

CT Global Social Bond Fund

Pioneering a strong bond between
social impact and consistent
financial results



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Pioneers in social bond investing

When we launched the UK's first daily liquid social bond strategy in 2013, we started with the belief that the bond market has a natural role to play in dealing with inequality.

Bonds have multiple advantages of scale, scope and a 'targeted' ability to support highly social outcomes and impacts. They are also tradeable and offer liquidity.

By targeting bonds that also have social benefits, it is possible to deliver financial returns in line with those that should be expected for a corporate bond risk – generating 'social alpha' without sacrificing market returns.

“We believe that investment to support positive social outcomes, through the targeting of more deprived populations, is the right thing to do.”

Tammie Tang, Portfolio Manager CT Global Social Bond Fund

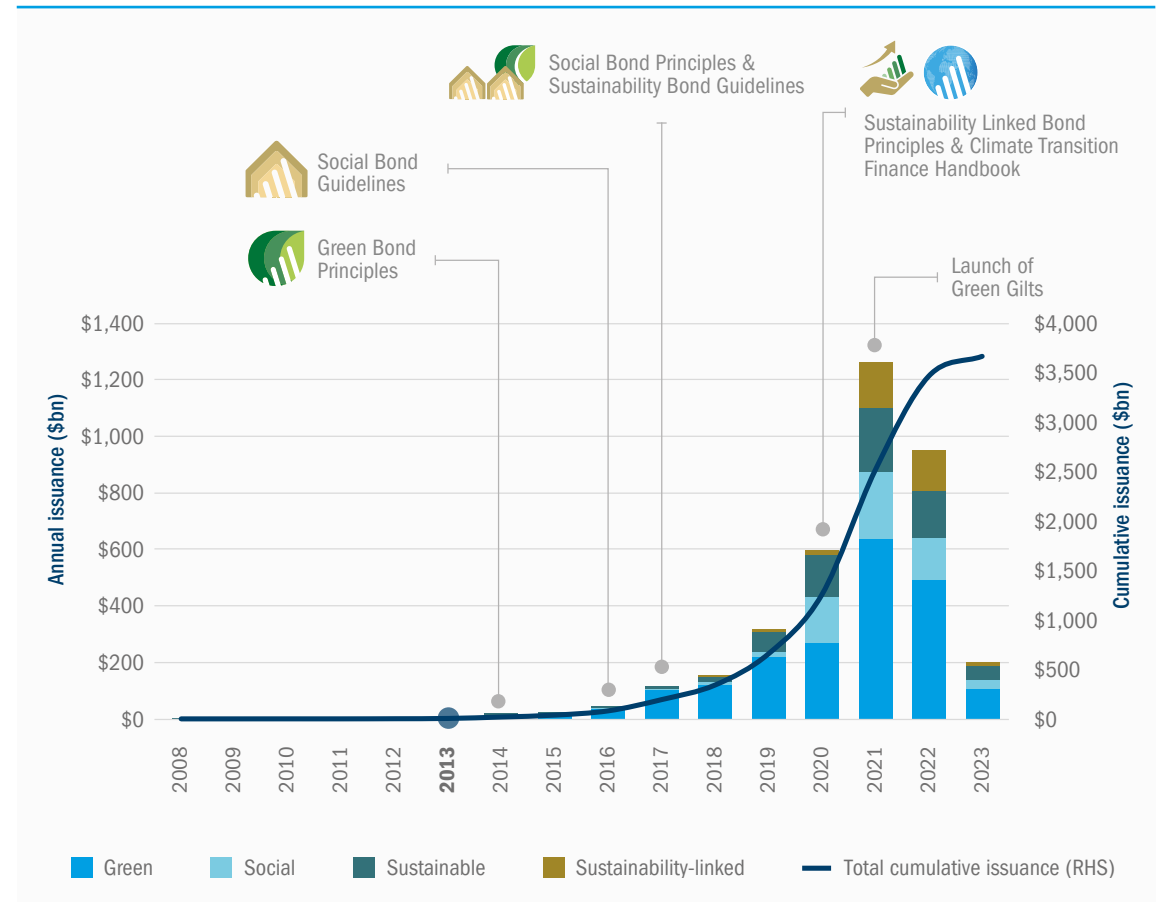




A decade later, Columbia Threadneedle Investments has over £1 billion invested in social bond strategies with established UK and European portfolios.

