THREADNEEDLE UK SOCIAL BOND FUND

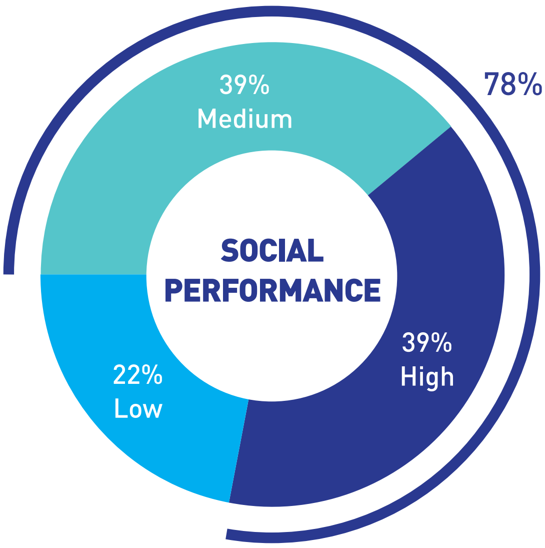
BRINGING THE MAINSTREAM INTO SOCIAL INVESTMENT

ANNUAL SOCIAL PERFORMANCE REVIEW 2015

SOCIAL PERFORMANCE HIGHLIGHTS
(AS OF 31 MARCH 2015)

£68 million raised from both **retail and institutional investors**

Portfolio of 83 bonds from 60 issuers, including **charities, registered social housing providers and companies**

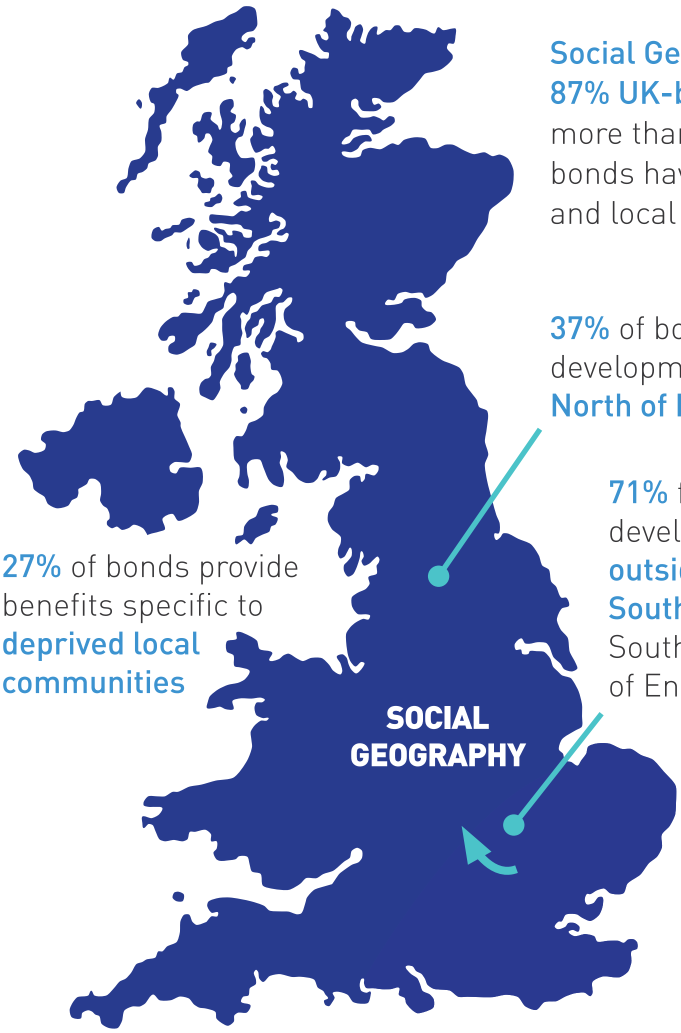


Social performance:
78% of individual bonds are rated High and Medium in terms of their overall social performance – well above the target of 66%.

Social outcomes:
Diversified portfolio by social outcome area with a particular orientation towards Affordable Housing (23%), Transport and Communications (18%), Utilities and Environment (16%) and Health and Social Care (15%).

Affordable Housing: The Fund is helping tackle the urgent need to provide more affordable homes through investments in **13 registered housing providers** which together provide over **800,000 homes** and are using bond finance to build thousands of new homes.

Job Creation: 85% of bonds are issued by organisations in sectors of the economy that have a strong jobs performance, measured by the rate and scale of job creation, average earnings relative to the Living Wage, extent of vocational training and entry level job opportunities, and presence in the most deprived areas of Britain.



Social Geography: 87% UK-based with more than half of the bonds having regional and local footprints.

37% of bonds support development in the **North of England.**

71% favour regional development **outside the Greater South East** (London, South East and East of England)

27% of bonds provide benefits specific to **deprived local communities**

AWARDS WON

Ethical Investment Fund of the Year – Consumer, The Better Society Awards 2015

Innovative New Idea Award, Finance for the Future Awards 2014

New Markets Award, Social Investment Awards 2014

European Pensions Innovation Award, 2015

Selection of new bond issues purchased in 2014/15:

Golden Lane Housing, established by the charity Mencap, raised an £11 million bond to increase the provision of housing for people with learning disabilities.

Inter-American Development Bank (IADB) raised a US$500 million Employment, Youth and Education (EYE) bond to fund projects supporting education and employment for children and young people at risk in Latin America and the Caribbean.

University of Manchester raised a bond to finance capital projects, including a Cancer Research Centre and state-of-the art teaching facilities.

Wheatley Housing Group raised a £250 million bond to build new high quality, affordable homes in Glasgow and across Central Scotland.

FOREWORD

It has been a privilege to be associated with the Threadneedle UK Social Bond Fund, one of the leading and long-awaited initiatives in clearly providing both a financial and non-financial return from investment in the fixed income markets. The pioneering work of Big Issue Invest and Columbia Threadneedle Investments in developing a rigorous approach to achieving such returns, within a transparent governance framework, is a continuing work in progress to which the Social Advisory Committee actively contributes. This report, produced by Big Issue Invest, demonstrates that approach to methodology and governance.

The Fund's progress to date confirms investor demand for such a product, both within the UK and outside, and augurs well for establishing a track record for a segment of the fixed income markets biased towards greater social welfare outcomes. In addition to current returns to both institutional and individual retail investors the Fund, through engagement at national and international level, is already influencing the shape of new issuance. This aspect is part of the Fund's longer-term objective of encouraging new issuers into the capital markets and in some cases, such as UK local authorities, a return to the markets. Through these developments the Fund will play a small but significant part in closing the physical and social infrastructure deficit that hinders the growth of a productive and socially beneficial UK economy.

John Hale
Chair of the Social Advisory Committee

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INTRODUCTION

This is the first **Annual Social Performance Review** of the Threadneedle UK Social Bond Fund ("the Fund"), which was launched in January 2014. Based on a partnership between Big Issue Invest, the social investment arm of The Big Issue, and Columbia Threadneedle Investments, one of the UK's leading asset managers,[1] the Fund has been established to help bring social investment to the mainstream.

The Fund received cornerstone investment from Big Society Capital (BSC) which helped catalyse its launch. Big Society Capital is an independent financial institution set-up by the Government to grow a sustainable social investment marketplace. Ameriprise Financial, Threadneedle's parent company, also provided cornerstone investment.

Fund Objective

The Fund, which is available to both retail and institutional investors, aims to provide both a financial and social return by investing in a diversified portfolio of mainstream tradeable bonds issued by organisations that create social benefits and more balanced and inclusive economic development, primarily in the UK.

Given the nature of its investments, the Fund is able to provide daily liquidity allowing investors to take out their money at any time. Individual investors can invest from £2000 and the Fund qualifies as an ISA investment.

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 social problems – adding an additional layer of social value to any investment made in the Fund.

The Big Issue Group

Created as a business solution to a social problem, The Big Issue is one of the UK's most instantly recognisable brands and best known social businesses. A powerful blueprint for social business and social change, sellers buy The Big Issue for £1.25 and sell it on the street for £2.50.

The Big Issue currently works with around 3,000 homeless and vulnerably housed people across the UK, circulates over 68,000 copies of the magazine every week (Audited Bureau of Circulation, Dec 2014), and is read by 418,000 people (National Readership Survey, Dec 2014). In 2014 alone the Big Issue equipped its sellers with the means to earn a total of £3 million, releasing them from a dependence on hand-outs.

Founded in 2005, Big Issue Invest (BII) is the social investment arm of The Big Issue. BII extends The Big Issue's mission to **tackle poverty and create opportunity** for all by financing the growth of sustainable social businesses. BII offers loans and investments – not grants – from £25,000 to £1.7 million, from early stage to growth capital. It has invested over £30 million in 330 social enterprises, benefiting 1.8 million people in the UK's most disadvantaged communities.

