

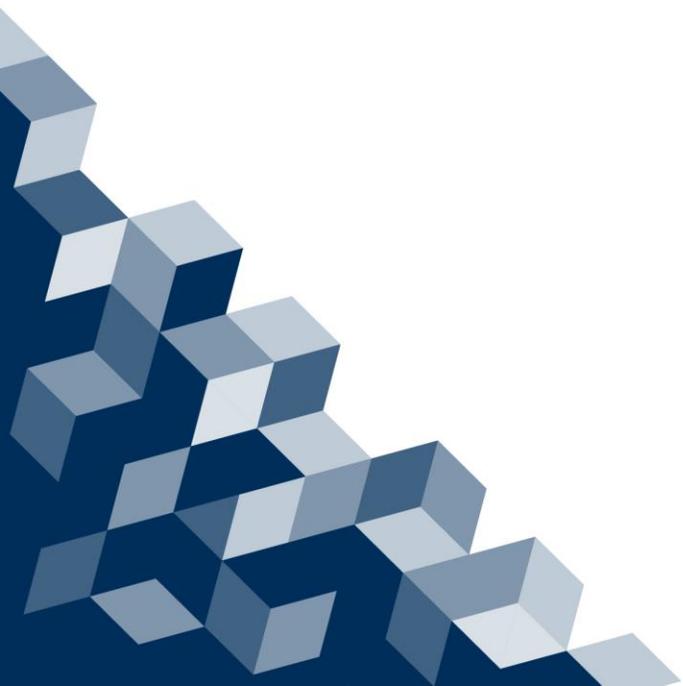


Your success. Our priority.

# The Rise of Social Impact

For professional investors only

16 September 2021



Your presenter today:



**Simon Bond**  
Executive Director  
*Responsible Investment Portfolio  
Management*

## Agenda

- 1 What is impact investing
- 2 Why bonds for impact investing
- 3 Why Columbia Threadneedle Investments for social bonds
- 4 Team, positioning and performance
- 5 Summary

# What is impact investing

ESG



Impact

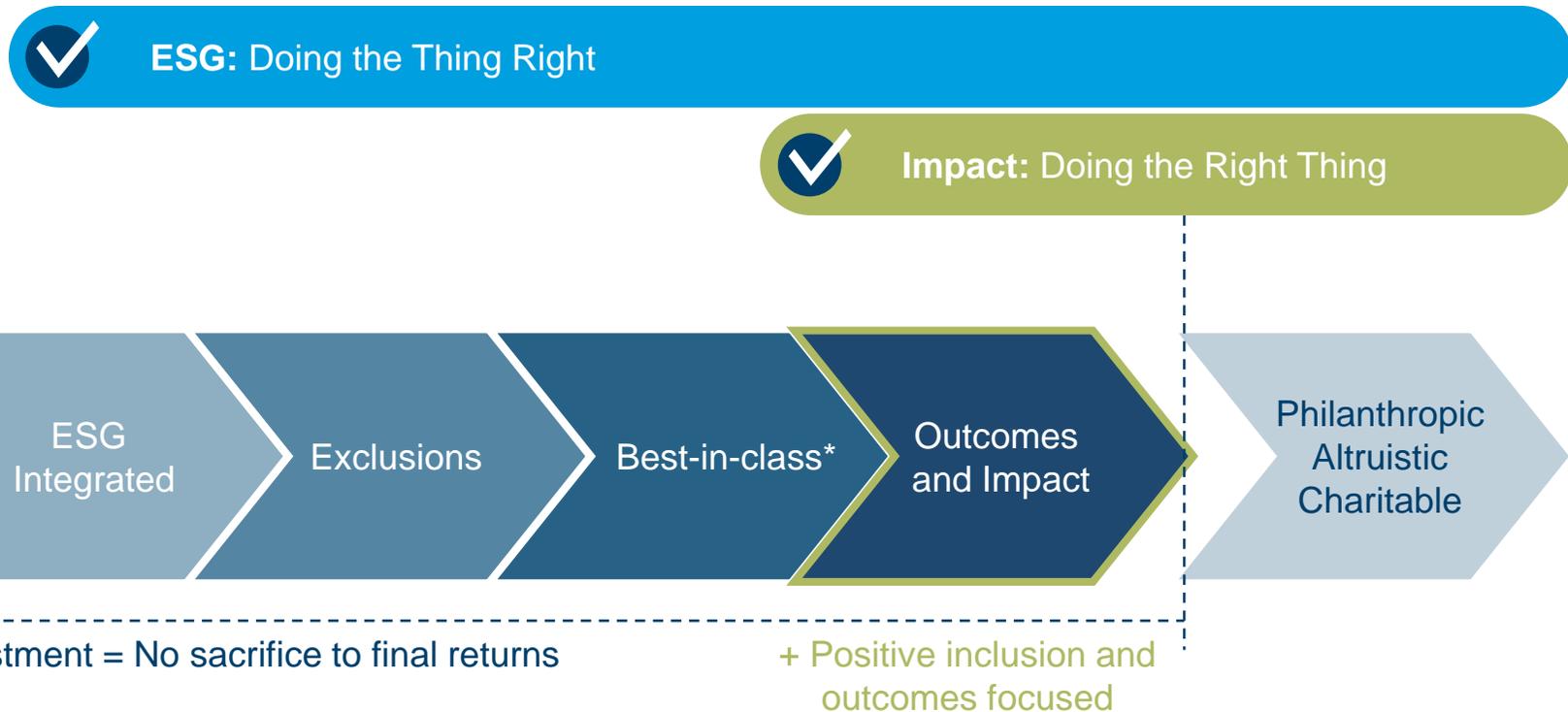
✓ Doing the Thing Right\*

✓ Doing the Right Thing\*

Threadneedle (Lux) European Social Bond unlocks the full potential of bonds to deliver both **financial returns** and **positive social outcomes**

(\*) Source: PGGM.