Now, in launching the CT Global Social Bond Fund, we are taking advantage of a global universe of specific use of proceeds' bonds that has grown to over \$3.5 trillion (see Figure below).

Growth of the specific use of proceeds' bond market, 2013-2023



Source: Bloomberg, Columbia Threadneedle Investments, as of 31 March 2023.

Strength in partnership

Our Social Bond investment team is responsible for managing our suite of social bond strategies, drawing on the proven capabilities of Columbia Threadneedle's fixed income credit and responsible investment specialists.

When we launched the CT UK Social Bond Fund this type of investing was new, but a focus on impact measurement was key to our approach – which remains the case.

In order to support our principle that impact investing is measurable, we partner with social experts who play a key role to review, advise, monitor and report on our impact.

For the CT Global Social Bond Fund, we are partnering with The Good Economy – a leading impact advisor which specialises in evaluating long-term sustainable and social impact. Their role is to review, advise and monitor social impact via the independent Social Advisory Panel and produce an annual impact report for investors.

The Social Advisory Panel, which will set the social targets at launch and look to increase the social intensity of the portfolio over time, also includes social impact adviser Steward Redqueen.

“Our proven experience in both fixed income credit and social investment is enhanced by our partnerships with The Good Economy and Steward Redqueen.”

Our specialist Social Bond Investment team



Tammie Tang
Lead Portfolio
Manager



Andrew Dewar
Deputy Portfolio
Manager



Ben Kelly
Deputy Portfolio
Manager



Letty Byatt
Social Impact
Analyst



Charlotte Finch
Client Portfolio
Management

With input and access to



5 other IG Portfolio
Managers



19 IG Credit Research
Analysts



40+ Responsible
Investment Specialists

Social Advisory Panel

Review, Advise, Monitor, Report

- The Good Economy Appointees (x3)
- Steward Redqueen Appointee (x1)
- Independent Appointee (x1)
- Columbia Threadneedle Appointees (x2)

THE
GOOD
ECONOMY

Positive inclusion, evidence-based research

In designing the CT Global Social Bond Fund, we follow our established investment approach that seeks to balance social impact, financial return and liquidity.

- 1** We start with a clear social objective – to identify bond issuers that seek to make a positive social impact from seven key social development fields to form a broad global-based social investable universe of around 8,100 bonds. We target the most beneficial projects in the areas of most need, with geography being a key driver. These outcomes are then mapped to the 17 UN Sustainable Development Goals and, within these, to the 169 targets that underly them.
- 2** Once we have identified this initial social investment opportunity set, our analysis starts with the financial opportunity. Our IG credit analysts evaluate issuers using our established, bottom-up credit research process to ensure investment ideas meet the necessary financial, governance and liquidity requirements for inclusion in the portfolio. A bond will not be included if it fails the financial analysis.
- 3** We then apply that same research intensity principle to the social impact assessment. Unlike the financial evaluation which considers issuing entity-level analysis, our social impact analysis is conducted at bond level, as different bonds by the same issuer can deliver differing social outcomes. There are two parts to our social impact analysis: a qualitative and quantitative component we call the social ‘intentionality’ and social ‘intensity’ respectively.