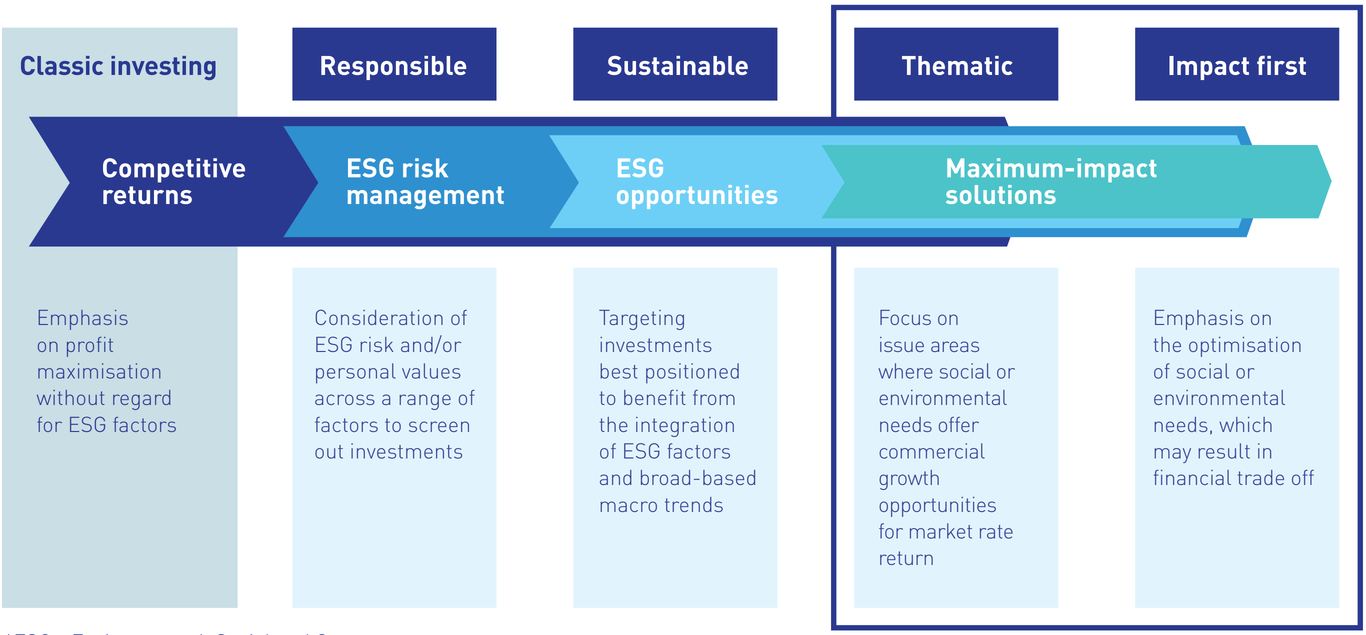
1 Threadneedle Investments renamed its business as Columbia Threadneedle Investments, when it joined forces with US-based affiliate Columbia Management in March 2015.

A New Investment Approach

The Threadneedle UK Social Bond Fund occupies a unique position in the investment marketplace. Big Issue Invest (BII) is an established leader and innovator in the field of social impact investing and the Fund has been designed from this perspective – as an investment product that intentionally targets specific social objectives along with a financial return and measures the achievement of both.[2]

Impact investing has gathered increasing attention since the financial crash of 2008 since when there has been growing worldwide recognition that finance needs to play a role in building a fairer society. Impact investing requires a shift in capital market thinking bringing a third dimension, impact, to the traditional capital market priorities of risk and return. This Fund takes an impact investing approach – looking at each individual investment through a social lens: to what extent does this investment have a positive benefit for society by helping meet society's challenges and needs?

BII positions this Fund as creating a bridge between sustainable investing and impact investing (which is mainly comprised of direct investing in social sector organisations and social purpose-driven businesses) – providing both a fixed income product with social value and the opportunity to invest directly in social enterprise development via the revenue share with Big Issue Invest. By creating a fund in an established asset class the Fund's aim is to give investors – including individual investors who want to have savings and investments that are aligned with their social values – an investment strategy that has the ability to deliver respectable financial returns and daily liquidity, as well as social good.



*ESG - Environmental, Social and Governance.
Source: Extracted from Sonen Capital & KL Felicitas Foundation. *Evolution of an Impact Portfolio: From Implementation to Results*, October 2013.

2 See report of the Social Impact Investing Task Force established under the UK's Presidency of the G8 *Impact Investment: The Invisible Heart of the Markets*, September 2014.

What we mean by "Social" Performance

The social performance of the Fund refers to the degree to which its investments help to build a fairer and more equal society in Britain, through a more balanced and sustainable pattern of economic development. This is reflected in widening access to good quality education and health care, affordable housing, infrastructure and job opportunities for Britain's most vulnerable people and communities. The Fund aims to help create a more inclusive form of capitalism and, in the words of the Archbishop of Canterbury, "reconnect wealth creation with social justice". This is aligned with The Big Issue's mission of tackling poverty and creating opportunity for all.

The Role of Big Issue Invest

Big Issue Invest is engaged with the Fund in three ways:

1. Through Big Issue Invest's innovative Social Assessment (SA) Methodology, we define what social issues the Fund aims to help tackle and embed social impact considerations into the investment decision-making process.

2. Through the Social Advisory Committee (SAC), we review and challenge individual bond selection and thereby the overall social performance of the portfolio.

3. We assess social performance and publish Big Issue Invest's findings in this Annual Social Performance Review.

This Report

This report presents Big Issue Invest's view of the social performance of the Fund for the period up until end March 2015. Columbia Threadneedle Investments reports separately on the Fund's financial performance.

Part 2 of the report explains the Fund's Social Assessment Methodology and its importance to the shaping of the bond investment portfolio and its intended social outcomes.

Part 3 presents the results on social performance for the portfolio as a whole, and then discusses the bond investments by social outcome area.

Part 4 provides concluding remarks, setting out our vision and aspirations for the Fund.

THE SOCIAL ASSESSMENT METHODOLOGY

BII developed a unique Social Assessment (SA) Methodology for the Fund, with input from Columbia Threadneedle Investments' Governance and Responsible Investment (GRI) team. The SA Methodology provides 'filters' for portfolio investment decisions that identify the "social performance" of investments and channels the Fund's capital to organisations whose activities produce clearly identifiable social outcomes and help create a more balanced and inclusive UK economy.

What's different about the Social Assessment approach to investment?

BII's proprietary methodology differentiates this Fund from other listed funds which either focus on negative screening (e.g. SRI funds), one specific sector (e.g. green energy) or a set of beliefs and values upon which certain bonds are excluded (e.g. ethical bond funds).

The Threadneedle UK Social Bond Fund is a positively screened fund which is distinctive in three respects as it is:

- *Social outcome* - driven and responds directly to the UK's social needs and challenges.
- Takes into account the *varied geography of social* need and the different levels of social value creation (local, regional, national and supranational).
- Recognises that *social value is co-created* and social performance can therefore be attributed to the Issuers, the Fund and Investors themselves.

Applying the Methodology

The SA Methodology is applied through a three-step process.

First, the Fund Manager identifies bonds that potentially deliver social outcomes across eight areas: affordable housing; community services; education, learning and skills; employment and training; financial inclusion; health and social care; transport and communication infrastructure; utilities and the environment.

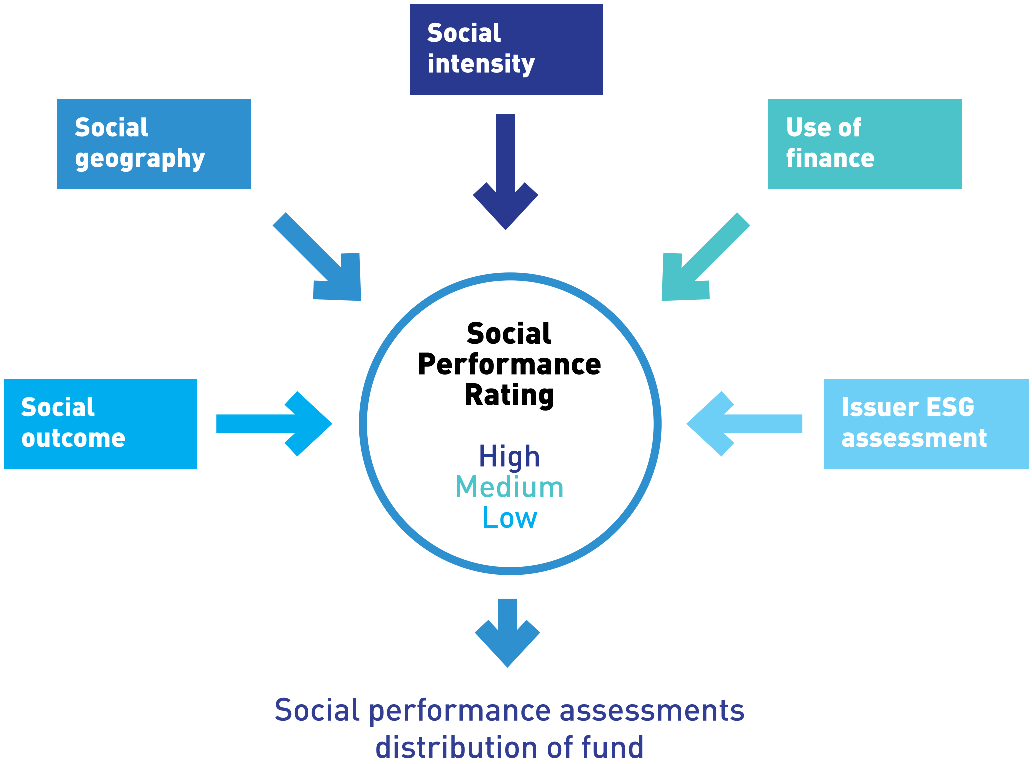
Second, the Columbia Threadneedle Investments GRI team gives each eligible bond an overall social performance rating based on how the bond scores across the following five criteria:

1 **Social Outcome:** the primary and secondary effects of the bond. For example, the primary outcome area of a bond could be Transport improvements, whilst its secondary outcome could be Employment and Training.