# The spectrum of RI approaches



To meet the twin fund objectives, bond investments are only included if proceeds deliver both a **financial return** and **positive social impact**

(\*) Best-in-class investment refers to the composition of portfolios by the active selection of only those companies that meet a defined ranking hurdle established by environmental, social and governance criteria.

# Why bonds for impact investing

Bonds have the multiple advantages of scale, scope and ‘targeted’ ability to support highly social outcomes and impacts

## Scale & Scope



### Spectrum of opportunities extends beyond listed companies

- Vast universe includes government agencies, regional & local government bodies, mutuals and charities
- Issuers include social policy leaders that use public bond markets to finance large scale social solutions
- Appropriate and sustainable funding source for social infrastructure

## ‘Targeted’ invested opportunity



### Can be secured on identifiable assets

- Property, cash flow from specific operations



### Can be issued from “ring-fenced” regulated businesses or subsidiaries

- Housing associations, regulated utilities, regulated transport industries



### Specific use of proceeds

- Green, Sustainability, Social Bonds



### Liquidity

- Bonds are tradable and offer liquidity

To qualify for inclusion, each bond must target at least one of seven social needs

### Social hierarchy of needs

### Social fields



# Why Columbia Threadneedle Investments for social bonds

**Proven evidence-based research**  
We focus on issuer and security selection,  
where there is a higher probability of  
success, to drive sustainable returns

## **A pioneer in impact investing**

We launched the UK's first daily liquid social bond strategy in 2014 and have been a leading advocate of the burgeoning green and social bond market



## **We believe in the partnership model**

We offer a range of innovative strategies in partnership with locally-based social experts and have over €1 billion in AUM

# We believe in partnering with social experts

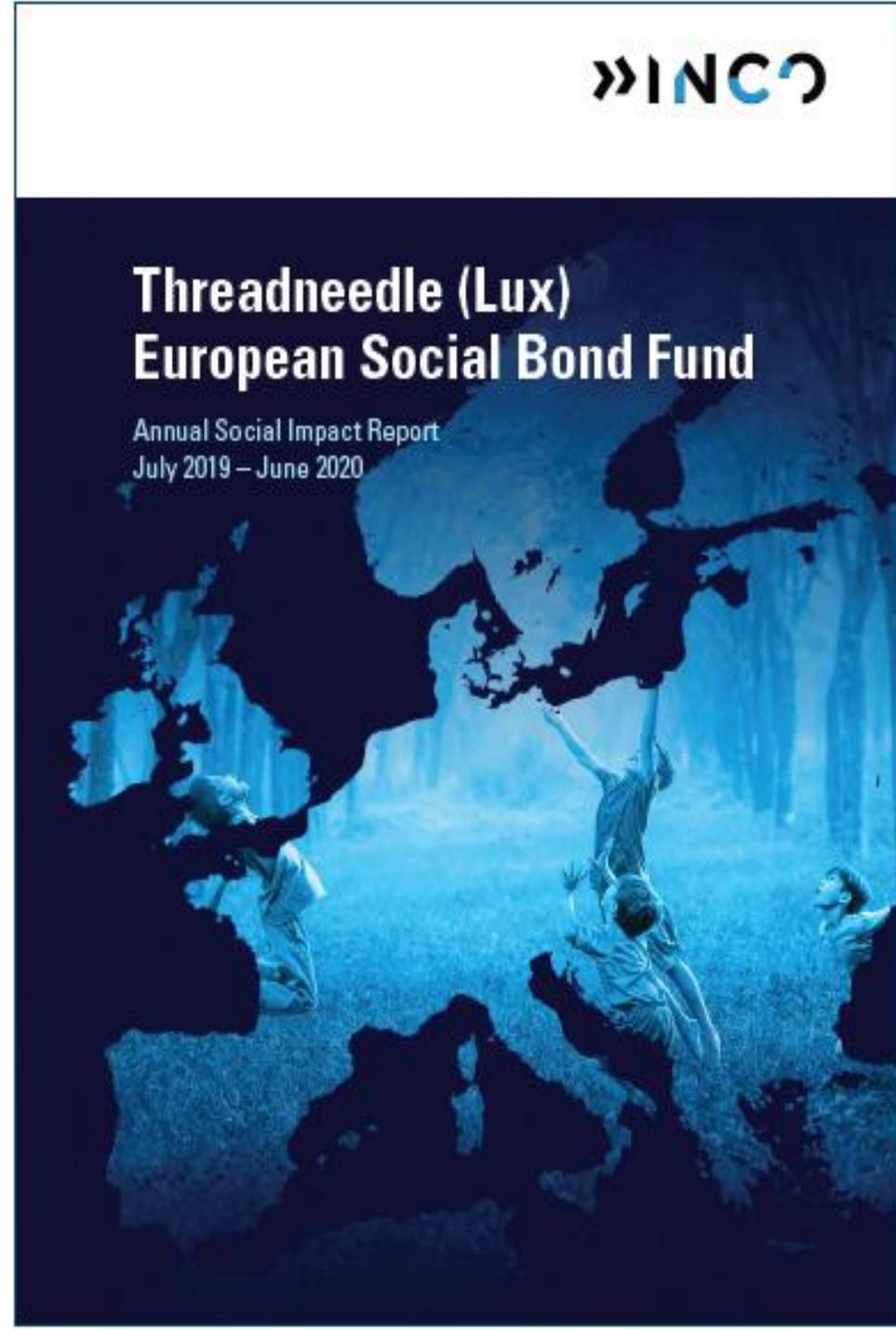
**Our social partner, INCO Group, brings its expertise and reputation by:**

- Deepening the research on the social outcomes of potential investments
- Reviewing, advising and monitoring our social assessments via quarterly Social Advisory Panel
- Producing an independent annual report

All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

## Threadneedle (Lux) European Social Bond Fund

Annual Social Impact Report  
July 2019 – June 2020



# At Columbia Threadneedle, we believe in...



## Positive inclusion

- We actively source bonds from seven key social fields verified by the Social Advisory Panel
- We target the most beneficial projects in the areas of most need, with geography being a key driver