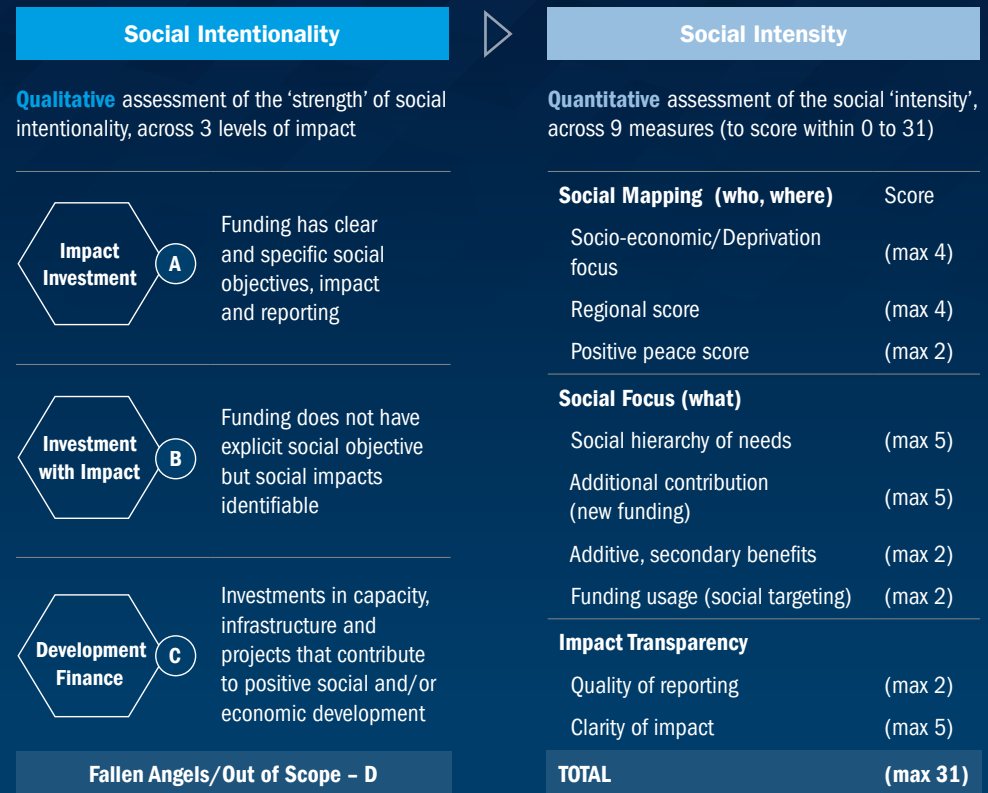
“First and foremost are the financials. If a firm goes bust it will neither deliver the financial return or the impact.”

Intentionality: this looks at the ‘intention’ to have a positive impact – and how strong that intention is – and assigns an impact category of A, B or C.

Intensity: this looks at multiple measures to gauge ‘who and what benefits’ from the outcomes and assigns a social intensity score from 0-31 (which is sorted into quartiles: 1=strong; 2=good; 3=moderate; 4=minor).

Overall, the process generates a discrete social score (A1 to C4), which is used to compare bonds meeting different social needs and monitor the portfolio’s social intensity over time.

Dynamic social assessment methodology directs investments to positive social outcomes



Exploring the Global Social Bond portfolio

Fund facts

| | |
|------------------------|--|
| Investment vehicle | UK OEIC |
| Launch date | 28 June 2023 |
| Lead portfolio manager | Tammie Tang |
| Benchmark index | Bloomberg Global Credit Aggregate Index – GBP Hedged |
| Base currency | GBP |
| Investment objective | Generate positive social outcomes and deliver financial returns over the long term |

Portfolio characteristics

| | |
|----------------------------|--|
| Social investable universe | c45% of the benchmark, approx. 8,100 bonds. Positive inclusion of ICMA-labelled bonds* |
| Geographical regions | US, Europe, UK, Asia & Asia Pacific and Supranationals |
| Holdings | 75-125 securities (at launch) |
| Average credit rating | Investment grade, A |
| High yield (B- or above) | 1.3% (at launch); subject to 10% maximum |

Source: Columbia Threadneedle Investments, as of 31 May 2023.

Note all data is proxy data based on the illustrative portfolio at launch and is subject to change.

* ICMA = International Capital Markets Association.

Illustrative portfolio positioning

| Geographical region funded | | Social impact rating | |
|---------------------------------|-----|---------------------------------|-----|
| Europe (inc UK) | 40% | Impact Investment A1 to A4 | 51% |
| North America | 28% | Investment with Impact B1 to B4 | 31% |
| South America | 2% | Development Finance C1 to C4 | 18% |
| Asia | 8% | | |
| Australia & New Zealand | 10% | | |
| Global | 12% | | |
| Specific use of proceeds | | | |
| Social Bonds | 35% | | |
| Sustainability Bonds | 24% | | |
| Green Bonds | 20% | | |
| General Corporate Purpose Bonds | 21% | | |

Source: Columbia Threadneedle Investments, as of 31 May 2023.

Note all data is proxy data based on the illustrative portfolio at launch and is subject to change.