2 **Social Geography:** the extent to which the project financed by the bond issue has a geographical footprint within the most deprived local communities and lagging regions of the UK.

3 **Social Intensity:** the extent to which the bond directly favours disadvantaged communities. Bonds are rated High social intensity if they directly favour disadvantaged people or communities (e.g. housing associations providing affordable housing to people in social need); a Medium rating is given to bonds that provide social benefits that are shared with society as a whole (e.g. hospitals and public transport); and, Low social intensity bonds are bonds that indirectly favour disadvantaged communities (e.g. for retail developments bond issues that support local regeneration and job creation).

4 **Nature of Financing:** bonds are rated more highly where bond proceeds are used for **directly financing** a specific project, compared to bonds issued for general corporate purposes. BII's goal is to maximise the proportion of specific and new bond issues in the portfolio.



5 ESG Rating of the Issuer: the bond should have an Issuer with a good Environmental, Social and Governance (ESG) rating. Columbia Threadneedle Investments' GRI team carries out this assessment using inputs from an external ESG rating provider. In the absence of an external data source, the team itself investigates issuers.

Each bond's overall social performance rating is based on combining its scores for the five different assessment criteria. The Fund's portfolio includes a mix of bonds with High, Medium and Low social performance ratings. The overall objective is to build a portfolio that dynamically optimises social and financial returns.

Third, BII acts as Social Advisor to the Fund through the Social Advisory Committee (SAC) which comprises an independent Chair (John Hale, formerly a manager in Investment Affairs at the Association of British Insurers), three BII appointed members (Nigel Kershaw, Executive Chair of The Big Issue Group, Sarah Forster, CEO of The Good Economy Partnership and Non-Executive Director BII and Mark Hepworth, CEO Geoeconomics and BII Social Value Adviser) and two Columbia Threadneedle Investments members (Iain Richards, Head of Governance and Responsible Investment and Simon Bond, Fund Manager).

The role of the SAC is to advise, review and challenge individual bond social assessments (and therefore the overall social performance of the Fund) and to support further development of the methodology. The Committee meets on a quarterly basis.

OVERALL PERFORMANCE

As of end of March 2015, the Fund had raised £68 million from both institutional and retail investors. Institutional investors are the largest in terms of the amounts invested and UK local authorities and foundations, as well as European investors. The Fund is also proving appealing to retail investors with regular contributions being made through ISAs fulfilling BII's original ambition to create a social investment product for the mainstream retail market.

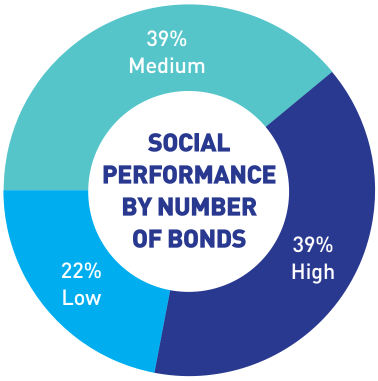
As of March 2015, the Fund was invested in 83 bonds from 60 issuers, including charities, registered social housing providers and companies. The top 25 holdings, which represent 60% of the total value of the Fund, are listed here.

TOP 25 BOND HOLDINGS (MARCH 2015)

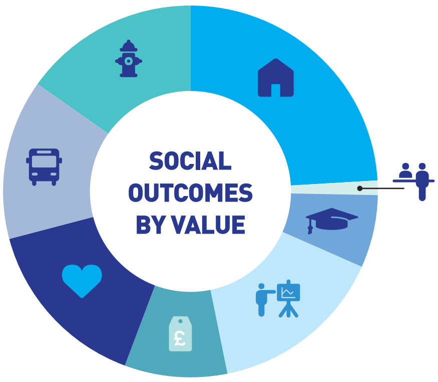
Name	Social Performance Rating	Social Purpose	% of portfolio Mar-15	% change Jul 14 - Mar 15
European Investment Bank Green Bond	Medium	Sustainability and renewable energy	3.64	-1.61
BBC Pacific Quay	High	Regeneration in Glasgow	3.45	0.03
Manchester Airport Group	Medium	Gateway to the North West economy	3.41	-0.35
Wellcome Trust	High	Improving health globally	3.24	-0.63
London and Continental Railway	Medium	Brownfield development of rail property	2.95	2.95
Octagon Healthcare	Medium	Hospital development in Norfolk & Norwich	2.85	-1.51
Wheatley Group Capital	High	Affordable housing	2.82	2.82
UNITE Students	Medium	Student accommodation	2.52	0.95
Lloyds Bank ESG	Medium	SME finance and job creation	2.49	-0.08
Electricity North West	High	Regional utility provider	2.48	1.49
Community Finance (GLA)	Medium	Transport and economic development	2.47	0.19
Sanctuary Capital	High	Affordable housing	2.43	2.43
Circle Anglia Social Housing	High	Affordable housing	2.36	-1.53
A2Dominion	High	Affordable housing	2.33	-2.58
University Partnerships Programme (UPP)	Medium	Student accommodation	2.25	-1.02
Derby Healthcare	Medium	NHS mental health services	2.14	-0.28
Motability Operations Group	High	Mobility for the disabled	2.11	-0.27
Inter-American Development Bank EYE	High	Supporting education, youth and employment	2.01	2.01
BUPA	Medium	Improving access to healthcare	1.97	-1.9
Pennon (South West Water)	Low	Water and sewerage service provider	1.91	0.06
Peterborough Progress Health	High	NHS acute hospital healthcare	1.77	-1.15
Yorkshire Housing Finance	High	Affordable housing	1.63	1.63
Go-Ahead Group	Low	UK-wide bus and rail transport	1.60	-0.17
Motability Operations Group	High	Mobility for the disabled	1.59	-0.74
Intu Metrocentre	Medium	Retail development and job creation	1.58	-0.22
TOTAL			**60.00**	

The Fund has performed well across its key social performance criteria:

- **Social Performance:** by number, 39% of the bonds fall into the High social performance category, 39% into Medium and 22% were rated as Low. This is above the Fund's expectation of having 66% of the portfolio in the High or Medium categories.

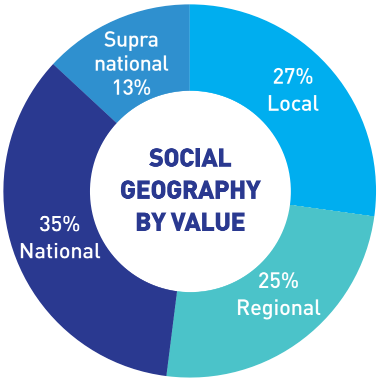


- **Social Outcomes:** by value, 72% of the Fund is invested in four social outcome areas: Affordable Housing (23%), Transport and Communications (18%); Utilities and Environment (16%) and Health and Social Care (15%).



Key:
- Affordable Housing (23%)
- Community services (2%)
- Education, Learning and Skills (9%)
- Employment and Training (8%)
- Financial Inclusion (9%)
- Health and Social Care (15%)
- Transport and Communications (18%)
- Utilities and Environment (16%)

- **Social Geography:** by value, the Fund is 87% weighted in favour of the UK, with 27% going to deprived localities and 71% favouring regions and nations outside London and the Greater South East (the North has a 37% share).



- **New bond issues:** We also expect the Fund Manger to invest in new bond issues when opportunities emerge. A total of 24% of the Fund's holdings were in bonds that were issued in the primary market during the period from launch to March 2015, which is considered a good result.

- **Retail Charity Bonds:** Up to 10% of the Fund is to be invested in Retail Charity Bonds. To date the fund has invested 1.5% in Golden Lane Housing. In addition, the Fund has holdings in Wellcome Trust (4.4%) and Motability (4.5%), two large charities which have accessed the institutional bond market since 2006.

The Fund's social performance was relatively stable between July 2014 when the Interim Report was published and March 2015, the notable change being a linked decrease in the relative share of the Fund's investment in Affordable Housing (28% to 23%) and local communities with high rates of deprivation (33% to 27%). The share of investment in Utilities and Environment has increased from 8% to 16%.

These results by overall social performance, outcome and geography are extremely encouraging and consistent with the Fund's social objective to create a fairer and more equal society in the UK, underpinned by a balanced and sustainable economy. The map of selected holdings below provides a powerful view of the Fund's orientation towards balanced and inclusive development.