## Evidenced based analysis

- Eligible investments are ranked both by their impact category and social intensity by our RI analysts
- Our IG credit research analysts ensure investment ideas pass rigorous financial and liquidity tests for inclusion in the portfolio



## Engagement

- We actively engage with company managements to understand how their businesses work
- We take a proactive role with both corporates and government in the development and growth of the social bond market



# How we have been doing it



## 1 Financials

### No concessions

- We aim to maximise return per unit of risk, pursuing income within a total return framework to deliver consistent, sustainable returns
- Particular attention is paid to managing liquidity and a proportion of the fund will be in highly liquid but lower yielding investments
- Credit research analysts produce bottom-up fundamental analysis on companies deemed investible

## 2 Controversy & ESG

### Culture / materiality

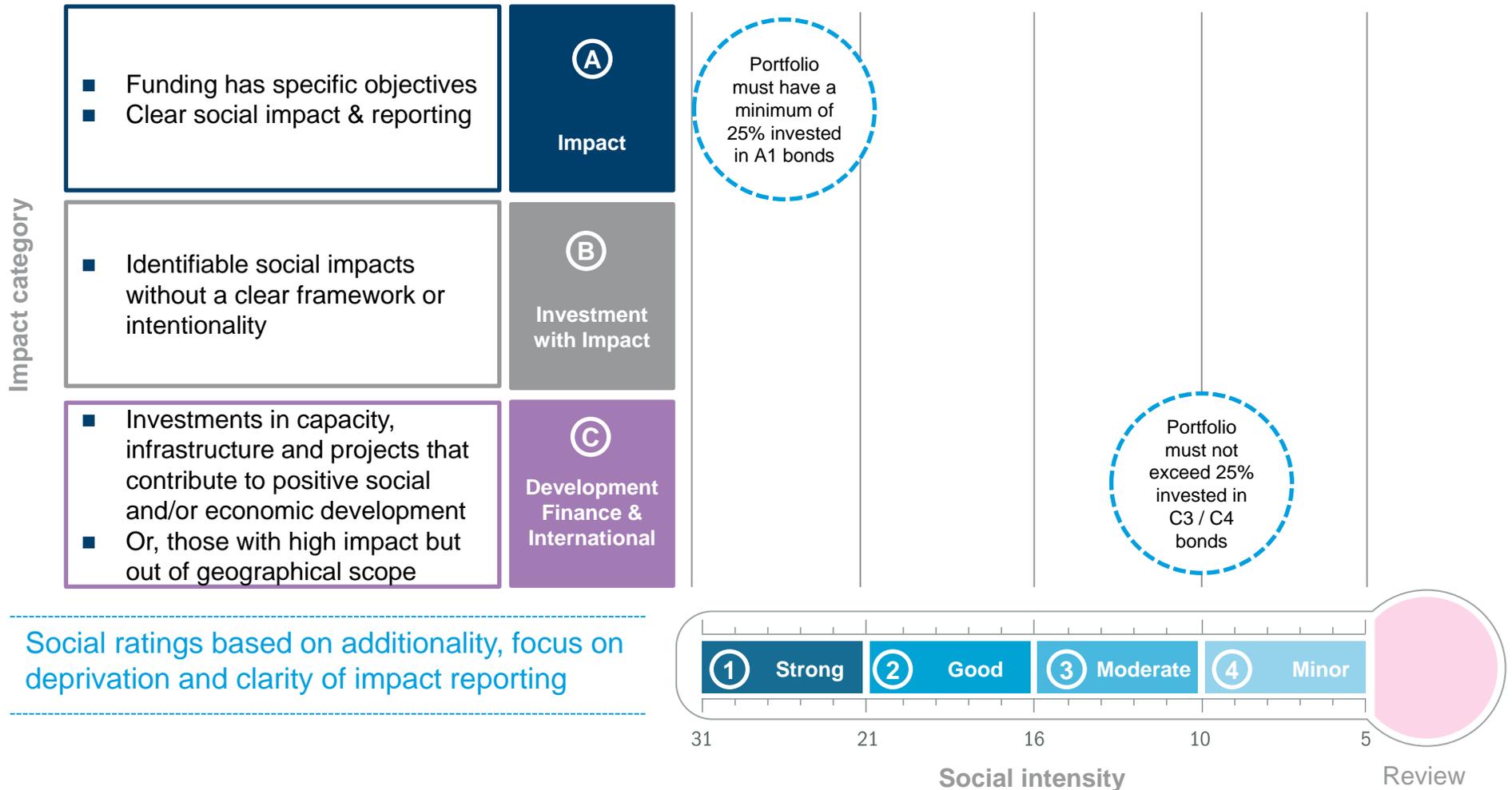
- Credit research and RI analysts work together to assess and engage with companies on material ESG concerns, evaluating issuers' responses to past or present controversies and engaging with management to ensure appropriate action is taken to give us confidence that they will 'do the right thing' now and in the future

## 3 Impact

### Externalities

- RI analysts produce impact and social intensity assessments for all issues held by the fund
- A well-diversified portfolio targeting a minimum of 80% European social domestic outcomes
- The Social Advisory Panel ensures oversight of the fund's activities

# Social assessment methodology directs investments to positive social outcomes



Source: Columbia Threadneedle Investments, as at 30 June 2021.

