



Celebrating a decade of social impact bond investments

The CT UK Social Bond Fund has pioneered impact investing for fixed income, through investments that deliver positive social outcomes and a financial return consistent with the risk profile of the broad UK investment grade credit market. We talk to portfolio manager Tammie Tang

Q You must be proud to celebrate the 10th anniversary of the CT UK Social Bond Fund, especially as very few investors can evidence a similar track record for impact fixed income – in terms of both social impact and financial return. How do you feel about the achievement and the path ahead?

We're tremendously proud. When the fund inceptioned in December 2013, we wanted to better help address the issues of rising deprivation, high unmet needs and material inequality in our society. We wanted to contribute capital, via the bond market, to support solutions to these growing social issues. Since then we have proven it is possible to invest and support capital across a spectrum of important

social outcomes, including housing, health, education and employment, and financial inclusion.

2024 marks not just the fund's 10th anniversary, but also my 12th year at Columbia Threadneedle Investments. I have witnessed the fund's steady growth and how we have been supported and guided by the strength of expertise from our fundamental research teams, as well as by our Social Advisory Committee members and our key partner, The Big Issue¹. While it is a privilege to now lead the fund and our wider social bond franchise, more than ever we remain focused on the job ahead and will continue to insist – including through our engagement work – on the role that the bond market should play in addressing our social issues.

¹ Big Issue Invest, The UK Social Bond Fund

Q Through the lens of an impact bond investor focused on social outcomes, what lessons have you learnt?

The biggest lesson is that we should not underestimate how the bond market can play a big role in raising capital for social and sustainable issues. And we believe the potential of the bond markets remains under-appreciated. Fixed income is easily the world's biggest asset class: last year alone \$11 trillion was raised in the primary markets². This is a relevant order of magnitude when the investment needed to meet the 17 United Nations Sustainable Development Goals (SDGs), which are mostly social in objective, has been estimated at around \$5 trillion per annum³. The scale of fixed income is due to the wide spectrum of issuers including governments, government-related entities, non-profit entities, supranationals and development banks, and for-profit entities. We will continue to insist that fixed income issuers should raise capital in a manner that better targets important social outcomes and populations in need. Our ability to influence and succeed draws not just on our decade of experience, but also our understanding that the bond market has a long history of funding social needs and broader sustainability.

Q Why don't impact investors have a higher allocation to fixed income?

I think one stumbling block is that there is not yet a good understanding of the risk and return profile of impact fixed income. Our belief – and our experience – is that we can build socially impactful portfolios, but in a way that replicates and delivers the risk/return profile of a broad credit index. One reason we have managed to do this is due to sufficiently deep, fundamental research that applies at both issuer and issue level, regarding both financial credit strength and strength of social outcomes funded. For instance, the UK Social Bond Fund's effective duration of 3.67 compares with 3.68 for the BofA Merrill Lynch 1-10 Year Sterling Non-Gilt Index; the yield to maturity is 5.26% against 4.88% for the index; and an average credit rating of A compares with A+.⁴

Q How do you measure and report the fund's outcomes?

We apply the principle of deep research, not just at the issuer level but also at the bond or "use-of-proceeds" level, to evidence and map the outcomes and regions supported by each bond investment. Our depth of bond level research also means we can map the fund's impact against a range

of industry-accepted measures, including the UN SDGs and Impact Management Norms, whereby we evidence the majority of our investments' contribution to solutions. Although deep research is a simple concept, it is a high bar.

Q What has the fund achieved in terms of social outcomes?

During 2023, the UK Social Bond Fund had grown to £396 million, which was invested in 185 bonds from 127 issuers and dedicated to positive social and environmental impacts⁵. It is diversified across eight different outcome categories, of which the biggest were Utilities and Environment, Transport and Communications, Affordable Housing and Property, and Health and Social Care. For example, the UK is in the grip of a housing crisis with a severe lack of affordable housing. The fund holds bonds from 20 housing associations that own and manage 770,886 regulated properties. We added two new housing association bonds in 2023, both of which are developing new affordable homes, and many of our housing associations are improving their policies to enhance financial literacy and community integration among tenants. You can read more about this and other types of impact in the annual report that is produced for the fund⁶.

Q What does the future hold?

The fund has pioneered social bond investing, but we want the bond market to do more. We see part of our job as helping to grow the market so that it can help tackle the huge challenges we face. This means that through engagement and influence the impact of our activities goes beyond the specific investments made by our funds. We are encouraging the growth of the market as a whole, as well as the social intensity of the bonds within it.

We can build socially impactful portfolios in a way that replicates and delivers the risk/return profile of a broad credit index

² Bloomberg and Columbia Threadneedle Investment, as at 29 January 2024

³ United Nations, Annual cost for reaching the SDGs? More than \$5 trillion, 19 September 2023

⁴ Columbia Threadneedle Investments, as at 31 December 2023

⁵ Columbia Threadneedle Investments, as at 31 December 2023

⁶ [Columbia Threadneedle Investments, UK Social Bond Fund Annual Impact Report 2023, January 2024](#)

To find out more visit columbiathreadneedle.com



Important Information: For marketing purposes.

This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. **Investing involves risk including the risk of loss of principal. Your capital is at risk.** Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. **International investing** involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. **The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable.** The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. **Past performance does not guarantee future results, and no forecast should be considered a guarantee either.** Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This document and its contents have not been reviewed by any regulatory authority.

In the UK: issued by Threadneedle Asset Management Limited, registered in England and Wales, No. 573204. Registered Office: Cannon Place, 78 Cannon Street, London EC4N 6AG. Authorised and regulated in the UK by the Financial Conduct Authority.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

CTEA6462369.1 | WF 1971517 (03/24)