INVESTMENT FOR INCLUSIVE BALANCED DEVELOPMENT IN THE UK

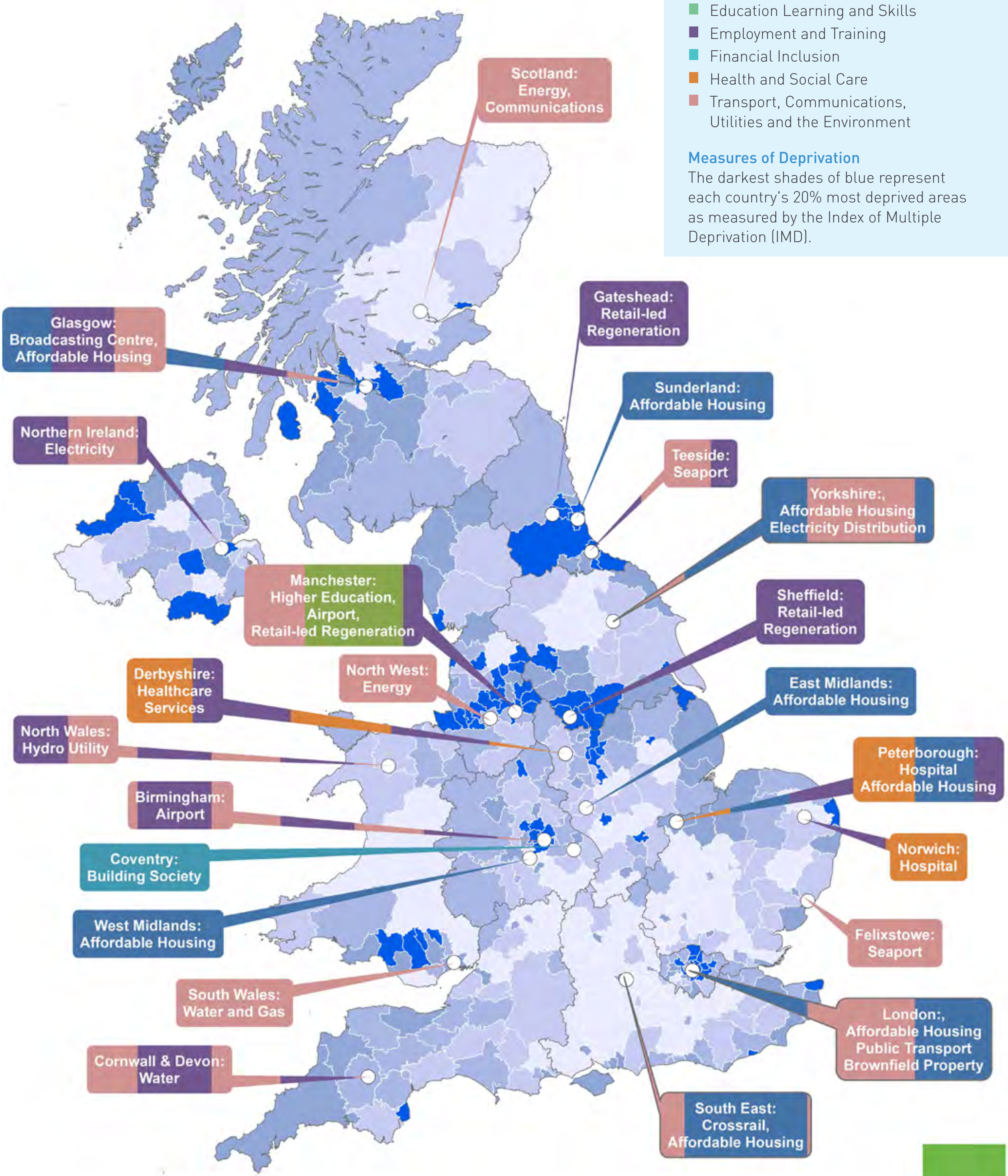
The regional geography of the Fund's bond investments (selected holdings)

Social Outcome Area

- Affordable Housing
- Education Learning and Skills
- Employment and Training
- Financial Inclusion
- Health and Social Care
- Transport, Communications, Utilities and the Environment

Measures of Deprivation

The darkest shades of blue represent each country's 20% most deprived areas as measured by the Index of Multiple Deprivation (IMD).



Geo economics

PERFORMANCE BY SOCIAL OUTCOME

Employment and Training
(12 holdings)

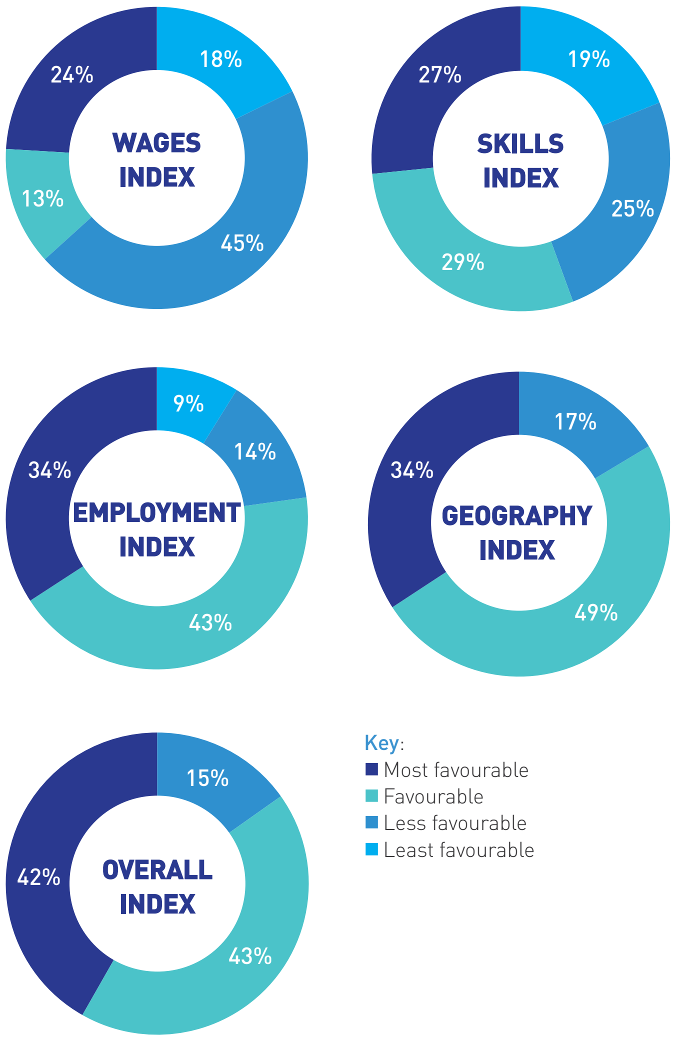
Although the UK has returned to growth and unemployment has fallen, widespread concerns over the quality of job-creation – by wage level, security and skill (or 'underemployment') – remain. Further, the geography of employment opportunity is still unequal across the UK, between and within regions and the need to create more entry-level jobs and vocational training opportunities for young people is widely recognised.

Having a good job is fundamental to economic and social well-being and promoting access to employment and training is therefore an important social outcome for the Fund. These outcomes are mainly 'secondary' or indirect, resulting from bond investments in housing, infrastructure and other sectors. Retail is the only sector that the Fund includes explicitly for its direct jobs and training potential (see box). As Employment and Training is a cross-cutting outcome area we analyse its performance first.

Using BII's new "Jobs Assessment Methodology" (JAM) we have created an overall picture of the Fund's employment performance. Created by Geoeconomics, Social Value Adviser to Big Issue Invest, the JAM methodology rates the jobs performance of all 20 sectors of the UK economy by:

- Median earnings in the sector relative to the Living Wage, *as defined by the Living Wage Foundation and separately from and prior to the Conservative Government's Budget announcement of a National Living Wage in July 2015* (Wage Index),
- The sector's intermediate vocational qualifications/ NVQ level 3 skills profile (Skills Index),
- The sector's employment density in Britain's most deprived areas as measured by the Index of Multiple Deprivation (IMD) (Geography Index), and,
- The sector's relative employment scale and growth (Employment Index).

The results of applying the JAM framework to the Fund are shown in the pie charts.



The JAM results for the Fund's portfolio reflect the economic sector profile of the bonds and the jobs performance of the constituent sectors:

- 85% of bonds are concentrated in sectors that score favourably on **overall jobs performance** – including Utilities, Health and Care, Real Estate (which includes housing associations) and Wholesale and Retail Trade (the *Overall Index*);
- 83% of bonds are concentrated in sectors that have a relatively high employment density **in the most deprived areas of the UK** – notably Utilities, Health and Care and Real Estate (the *Geography Index*);
- 37% of bonds are concentrated in sectors where **average earnings are higher than the Living Wage** – this reflects the particularly weak performance of Retail and Wholesale Trade (Employment and Training), and to a lesser extent Real Estate (Affordable Housing) and Health and Care (the *Wage Index*);
- 56% of bonds are concentrated in sectors that provide **intermediate (NVQ3) level job opportunities, including apprenticeships** – notably Utilities and Retail Trade, where many of the larger energy companies and retailers lead the way on apprenticeships (the *Skills Index*);
- 63% of bonds are concentrated in sectors that are **large-scale employers with a positive 5-year job-creation performance** – notably Health and Care, as well as Retail and Real Estate (the *Employment Index*).

The results are encouraging given the Fund's mission to create a more inclusive and balanced pattern of economic development. The results for the Geography Index are especially positive and reinforce and complement the earlier map of selected holdings. Informal comparisons with FTSE All-Share companies suggest that bonds, backed by a social purpose – as opposed to equities – may be a highly effective route to achieving balanced, inclusive and sustainable development in the UK.