# Measuring the social value added

**€176.5m**  
 Invested, out of €185M  
 under management

**3**  
 Labels  
 & Awards

**272**  
 Bonds from  
 162 issuers

## Social Targets & Profile

Social Target	Achievement 2019-2020	Achievement 2018-2019
Over 20% of the fund invested in Social Impact Investments (rated A)	24.2%	24.8%
Under 25% of the fund invested in Lower Social Outcomes (rated C3 or C4)	23.5%	21%
Raising the Average Social Intensity Score year on year	18.2	18.1

Diversified portfolio targeting seven outcome areas aligned to the UN Sustainable Development Goals:



- Access to Services
- Affordable Housing
- Community
- Economic Regeneration & Development
- Education & Training
- Employment
- Health & Welfare

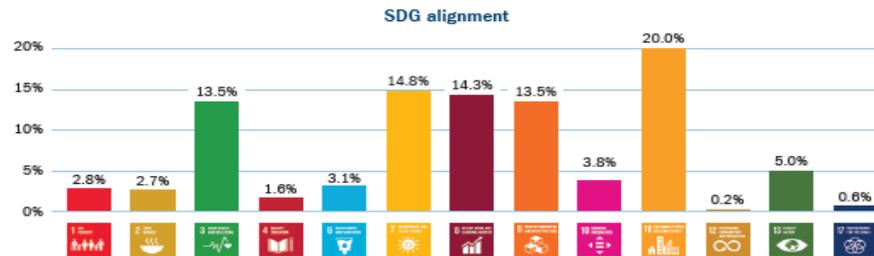


## Focus on additionality and deprivation mitigation

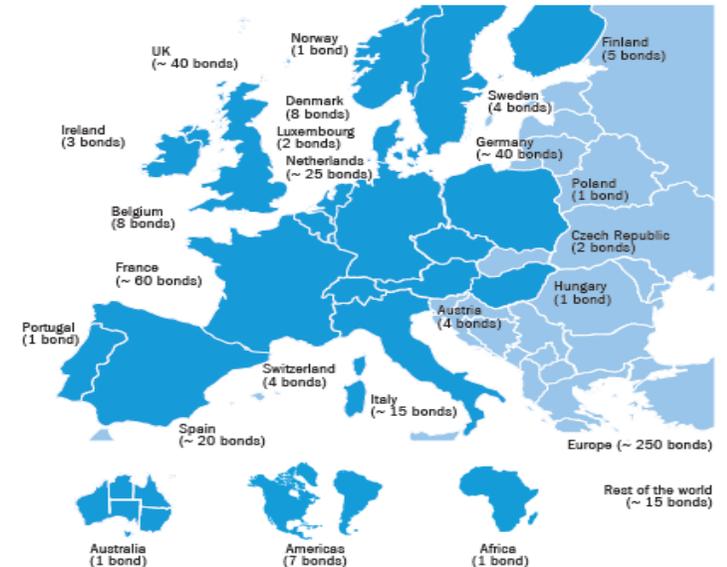
Threadneedle (Lux) European Social Bond, in its primarily social aims, targets the populations that are the most in need

- 37.9% of the AUM contributed to fund additional projects, such as capital funding new capacity and outcomes, or their transition to the delivery phase.
- 30.8% of the AUM contributed to projects with a dedicated focus or priority focus on social needs.
- 20.6% of the AUM meet both conditions, versus 17% in 2018-2019 and 15% in 2017-2018.

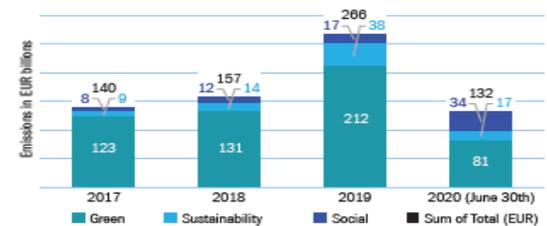
All our investments are mapped to the UN Sustainable Development Goals (SDGs), demonstrating the Fund's alignment with global social and environmental imperatives.



The fund targets positive social outcomes in Europe, allowing itself a 20% international exposure to access high impact issues with global outcomes, improve liquidity and overall stability.



## Portfolio growth and social impact split over time



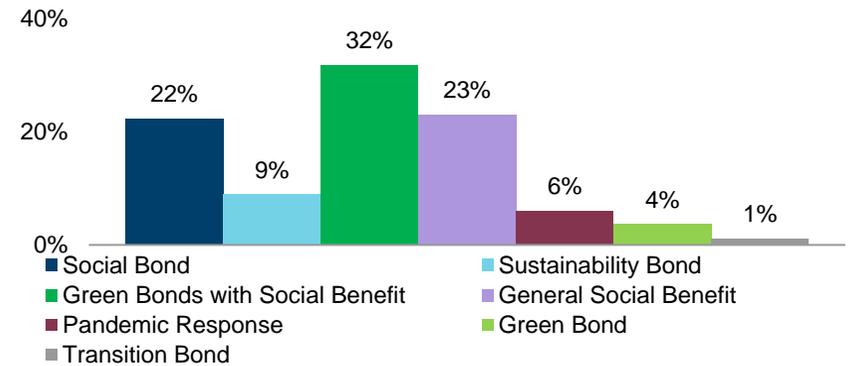
Source: INCO: 2020 Impact Report and Columbia Threadneedle Investments, as at 30 June 2020.