Alignment to UN Sustainable Development Goals



| SDG | Primary SDG | Portfolio holding |
|-----|---|-------------------|
| 1 | No Poverty | |
| 2 | Zero Hunger | |
| 3 | Good Health and Well-Being | 24% |
| 4 | Quality Education | 4% |
| 5 | Gender Equality | 1% |
| 6 | Clean Water and Sanitation | 2% |
| 7 | Affordable and Clean Energy | 23% |
| 8 | Decent Work and Economic Growth | 14% |
| 9 | Industry, Innovation and Infrastructure | 10% |
| 10 | Reduced Inequalities | 6% |
| 11 | Sustainable Cities and Communities | 15% |
| 12 | Responsible Production and Consumption | |
| 13 | Climate Action | 1% |
| 14 | Life Below Water | |
| 15 | Life on Land | |
| 16 | Peace, Justice and Strong Institutions | |
| 17 | Partnerships for the Goals | |

Source: Columbia Threadneedle Investments, as of 31 May 2023.

Note all data is proxy data based on the illustrative portfolio at launch and is subject to change.





Case studies

Japan International Cooperation Agency

Promoting human security and quality growth in developing countries



| JICA General Proceeds Bond | |
|---------------------------------|---|
| Social Bond Rating ¹ | A1 |
| Credit Rating | A+ |
| Social Needs Category | Basic Social Needs |
| Use of Proceeds | General Social Benefit |
| SDG | 9 – Industry, Innovation and Infrastructure |

Use of Proceeds

- Targeting socioeconomic development in the world's least developed and low income countries
- Proceeds go towards projects including clean transport, access to education and healthcare, peacebuilding and climate response
- Key focus on gender equality and women's empowerment

Outcomes

- Outcomes across all 17 SDGs including clean & safe public transport, renewable energy projects, improved agricultural systems, access to water, improved healthcare and education systems
- Targets projects primarily in Asia and Africa as well as in Australia, Latin America, Middle East and Europe

Pearson

Providing access to education for under-served groups.



| Pearson Social Bond | |
|---------------------------------|------------------------|
| Social Bond Rating ¹ | A1 |
| Credit Rating | BBB- |
| Social Needs Category | Education and Training |
| Use of Proceeds | Social Bond |
| SDG | 4 – Quality Education |

Use of Proceeds

- Used to fund the Connections Academy – this provides high-quality, virtual education to the user, free of charge. Proceeds were allocated over a two-year period

Outcomes

- Supported those who are under-educated, under-served learners and people with disabilities, primarily in the US
- 184,000 learners have benefitted from this bond through the Connections Academy, with 94% of students completing their chosen course
- Enables students to attain minimum levels in English and Maths and opens up employment opportunities associated with these subjects

Source: Columbia Threadneedle Investments, Japan International Cooperation Agency and Pearson, as of 31 May 2023. ¹: This is a proprietary social bond rating assessment constructed by the Social Bond Investment Team. The mention of stocks is not a recommendation to deal. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

Summary

Columbia Threadneedle Investments has a strong track record in managing social impact strategies since 2013, and we have more than £1 billion invested in a range of portfolios for clients.

Having launched a unique concept with the UK social bond and expanded this out to Europe in 2017, we are excited about this opportunity to take our innovative approach to the next level – delivering financial returns and doing good for society on a global level.

“It is a natural evolution to grow our opportunity set and deliver impact via an investment opportunity set that is global.”

Going global with a unique and proven approach to impact investing

Why social bonds



Why Columbia Threadneedle Investments

Key risks

Investment risk: the value of investments can fall as well as rise and investors might not get back the sum originally invested.

Currency risk: where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments.

Issuer risk: the Fund invests in securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.

Liquidity risk: the Fund holds assets which could prove difficult to sell. The Fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

Inflation risk: most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time.

Interest rate risk: changes in interest rates are likely to affect the Fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

Valuation risk: the Fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

Derivatives for EPM / Hedging: the investment policy of the Fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions.

Investment and social investment risk: the Fund aims to invest in assets that are deemed to be supporting and funding socially beneficial activities and development and utilises a Social Assessment Methodology. This will affect the Fund's exposure to certain issuers, industries, sectors, and regions, and may impact the relative performance of the Fund positively or negatively, depending on whether such investments are in or out of favour. The concept of socially beneficial activities and development is subjective. It is therefore possible that an investment may not perform in a way that an investor considers to be a socially beneficial activity or development, even though it has been selected in accordance with the Social Assessment Methodology.

To find out more visit columbiathreadneedle.com



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For marketing purposes. Your capital is at risk.

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