The Fund will aim to diversify the range of sectors included for their Employment and Training outcomes. Of special note here, is the recent acquisition of a **Lloyds Banking Group** bond issue aimed at increasing SME lending for start-ups and growth, particularly in disadvantaged areas and the regions. Part of the Group's "Helping Britain Prosper Plan", the objectives of this bond are aligned with those of the Fund, however it is too early to assess the social and jobs performance of this initiative.

THE JOBS PERFORMANCE OF THE RETAIL SECTOR

The Fund invests in major retailers and related large-scale retail-led developers, notably Intu, because of their importance to employment and training opportunities, regionally and locally. The Jobs Assessment Methodology (JAM) confirms that Retail is the third most important employment sector (the *Employment Index*) and the fourth most important sector for providing intermediate, vocational job and training opportunities (the *Skills Index*). On the other hand, Retail ranks third lowest out of the UK economy's 20 sectors on the Wages Index.

The Fund has four of the country's biggest retailers amongst its holdings – **Marks and Spencer, John Lewis (including Waitrose), Morrisons** and **Sainsbury** – which together generate around 400,000 jobs throughout the UK. All four of these leading retailers pay their staff above the statutory Minimum Wage, but none are Living Wage employers. They argue that staff members receive a significant total reward package (bonuses, staff discounts on purchases etc.) in addition to their basic wage, particularly for store staff. Furthermore, intense competition from discount retailers such as Lidl and Aldi would significantly increase operational costs and ability to compete – the real threat of job cuts both directly and indirectly in supply chains.

The major retailers represented in the Fund portfolio generate large numbers of part-time jobs, the majority of which are taken up by women. Supermarkets' motivation to build stores is based on their assessment of potential catchment areas rather than a mission to support socially deprived areas. However, for example, 75% of Morrisons' recruitment comes from local communities. John Lewis offers functional skills training in Maths, English and ICT for partners, whilst Marks and Spencer provides nearly 4,000 work placements to young unemployed people.

The employment outlook in Retail is fluid and uncertain. There is already evidence of job cuts and the sector has a high profile within the Living Wage debate. Nevertheless, Retail is clearly still an important provider of large numbers of local and intermediate level jobs, as reflected in its high overall position in the JAM sector rankings. We will keep a close eye on these holdings and continue to analyse the jobs performance of this sector over time.

Affordable Housing
(19 holdings)

There is a severe shortage of affordable housing in the UK. The Government estimates there is a need to build 200,000 new homes a year to meet housing demand. The problem is particularly severe for those on low-incomes, with over 1.7 million low-income families on local authority waiting lists. Rising house prices and the tightening of mortgage lending criteria since the 2008 crisis has meant that many families are now unable to afford to buy their own home and have no alternative but to rent. Today more than one-third of UK households live in rented accommodation.

Most social and affordable housing in the UK is provided by independent, not-for-profit housing associations, as well as local councils that have retained social housing stock. Social landlords own half of Britain's rented homes and build one in five of all new homes constructed. Charities also play an important role providing specialist accommodation for those with special needs, including people with disabilities and the elderly (see Community Services). Issuing bonds is an important means for these organisations to raise finance to support their plans.

Investments in affordable housing remain the backbone of the Fund. As of March 2015, the Fund held 19 social housing-related bonds which together comprise 23% of the portfolio. These bonds include bonds issued by 13 registered social housing providers which own over 800,000 homes, 3 bonds providing wholesale finance to the social housing sector and one bond issued by **Annington**, an owner of private residential property, much of which is leased back to the Ministry of Defence to provide homes for armed forces staff. As the **East Midlands Homes** and **Wheatley Group** examples show (see box) raising finance from the capital markets in this way provides an important source of long-term funding for building new homes and improving existing operations.

> **"Good housing is the bedrock of a decent life."**
>
> Chan Kataria, Group Chief Executive,
> **East Midlands Housing Group**

The social benefits of social housing providers extend beyond housing. Most social landlords also strive to improve the quality of the community environment through tackling anti-social behaviour and crime and supporting initiatives that offer opportunities and support to tenants, including apprenticeships, employment opportunities, money advice and the provision of savings and affordable credit services, often through partnership with local credit unions.

Recent government policy, including the Right to Buy scheme and cuts to social housing rent, will put added financial pressure on social landlords. These policies do nothing to address the chronic need to build social housing and risk less investment in this area.

WHEATLEY GROUP

Wheatley Housing Group Limited (Wheatley Group) is the largest housing, care and community regeneration organisation in Scotland. It has been created through the amalgamation of seven organisations – five housing associations, including Glasgow Housing Association (GHA), two commercial property companies and one care organisation, Loretto Housing and Care, which provides specialist care and support to 1,000 elderly and disabled residents. The Group owns and manages over 72,000 homes in Glasgow and across Central Scotland.

Wheatley Group's £200 million bond issue in November 2014 was a landmark event representing the first public issue by a Scottish housing association. The bond was oversubscribed and Wheatley Group ended up raising £300 million from the capital markets which will help finance 2,800 new affordable homes.

The Wheatley Group performs well on the Fund's criteria for analysing the social performance of housing associations.

Social need. The social need for affordable housing in Scotland is very high. Scotland has areas of significant deprivation, particularly in Glasgow where one in three children live in poverty[3] and in Scotland's rural communities where Wheatley Group operates. For families facing economic hardship, having a modern, comfortable, affordable home can be the beginning of a better life. According to the Scottish Government, 235,000 new homes are needed to meet demand by 2035.

Affordability. Within its current portfolio, 97% of Wheatley homes are for social rent. The plan is to ensure that all new homes built by the housing associations within the Group continue to meet the Scottish Government's criteria for affordable homes. Commercial activity such as private rental market housing remains a small overall part of Wheatley's activity, with surpluses being used to support the Group's charitable activity. The Group remains driven by its social purpose of "building better homes and better lives" for those in need.

Tenant Satisfaction. Under the leadership of Group CEO, Martin Armstrong, the Wheatley Group has gone through a culture change and today places great importance on excellent customer service. This is reflected in increasing tenant satisfaction levels, which exceeded 90% for the Glasgow Housing Association for the first time in 2014.

Quality of housing. 95% of homes have reached the Scottish Housing Quality Standards with the further 5% to be achieved by 2015.

Beyond housing. The Wheatley Group has a range of programmes and services aimed at improving residents' lives. These include creating training and job opportunities through apprenticeship and employability schemes, providing advice on welfare benefits, providing practical advice on energy efficiency measures to save money on the cost of fuel, increasing computer and broadband access, and youth projects, including bursaries for young people to help cover the costs of attending college or university.

Alastair Dempsey, Chair of Wheatley Group, said: "We were absolutely delighted by the success of our debut bond issue. We achieved a record low coupon which represents outstanding value and will enable us to press ahead with our plans to play a major role in delivering more affordable housing in Scotland."

3 End Child Poverty figures, October 2014

EAST MIDLANDS HOUSING GROUP

East Midlands Housing Group (EMH) began as East Midlands Housing Association in 1946, building a small number of affordable homes for ex-serviceman after the war. Over the last 65 years EMH has acquired properties through stock transfer to become a landlord for 18,000 homes in more than 40 local authority areas in the East Midlands.

In January 2014 EMH's made its first entry to the capital markets, issuing a £200m bond to help finance 350 new, affordable homes and refinance existing operations within a more streamlined and efficient group structure. The Fund was one of 19 investors that invested in the bond issue.

Social need. There are over 116,000 people on local authority waiting lists in the East Midlands. Homelessness has increased by 24% in the past two years (nearly 3,800 households). Average house prices represent over eight times average regional incomes. Currently, the region is building just 45% of new homes needed.

Affordability. EMH plans to build a total of 950 homes during 2015-2018, of which 12% will be social rent, 72% affordable rent and 16% shared ownership.

More than a housing provider. EMH's ethos is to go beyond housing and invest more broadly in communities. In 2012, it created EMH Group Academy to provide training and apprenticeship opportunities for local young people. The Academy helps young people who have never worked and often come from broken homes to develop basic literacy, maths and personal skills and gain work experience. In 2014, the Academy took on seven apprentices and six trainees, and three of the original apprentices progressed into an undergraduate scheme.

EMH has also taken over a landscape and garden maintenance company – Sharpes – which carries out all EMH's ground maintenance works on a commercial basis and also provides training and employment opportunities for local job seekers.

EMH is a member of Place Shapers, a national network of more than 100 community-focused housing associations. In the words of Group Chief Executive Chan Kataria "It is vital that community-based housing associations like ours can meet the urgent need for more high quality, affordable homes. Issuing a bond has proven a very positive experience for EMH both in terms of helping us improve the efficiency of our operations and providing a new source of capital for new housing development."

Transport and Communications Infrastructure (13 holdings)

Public transport plays an important social role enabling all people to travel – to workplaces, health facilities and other basic services. It is particularly critical to less well-off households, particularly in rural areas. At the same time, transport investment has become a key issue in re-balancing the UK economy at the regional level.