# Measuring the social value added

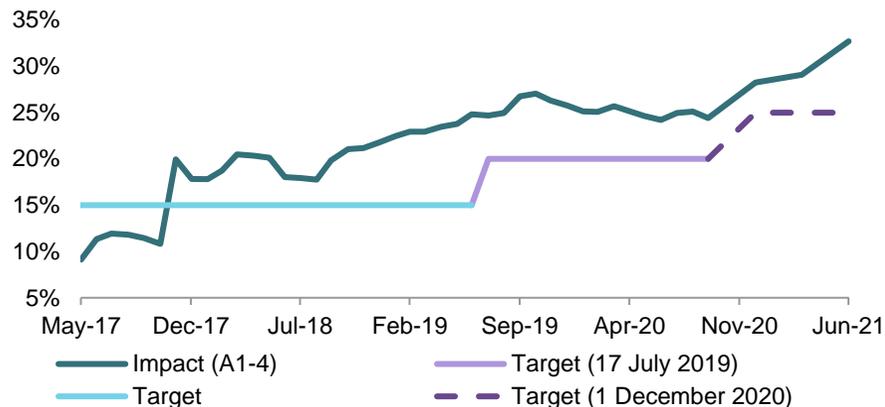
## Average social score



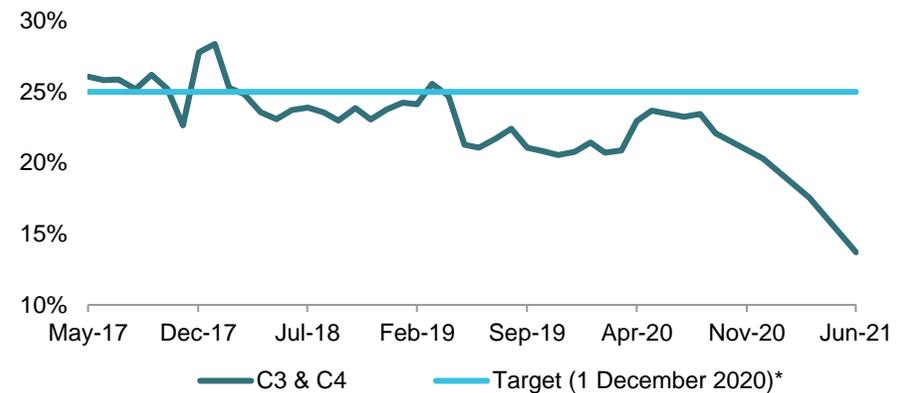
## Bond type



## Impact investments



## Lower social outcomes



Source: Columbia Threadneedle Investments, as at 30 June 2021.

# Invested portfolio summary statistics

## Portfolio statistics

	Fund	Index
Effective duration	5.39	5.89
Yield to maturity (inc Cash)	0.39%	0.31%
Average credit rating	A	A
Number of issuers	189	990

## Credit rating analysis

	Fund % NAV	Index % NAV
AAA	8.1	12.8
AA	20.1	16.1
A	26.8	26.8
BBB	38.2	43.2
BB & Below	3.3	--
Not Rated	0.1	--
Cash & Equivalents	3.3	--

## Social performance assessment

Social Impact Category	Rating Intensity				
	Strong (1)	Good (2)	Moderate (3)	Minor (4)	
A. Impact Investment	31.5%	1.2%	--	--	<b>32.7%</b>
B. Investment with Impact	4.7%	17.5%	19.3%	0.5%	<b>42.0%</b>
C. Development Finance	5.9%	1.9%	6.2%	7.7%	<b>21.7%</b>
	<b>42.1%</b>	<b>20.6%</b>	<b>25.6%</b>	<b>8.2%</b>	

## Top 10 issuers

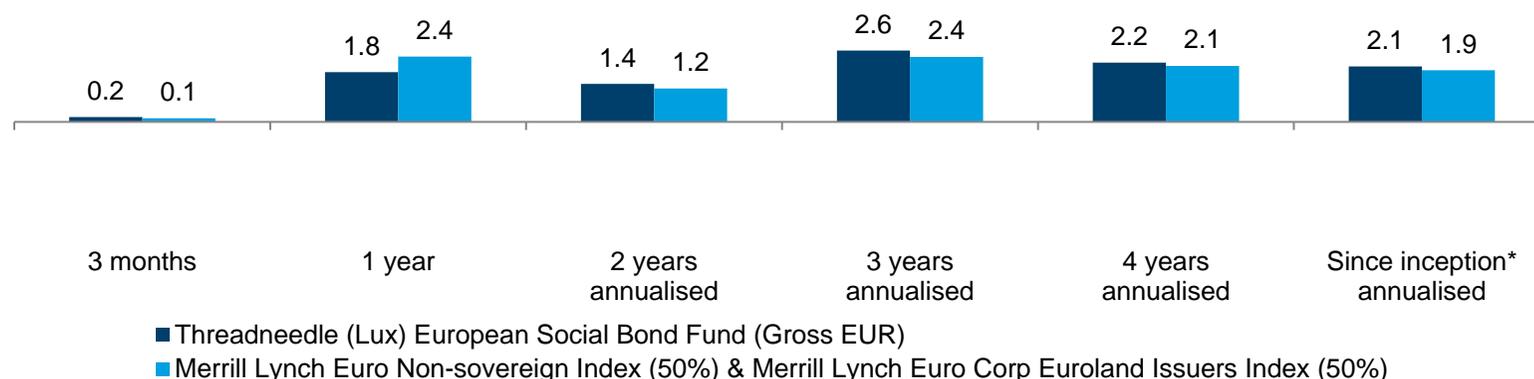
Credit Agricole 2.9%	Social Bond (A1) / General Corporate Purpose (B3 & C4)
European Union 2.4%	Social Bond (A1)
Council of Europe 1.8%	Social Bond (A1)
BCPE 1.8%	Social Bond (A2) / Green Bond (B3) General Corporate Purpose (C4) /
Casse Depositi E Prestiti 1.7%	Social Bond (A1)
CADES 1.7%	Social Bond (A1)
Caixabank 1.7%	Social Bond (A1 & A2) / Green Bond (B2)
Wellcome Trust 2.9%	General Corporate Purpose (A1 & C1)
Volkswagen 1.6%	Green Bond (B3)
Co-operative Rabobank 1.6%	Green Bond (C2) / General Corporate Purpose (C3 & C4)

## Types of bond issued and Social Rating

Source: Columbia Threadneedle Investments, as at 30 June 2021. Index is the ML Euro Non-Sovereign Index (50% & ML Euro Corp Euroland Issuers Index (50%) .  
The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# Financial returns in line with corporate bond risk taken

## Annualised gross performance (%)<sup>1</sup>



## Calendar year gross performance (%)<sup>1</sup>

	2020	2019	2018	2017*
<b>Threadneedle (Lux) European Social Bond</b>	3.5	6.1	-0.8	1.1
<b>Merrill Lynch Euro Non-sovereign Index (50%) and Merrill Lynch Euro Corp Euroland Issuers Index (50%)</b>	2.7	5.7	-0.8	1.1

Source: Columbia Threadneedle Investments and FactSet, all data as at 30 June 2021 and in EUR. All returns include gross reinvested income and fund returns are gross of TER. EUR Share class (LU1589837373). 1 Fund returns gross of fees and management expenses for comparison with Merrill Lynch Euro Non-sovereign Index (50%) and Merrill Lynch Euro Corp Euroland Issuers Index (50%). Relative return is shown on a geometric basis.

