review of managers in this space. The valuable insights gained on market participants through this process will be shared in our next Investor Update.

In May, the BSC High Impact Housing team held a panel on social and affordable housing as a meaningful solution to the housing crisis at the Real Estate Investment and Infrastructure Forum in Leeds, alongside developers, contractors, investors and local council representatives. The discussion is summarised in this [blog](#).

Case Study: CBRE UK Affordable Housing Fund & Lewisham Exchange



Lewisham Exchange

The CBRE UK Affordable Housing Fund responds to the UK housing crisis through delivering sustainable and affordable homes in areas of need.

The Fund purchases existing properties and develops new affordable houses, leasing them on a long-term basis to Registered Providers.

The Fund targets a net return of 6% driven by long-term, inflation linked income streams.

SBSI's £10m commitment to the Fund is now fully drawn.

The Fund's investments include the Lewisham Exchange development completed in 2021. Lewisham is one of the least affordable boroughs in the country with nearly 10,000 lower income households on the local authority waiting list for social housing.

What	□	Affordable and inclusive new homes, addressing the local housing crisis
Who	○	Households earning the median income and below, including people on social housing waiting lists
How Much	≡	40 social rent homes and 27 shared ownership homes for 90 people
Contribution	+	Increased supply of affordable housing with rents below open market rate
Risk	△	Alignment risk that houses are not affordable is mitigated through social units prescribed in planning application



Award Recognition

The Schroder BSC Social Impact Trust 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.

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.



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 Limited.

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

Source: ¹NAV as of 31 December 2021 plus net proceeds of fundraise in November 2021.

Current holdings

Investment	Investment focus	Committed (% net proceeds) ¹	Invested Value (% of NAV)	Committed (£m) ¹
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%	16%	10
Man GPM RI Community Housing Fund	Multi-tenure UK affordable housing for people on lower incomes.	12%	6%	10
Social and Sustainable Housing LP	Homes for high need groups in receipt of wrap around support.	12%	5%	10
UK Affordable Housing Fund	Homes for people unable to purchase or rent in the open market.	12%	11%	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%	6%	5
Triodos Bank UK Bond Issue	Lender to sustainability and social impact focused organisations.	3%	3%	3
TwentyFour Sustainable Short Term Bond Income Fund	Liquid ESG Investment		4%	
Eden Tree Responsible and Sustainable Sterling Bond Fund	Liquid ESG Investment		2%	
Rathbone Ethical Bond Fund	Liquid ESG Investment		2%	
Threadneedle UK Social Bond Fund	Liquid ESG Investment		1%	
Greencoat UK Wind Fund	Liquid ESG Investment		3%	
Bluefield Solar Income Fund	Liquid ESG Investment		3%	
TwentyFour Sustainable ABS	Liquid ESG Investment		5%	
Cash deposits and other assets/liabilities			1%	
Total		100%	100%	85

¹Data as of 30 Jun 22. Values rounded to nearest integer. Slight differences between "Total" and sum of individual investments may occur due to rounding.

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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Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions.

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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