The Fund seeks to support transport infrastructure investment that contributes to more balanced regional economic development. The Institute for Public Policy (IPPR) North's analysis of the National Infrastructure Plan (On the Wrong Track, 2013) showed that as a nation we are planning to spend nearly £2,600 on transport infrastructure for each Londoner: 500 times as much as the £5 per person for the North East; 150 times as much as in the South West; 20 times as much as the per capita figure for the North West, and over 16 times as much as in Yorkshire and the Humber. The high concentration of private sector investment in London explains these huge differences in total transport investment. Recent analysis of Treasury figures by PTEG, the group of city transport bodies in the north, showed the total subsidy for London in infrastructure and operations is over 2.5 times more *per head* than in the regions. We anticipate this 'gap' will close with *One North's* strong transport propositions led by the city-regions of Manchester, Liverpool, Leeds, Newcastle and Sheffield, linked to the HS2 development and favoured by the Chancellor and the Government's 'Northern Powerhouse' vision. We also recognise that London transport serves a large catchment area with over 1 million trips made every day by people living outside London, hence, improving London's transport infrastructure is also important.

With the exception of the **BBC Pacific Quay** bond – broadcast communication – holdings in this social outcome are concentrated in transport: **Manchester and Birmingham airports, Felixstowe and Tees & Hartlepool seaports, national rail and bus services** and **London's rail and tube network.**

The **Hutchison Port Holdings Finance** bond supports the expansion of Felixstowe, Britain's biggest container port, which employs 2,500 people directly, and combined with port-related jobs in The Haven Gateway sub-region, generates 1 in 10 jobs in the Suffolk region. In the North East, the **Tees & Hartlepool Port Authority Finance** bond supports the growth of the port economy and industrial development in the Tees Valley sub-region, including the revival of steel production and new dynamic offshore windfarm and renewable energy sectors.

Other Fund investments support the growth of **Manchester and Birmingham airports**, both seen as 'hubs' and global gateways for the North West and Midlands regional economies. According to a 2014 Oxford Economics report, airports and ground services generate 1% of UK employment – Manchester is the third biggest UK airport, the rest of the top five are London airports, suggesting its strategic importance to the Government strategy to build a 'Northern Powerhouse', as part of its 'balanced economy' agenda.

> **"Pacific Quay has been a success and significant regeneration and investment has already been delivered."**
>
> Stuart Patrick, Chief Executive of the Glasgow **Chamber of Commerce**

BBC PACIFIC QUAY

This bond helped to finance the construction of BBC Scotland's new headquarters and TV/radio/on-line services complex at Pacific Quay in Glasgow, which opened in August 2007. It reflected BBC's strategy to move production out of London and build broadcasting centres of excellence in the Nations and the English regions – consistent with a balanced economy scenario.

BBC Pacific Quay has played a major role in the regeneration of Glasgow's Docklands on the River Clyde. The Clyde Waterfront includes, or is in close proximity to, a number of the City's deprived communities.

Regeneration of the area had already begun with mixed success prior to the arrival of the BBC. Subsequently, BBC as a 'flagship' player has boosted the creative and business tourism sectors, in combination with the Scottish Exhibition and Conference Centre (SECC), the Scottish TV headquarters and the Glasgow Science Centre.

Perhaps critically, as a pre-requisite to relocating to Pacific Quay, the BBC insisted on better road access to and from the city centre across the river. After representations from the BBC a commitment was given to build a new road and pedestrian bridge across the Clyde, now known as the Clyde Arc or the Squinty Bridge which opened in 2006.

Stuart Patrick, Chief Executive of the Glasgow Chamber of Commerce, believes that Pacific Quay has created 'an entirely new river district, bringing life to the area'. He ranks it as one of Glasgow's three great regeneration projects alongside the central International Financial Services District and the SSE Hydro Arena/ Commonwealth Games complex in East Glasgow.

'Pacific Quay has been a success and significant regeneration and investment has already been delivered. It won't be finished until 2025'. Pacific Quay is now home to Glasgow Science Centre, BBC Scotland, Scottish Television, Film City Glasgow, Capital FM Scotland, BIP Solutions, Digital Design Studios and a multitude of other cutting-edge technology and creative companies.

Utilities and Environment (12 holdings)

Energy companies are major regional employers and therefore important to balanced economic development. They also are at the forefront of delivering the country's targets and objectives in achieving environmental sustainability, and have a statutory responsibility to help tackle energy-linked inequalities ('fuel poverty').

The Fund's holdings support the long-term development of Britain's energy infrastructure and 'green economy' initiatives, as well as the country's water and sewerage utilities.

The Fund holds the **European Investment Bank** green bond which delivered EUR 7 billion of UK investment in 2014, with 50% going to energy-related projects, but also health, housing and education – spread across the regions. Developed by issuers like the EIB and the World Bank, 'green bonds' have reached the corporate sector. **Unilever's** green bond issued in March 2014 was a first for the consumer goods sector. The proceeds of the bond will be used to finance six projects that will enable Unilever to cut greenhouse gas emissions, water and waste by 50% in its new factories and 30% in retrofitted factories.

Energy and water companies are major employers in their local economies. Based in Scotland, **Scottish and Southern Energy (SSE)** is both the largest renewable energy producer and one of the largest Living Wage employers in the UK. It has created 2,000 new jobs over the last two years and now employs 20,000 people. **Welsh Water** is owned by Glas Cymru a single purpose company that has no shareholders and is run solely for the benefit of customers. This innovative business model aims to reduce Welsh Water's asset financing costs through bonds and retained financial surpluses. With a workforce of nearly 3,000 people, the company is a major employer in Wales.

ELECTRICITY NORTH WEST (ENW)

ENW provides the electricity distribution network for the North West region. It employs 1,650 people, after operating cost cuts required by OFGEM led to 50 job cuts in early 2015. ENW opened a major training academy in Blackburn East Lancashire in October 2013 – a £2.6 billion investment programme to create local job opportunities and engineering apprenticeships in areas of high unemployment, including Blackburn, Oldham and Manchester. Graduates from the academy are assured of jobs as joiners, fitters and overhead lines maintenance staff.

A relatively large proportion of ENW residential customers across Greater Manchester, Lancashire and Cumbria live in areas of deprivation – making its "Innovation for Affordability" initiatives especially significant for tackling 'fuel poverty'. Examples from ENW Well Justified Business Plan, 2015-2023 include:

- A partnership with Stockport Council to get their social housing stock and tower blocks fit for the 21st century. Rather than spending more money to strengthen the electricity network for social housing through costly reinforcement works, ENW is improving the energy efficiency and insulation of the properties instead.
- A Smart Energy Community initiative was successfully completed by Wigton in Cumbria. This addressed fuel poverty by putting in place wirelessly-operated smart meters, which provide residents with more visibility around their energy usage enabling them to have better usage control resulting in reduced bills and increased opportunities to save money. The first stage of this initiative enabled the town to have better control of its energy and share findings with a view to expanding the trial to more homes and businesses in the future.

ENW believes that it is "a significant contributor to the North West's economy with a substantial R&D spend and a key role to play in enabling regional economic development". It has a £2 million R&D partnership with the School of Electric and Electronic Engineering at Manchester University, linking it to the North West knowledge economy agenda (SSE is a partner in the University's Manchester Energy research initiative).

With its headquarters located in Warrington, ENW is also a leading economic development player in the Cheshire and Warrington's local enterprise partnership strategy that prioritises 'an energy cluster development programme'.

Health and Social Care
(12 holdings)

The health and social care system is under unprecedented demographic, financial and capacity pressures. The UK is faced with challenges of an aging population, an increasing prevalence of long-term conditions, high levels of mental health problems and health inequalities linked to poverty and deprivation.

The Fund's health-related investments comprises a mix of bonds supporting physical and mental health services, health insurance and tackling diseases in developing countries. The Fund's holdings are more widespread in this social outcome area in terms of their national-supranational footprints. Social outcomes also tend to be multiple and overlapping compared to other areas.

Within the UK, the Fund's bonds have supported the construction and financing of major **NHS hospitals in Peterborough and Norwich**, as well as the expansion of **NHS mental health services in Derbyshire.**

Four of the holdings support the work of the **Wellcome Trust** (charitable status), which uses income from its £18 billion investment portfolio to fund leading-edge bio-medical research, provide venture capital finance for the commercialisation of bio-medical R&D and carry out extensive public engagement programmes. In 2014, 43 countries benefited from the work of the Wellcome Trust. In Newcastle (UK), for example, the Wellcome Trust Centre for Mitochondrial Research received £290,000 for a three-year programme of activities to inform the public debate on mitochondrial research and on new techniques being developed to prevent mitochondrial diseases.

The Fund also supports the work of the **International Finance Facility for Immunisation (IFFIM)** through the Gavi bond. IFFIM was set up in 2006 to rapidly accelerate funding and implementation of vaccination schemes to immunise children against known diseases, particularly in Africa. Since its launch in 2000, Gavi, the Vaccine Alliance has helped prevent more than 7 million additional deaths and helped protect 500 million additional children with new and under-used vaccines.

The Fund has four **BUPA** holdings. As cost pressures on the NHS mount and a large and growing elderly population places increasing demands on mental and physical health services, BUPA, originally a provident association, has evolved to become the UK's leading private health insurance specialist and a major provider of care homes (one of the four bonds), health assessments, occupational health services and travel insurance. Employing 79,000 people (40% in the UK) and serving around 29 million customers across 190 countries, the SAC, after much debate about the social value of private healthcare, rated BUPA as medium social performance owing to its Access to Health programmes in developing countries, including India and commitment to promoting affordable and accessible health care in the UK.