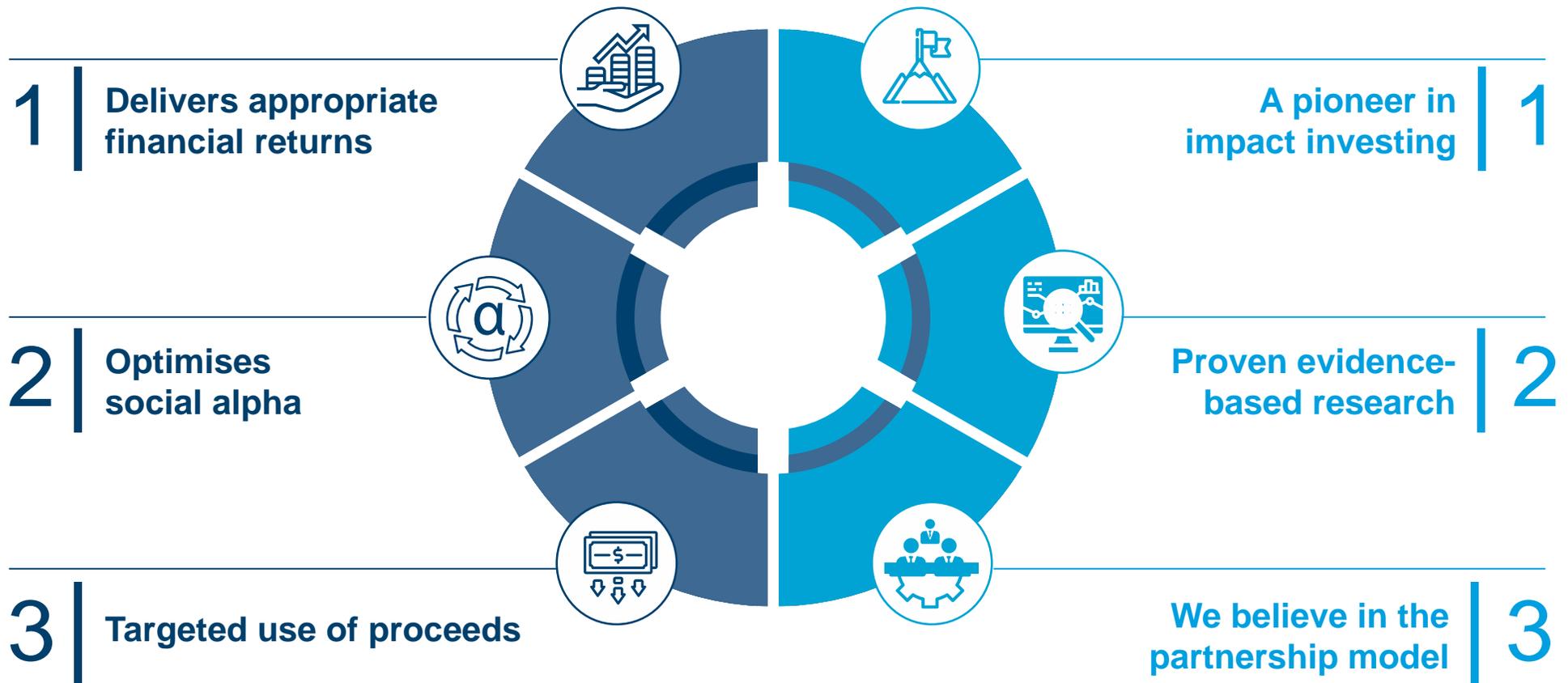
(\*) Since inception is fund inception of 31 May 2017.

Past performance is not a guide to future returns.