Financial Inclusion (9 holdings)

Providing access to affordable and appropriate financial services to all is important to help people manage their finances, build assets and cope with emergencies. Currently, nearly two million adults do not have a bank account and 15 million people (31% of the population) shows signs of financial distress, including lack of savings and over-indebtedness.[4]

Unlike most corporate bond funds,the fund has only a small exposure to the financial sector. The Fund favours mutual and regional building societies that are owned by and accountable to their customers. The main financial sector holding is in **Nationwide Building Society**, including Portman Building Society (which it acquired in 2006). This is a traditional mutual which met the Fund's social screen due to their commitment to helping 750,000 people buy their first home by 2017, which is aligned with the Fund's aim of increasing access to affordable homes. The Fund also invests in **Coventry Building Society.**

The Fund has three holdings in **Motability**, a national charity set up at the initiative of the Government, with all party support, in 1977 and incorporated by Royal Charter. Its objective is to help disabled people with their personal mobility. The organisation runs a financial scheme which enables disabled people to use their government-funded mobility allowance to lease a new car, scooter or powered wheelchair. Since the scheme was set up, Motability has helped over 3 million people get mobile with a new vehicle.

4 Financial Inclusion: Improving the Financial Health of the Nation, Financial Inclusion Taskforce, March 2015.

MOTABILITY

Motability was set up to allow disabled people to increase their mobility by obtaining an affordable car, scooter or powered wheelchair using the government allowance. A 2010 study of the economic and social impact of the scheme found that:

having a Motability car greatly increases its customers' ability to travel outside their home...

A Motability car increases the likelihood customers will drive themselves (76% up from 63% prior to getting a Motability car) and the frequency with which they drive (46% drive every day versus 33%).

...improves customers' access to health services...

Most Motability customers (85%) said that having a Motability car had made a difference to their ability to access healthcare.

...allows some customers to gain employment...

Of the Motability customers stating that they are able to work, 39% said that their Motability car had enabled them to gain employment, get better employment or to maintain current employment.

...enhances the ability of customers to participate in social activities...

Having a Motability car increased the ability of significant numbers of customers to visit family and friends (60%), go shopping (55%) and participate in sporting, leisure and social activities (40%).

...and provides customers with a greater degree of independence as well as choice and control over their lives.

The vast majority of customers (73%) said that they are more independent now that they have a Motability car. Of these, 49% said that they are a lot more independent.

Source: The Economic and Social Impact of the Motability Car Scheme, Oxford Economics, September 2010

Education, Learning and Skills
(5 holdings)

Education, from nursery to higher level, is recognised as central to social and economic well-being. Government policies require UK universities to pursue a range of measures to widen participation in higher education in favour of young people from disadvantaged backgrounds. In addition to this more direct social mobility purpose, universities are major regional employers and centres of research and innovation and hence are active in the balanced economic development agenda.

Current holdings in this social outcome area range across global educational publishing, the UK university sector and student accommodation and international development through the IADB bond which supports educational and employment in areas of the world where social and economic needs is greatest.

Manchester University's bond supports its campus expansion plans, including the building of new teaching facilities and a Cancer Research Centre. The University is a leading player in the economic development of the Greater Manchester City Region and the North West, generating £521 million in Gross Value Added [GVA] directly and £526 million indirectly for other UK industries, of which 80% 'stayed' in the North West (2011/12). As such the University creates social value for the nation by helping to create a more regionally balanced economy in the UK. More explicitly, the University of Manchester has the highest absolute number of students across each of the key 'widening participation' indicators among the Russell Group universities; 25% of its students come from 'lower socio-economic groups' and the University continues to invest in its successful flagship equity initiative, Manchester Access Programme (MAP). The Student Union states that the University's Access Agreement 2015/16 'is a brilliant example of what can be achieved when an institution understands the broad range of challenges in accessing and achieving potential in higher education'.

> **"The IADB's EYE bond is the next stage in the evolution of ESG capital markets."**
>
> Takashi Hibino,
> **Daiwa Securities President**

Bonds issued by **UPP** and **Unite Group** support the burgeoning demand for student accommodation across the UK. Universities are driving this market as part of global marketing strategies to attract foreign students. Widening participation for UK students also depends on access to affordable housing. It should also be noted that student housing schemes have become vehicles for urban regeneration and service jobs, although there is concern that developers may be 'poaching' sites that could be used to develop affordable housing for less-well off and vulnerable groups – people with higher priority on council 'housing lists'. The Fund's Social Advisory Committee will continue to keep this under review.

Pearson Plc is the largest education company and book publisher in the world, with nearly 85% of its global revenue coming from the US and the UK. This has led to concerns over its influence on non-profit/public education. Pearson champions the role of the private sector in education and learning in developing countries as a founding/board member of the Global Business Coalition for Education and the Global Partnership for Education. It has invested in low-cost private schools in Ghana, Kenya and India.

THE IADB (INTER-AMERICAN DEVELOPMENT BANK, AKA IDB) EYE BOND

The IDB is the leading source of development financing for Latin America and the Caribbean, where the Bank's projects aim to promote sustainable growth, poverty reduction and social equity. The inaugural issuance of the EYE bond will bring additional resources to the Bank's lending projects in Education, Social Protection and Health (Youth at risk) and Employment.

The EYE Bond programme uses IDB's 'life cycle' approach to building human capital from early childhood care and education, through formal primary and secondary education, as well as programmes that facilitate labour market placement by improving the transition from school to work through vocational training. To date, the IDB has invested $3.7billion in 40 EYE projects spread across 14 countries. These projects have led to 4 million children educated and 35,000 jobs added to the formal sector.

Examples of projects include:

- a comprehensive training and schools construction programme for over 32,000 teachers in collaboration with Panama's Ministry of Education, which in the isolated region of Ngabe-Bugle has benefited nearly 4000 indigenous children;
- 66% of 600,000 participants in the *PACE* on-the-job training programme in Mexico have found jobs, creating a model for other Latin American countries;
- the *Mathematics in My School* program in Paraguay significantly increased the maths skills of participants after only five months; and,
- the *Social Inclusion and Opportunities programme* in Rio de Janeiro supports youth in the slum areas though drug counselling, scholarships, job placement and reintegration from prison.

Daiwa Securities President, Takashi Hibino described the innovative EYE bond as 'the next stage in the evolution of ESG capital markets'.

Community Services
(1 holding)

This outcome area is focused on increasing access to community facilities and services to support and improve local well-being, including enabling charities to support those in social need. A major problem facing charities and social enterprises is how to get funding to support and expand their activities. Many community service areas have experienced major cut-backs in government funding and the availability of grants. Hence, charities are looking to develop new more sustainable business models and raise new sources of finance to meet their charitable objectives.

The Fund seeks to invest in charity bonds. Charity bonds could potentially add a scalable source of capital for some charities, alongside grants, donations, loans and retained earnings. Columbia Threadneedle actively encouraged the launch of the Retail Charity Bonds platform, created by Allia, a UK charity and a specialist in social investment. The platform aims to help charities access the bond market more easily and cheaply. Bonds are arranged and distributed by Canaccord Genuity and listed on the London Stock Exchange.

In 2014, the Fund invested in the first bond issued through the platform by **Golden Lane Housing (GLH)**, a charity which provides supported housing for people with a learning disability. The bond was over-subscribed and GLH raised £11 million in just eight days. The funds raised will enable GLH to invest in buying and adapting 30 high quality homes for over 100 people with a learning disability in their local community.

In 2015, GLH commissioned an external report into the impact of the bond-financed properties. This found that for the tenants, the move had usually provided a new lease of life with tenants reporting increased confidence, learning of new skills, a wider social life and increased participation in the community.

VICKY'S STORY

Friends Vicky, David, John and Susan were living in properties based in a courtyard setting in Grimsby supported by Mencap when their needs changed. Steven and June Ellis, Vicky's parents explain, "The beauty of GLH is they took on all our concerns about Vicky and her bedroom. They agreed to convert the garage into her front bedroom. The day they told us we were beaming. She loves her room! There are two lovely big windows so she can people watch, she finds it relaxing and it's the first thing she does when she gets home.

We were worried it would take Vicky and her friends a long time to get used to their new home; we were amazed it only took two weeks. Vicky is happy, settled, and safe and has got a secure future. Mencap have been brilliant and there is extra staff on now. We're really happy with the staff, they go over and above. They are wonderful and use sign language with Vicky, and two of the new staff have had more training so they are able to use far more signs with her which we feel makes a big difference. We couldn't ask for more, everyone is so committed and always there for them. It's a beautiful bungalow and a lovely home to come into; it has a nice feel about it. We hope this move to the bungalow will be her forever home."

You can read more about Vicky's story at:
www.glh.org.uk/vicky

THE NEXT MILESTONE

There is a social consensus shared by political, business, financial and community leaders that Britain needs a fairer and more sustainable model of capitalism – one that can deliver both "wealth creation and social justice". Building this 'model' in practical terms calls for radical innovation in mainstream markets, where the economic leverage needed for social change is to be found.