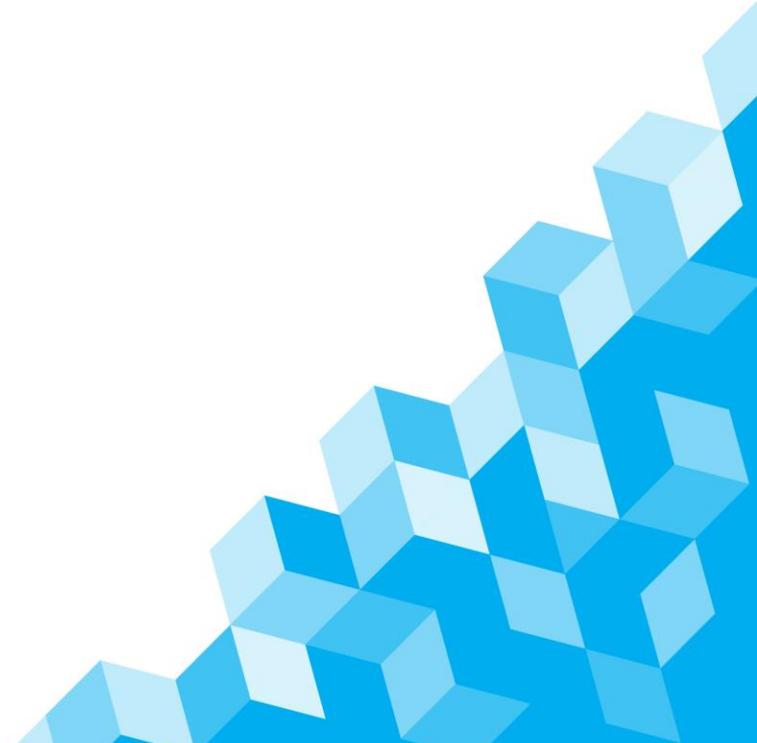
# Summary

## Why social bonds

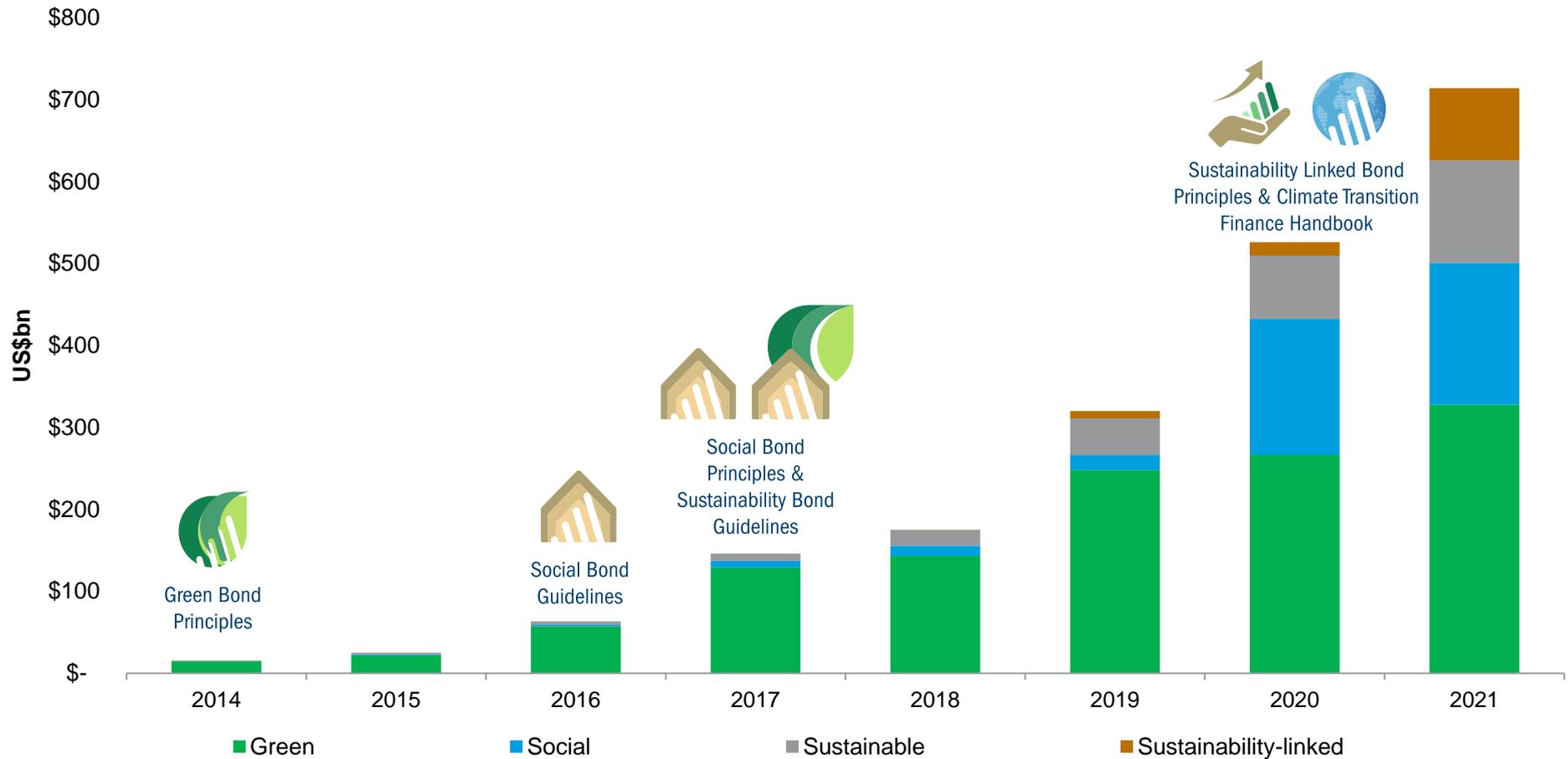
## Why Columbia Threadneedle Investments



# Appendix



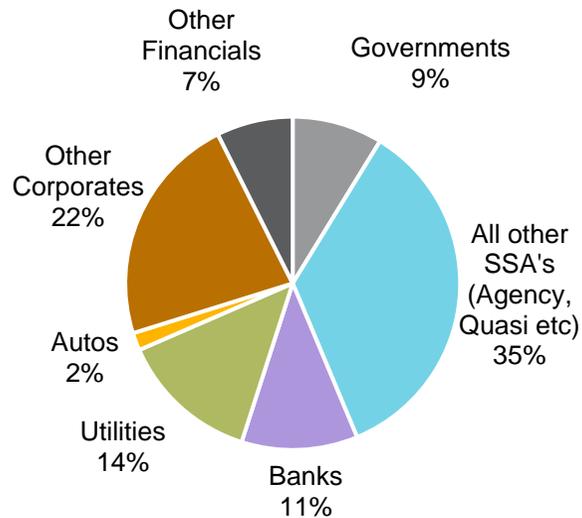
# Evolution of the market for specific use of proceeds bonds



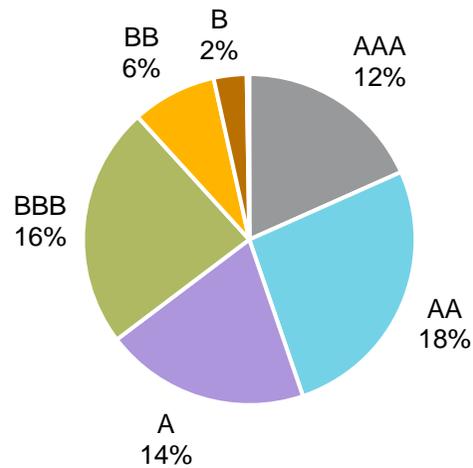
Source: Bloomberg and Columbia Threadneedle Investments, as at 25 August 2021.