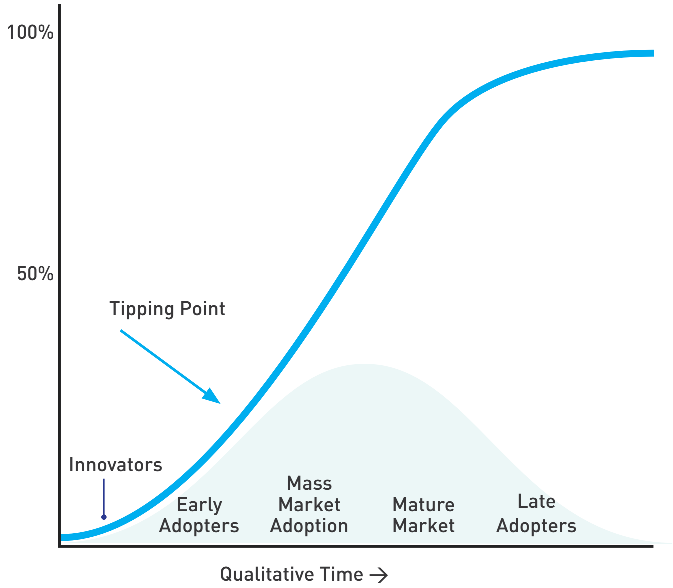
The Threadneedle UK Social Bond Fund is a radical innovation that brings social investment into mainstream financial markets. In recognition of this, the Fund has won a string of innovation awards, including the Forum for the Future's Innovative New Idea Award 2014 and the European Pensions Innovation Award 2015.

Like radical financial innovations before it, the Fund has a 'seeing is believing' milestone to reach – where market experts see it as a 'significant' investment opportunity for investors. The Fund will reach this psychological 'milestone' when it can show a two-year track record and its total value grows to £100million. By July 2015, eighteen months from its launch, the Fund's value stood at £72 million – in other words, we are on track and three-quarters of the way to our milestone.

Using the familiar "S Curve", which graphs the speed of adoption and growth trajectory of new products - we can see that the Fund is in the 'early adopters' phase of market development. We thank all the Fund's investors – both individuals and institutions – who have been early adopters and have had the confidence to invest in the Fund in its first year. The immediate challenge is to reach the Milestone we have set ourselves - the 'tipping point' when a critical mass of market interest and knowledge is reached and the Fund rapidly evolves into a mainstream product.

Reaching the Fund's 'tipping point' and going beyond it requires sustainable growth on both sides of the bond market - demand and supply. BII is therefore working closely with Columbia Threadneedle Investments to encourage new bond issuers into the capital markets. We want to see more companies issuing bonds with a clear social purpose, bringing new capital to areas such as education and employment and training. We also want to see local authorities return to the capital markets. In an era of government spending cuts, bond issuance could play an important role in raising new capital for infrastructure projects that are vital to delivering on the ambition to rebalance the UK economy. And importantly, we believe that listed bonds are also a good long-term source of affordable finance for some charities and remain committed to achieving the original ambition of having 10% of the Fund invested in charities.

THE "S CURVE" FOR FINANCIAL INNOVATION



Our long-term ambition is that the Fund truly emerges as a radical innovation which brings about deeper changes in the bond market, measurable by metrics such as higher levels of bond issuance and a wider range of issuers, and higher levels of investment by a wider range of investors seeking both a social and financial return. Social bonds have the potential to grow in the way that the 'green bond' market has grown more directly connecting capital markets to investments that help tackle the UK's social challenges.

Finally, a key aspect of the Fund's innovation is the meeting of minds and strong partnership between Columbia Threadneedle and Big Issue Invest – organisations with strong brands that belong to different economic cultures. This partnership between a mainstream financial institution and a social organisation has proven a powerful one and demonstrates that such partnerships can be key to achieving social change. Crucial to the Fund's performance – both social and financial – has been the commitment and skill of the Fund Manager, Simon Bond. Big Issue Invest would like to take this opportunity to thank Simon and the entire Columbia Threadneedle team for their work on this Fund and for creating such a good working relationship.

BIOS

JOHN HALE
Independent Chair of the Social Advisory Committee

John began his professional career in industrial market research and consultancy in the petroleum, steel and transport sectors. With a focus on Latin America, he moved to work for Lloyds Bank International as an economist and then specialised in export and project finance, including three years in Brazil, and finally developing country debt management.

He joined the Investment Department of the Association of British Insurers in 1992 to represent the association and its members on policy matters (UK and EU) and commercial issues. Amongst other things he was responsible for the ABI Bond committee, the Property Investment Committee and the joint ABI Treasury Insurers Infrastructure Investment Forum. He played a leading role in the UK bond market, convening the ABI special committees on specific fixed income matters including a number of major debt restructurings. He was also closely involved in the early development of ABI's corporate governance service IVIS and ABI's Responsible Investment policy and, for a period, acted as Secretary to the insurance grouping ClimateWise.

SIMON BOND
Fund Manager, Columbia Threadneedle Investments

Simon Bond is an Investment Grade Fund Manager and has been the manager of the Threadneedle UK Social Bond Fund since its launch. He also manages the Allied Dunbar Distribution Bond Fund and a wide range of institutional and wholesale bond funds together with asset allocation responsibility for a number of broad fixed income mandates.

Simon has 29 years' experience in the fund management industry with the last 24 years specialising in corporate bonds. He has taken a keen interest in the social investment space, having analysed and invested in these areas for many years. As an analyst the first entity he reported on was Peabody Trust and the first sector he covered was Housing Associations. Simon is particularly passionate about the role of infrastructure in both regeneration and economic growth.

Prior to joining Threadneedle in 2003, he managed £6 billion in his role as the Senior UK Credit Fund Manager for AXA. Simon also worked for GE Insurance as a Portfolio Manager, Provident Mutual as a Fixed Income Analyst and Hambros Bank as an Investment Accountant and Pension Fund Investment Administrator.

Simon is a Fellow of the Chartered Institute for Securities and Investment, he also holds the Investment Management Certificate and the General Registered Representatives Certificate.

Nigel Kershaw OBE
Executive Chairman of The Big Issue Group

Nigel Kershaw OBE is Executive Chairman of The Big Issue Group. He joined The Big Issue in 1994 becoming its Managing Director and then the Executive Chairman of The Big Issue Group and from 2005-2014 was the first CEO of Big Issue Invest.

Previously, Nigel worked in the print industry. He founded three printing and publishing employee-owned companies and has worked as a project manager, systems analyst, litho printer and trade union official.

In 2008, he was the winner of the Institute of Directors' Good Enterprise Award and in 2013, Social Enterprise UK's 'Champion of Champions. In 2010, Nigel was awarded an OBE for services to Social Enterprise. Nigel is a member of Big Society Capital's Advisory Board.

SARAH FORSTER
Chief Executive, The Good Economy Partnership and Non-Executive Director, Big Issue Invest

Sarah is Founder and CEO of The Good Economy Partnership, a research and advisory firm focused on business-led social value creation and social impact investing. Sarah has a long track record in economic development, financial inclusion, and social impact investing both internationally and in the UK.

For 7 years until March 2015, Sarah was Deputy CEO and Development Director of Big Issue Invest (BII) where she played a key role in its growth as one of the UK's most trusted and innovative social investment organisations. Sarah led on the design and launch of the Threadneedle UK Social Bond Fund for BII.

Prior to BII, Sarah was a director at the New Economics Foundation. Before this she spent 10 years working for the World Bank, based in Washington D.C. and Sarajevo, managing large-scale investment projects with a specialisation in microfinance and post-conflict economic reconstruction. Sarah has a BA in Law from Cambridge University and a Masters in Economic and Political Development from the School of International and Public Affairs, Columbia University, New York.

MARK HEPWORTH
Chief Executive, Geoeconomics and Social Value Adviser, Big Issue Invest

Mark Hepworth is CEO of research and strategy consultancy Geoeconomics and has been Social Value Adviser to Big Issue Invest since 2012.

Mark led the design of the social performance assessment methodology for the Fund on behalf of BII. Mark has also developed social value assessment models for the private equity sector, completing studies for LDC and Enterprise Ventures. He is currently working on a Jobs Assessment Methodology for the equities sector.

Mark has twenty years of UK economic development experience, working with businesses, governments and communities throughout the country. His career has spanned academia (Newcastle, London) public policy (OECD, EC and UK Government) and consultancy (Henley Centre, Local Futures, Geoeconomics). He has a first degree in economics from Warwick University and a doctorate from the University of Toronto.

IAIN RICHARDS
Head of Governance and Responsible Investing, Columbia Threadneedle Investments

Iain Richards joined Threadneedle in 2012 as Head of Governance and Responsible Investment.

Prior to joining Threadneedle Iain was Regional Head of Corporate Governance at Aviva Investors. His career in the City has also included roles at Schroder Investment Management, the Policy Group of the UK's Listing Authority and the London Stock Exchange. Iain has also worked at the UK's Department of Trade and Industry in various roles in the European and competition policy units.

He has written papers on a range of issues including Auditing, Sovereign Wealth Funds and, in 2006, on the impending risk of a systemic banking crisis. He was responsible for leading the UK investment industry's successful lobbying to re-establish the overarching 'True & Fair View' principle of accounting in revised UK Company Law. He has also appeared as an expert witness before the UK House of Lords Select Committee on Economic Affairs to give evidence on Audit Market concentration and the role of auditors.

FURTHER INFORMATION

This report was written by Mark Hepworth and Sarah Forster on behalf of Big Issue Invest (BII).

If you have any queries about the social performance of the Fund, please contact Sarah Forster, Big Issue Invest on 0771 423 4823 or via email at sarah@bigissueinvest.com

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