# Specific use of proceeds

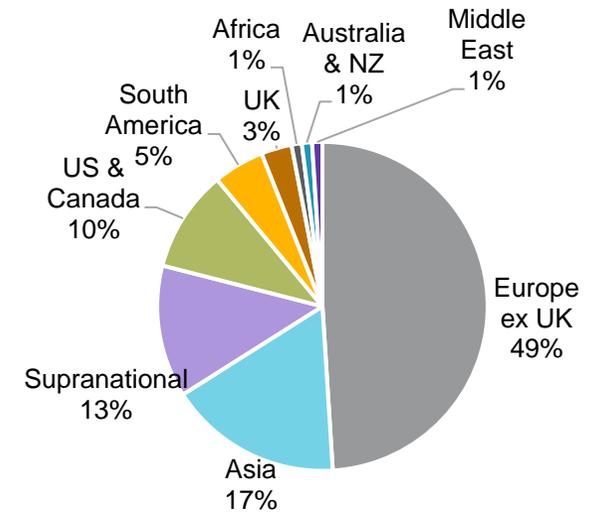
## Issuer sector



## Issuer rating



## Geographic breakdown



# 2021: Specific use of proceeds issuance in numbers

**US\$1.99 trillion**

Total issuance

**US\$714 billion**

Issuance in 2021 so far

**US\$161 billion**

COVID-19 Specific Bonds issued

**165%**

Growth in Green Bond issuance  
year-on-year

**208%**

Growth in Social Bond issuance  
year-on-year



# Being part of the solution...

## Social Bond funds break through US\$1 billion



UK Social Bond



European Social Bond

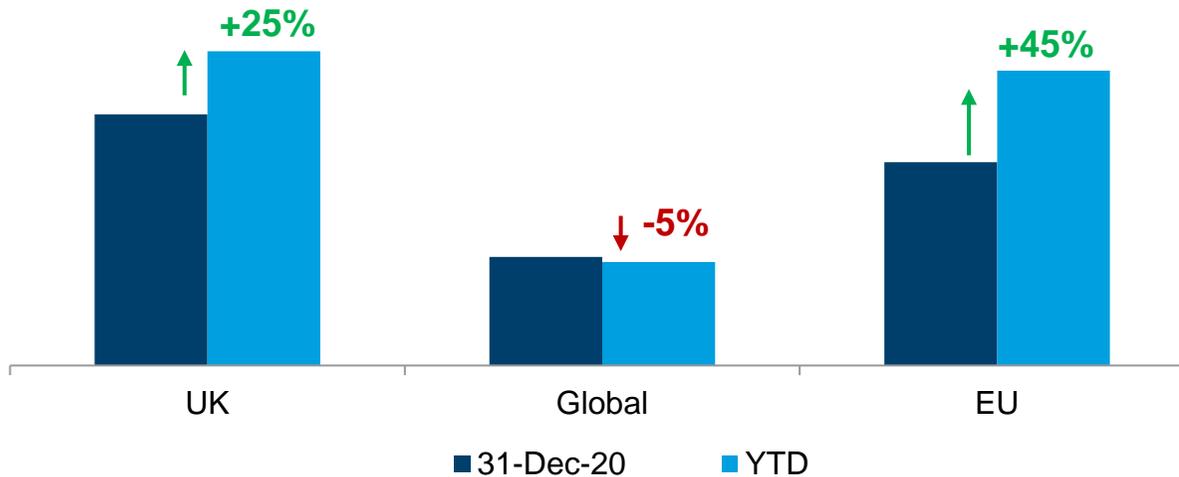


US Social Bond



Global Social Bond

### AUM and YTD growth (US\$)



- Threadneedle (Lux) European Social Bond:
  - YTD exceeding **€400 million**
  - Reached its **3-year anniversary** in May 2020

Source: Columbia Threadneedle Investments, as at 23 August 2021.

# Threadneedle (Lux) European Social Bond

## Key Risks and Objective

**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 made in assets that are denominated in multiple currencies, 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 either refused to pay or was unable to pay or 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.

**Volatility Risk:** The fund may exhibit significant price volatility.

**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.

**Objective:** The aim of the Fund is to provide both income and the potential to grow the amount you invested. The Fund's investments aim to support socially beneficial activities and developments.

# Important information

**For use by professional clients and/or equivalent investor types in your jurisdiction (not to be used with or passed on to retail clients)**

**For marketing purposes.**

Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested. Your capital is at risk. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

The analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed.

This presentation and its contents are confidential and proprietary. The information provided in this presentation is for the sole use of those attending the presentation. It may not be reproduced in any form or passed on to any third party without the express written permission of Columbia Threadneedle Investments. This presentation is the property of Columbia Threadneedle Investments and must be returned upon request.

Threadneedle (Lux) is an investment company with variable capital (Société d'investissement à capital variable, or "SICAV") formed under the laws of the Grand Duchy of Luxembourg. The SICAV issues, redeems and exchanges shares of different classes. The management company of the SICAV is Threadneedle Management Luxembourg S.A, who is advised by Threadneedle Asset Management Ltd. and/or selected sub-advisors.

Certain sub-funds of the SICAV are registered in Austria, Belgium, Denmark, France, Finland, Germany, Hong Kong, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Macau, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UAE and the UK; however, this is subject to applicable jurisdictions and some sub-funds and/or share classes may not be available in all jurisdictions. Shares in the Funds may not be offered to the public in any other country and this document must not be issued, circulated or distributed other than in circumstances which do not constitute an offer to the public and are in accordance with applicable local legislation.

Threadneedle (Lux) is authorised in Spain by the Comisión Nacional del Mercado de Valores (CNMV) and registered with the relevant CNMV's Registered with number 177.

Het compartiment is op grond van artikel 1:107 van de Wet op het financieel toezicht opgenomen in het register dat wordt gehouden door de Autoriteit Financiële Markten. / Pursuant to article 1:107 of the Act of Financial Supervision, the subfund is included in the register that is kept by the AFM.

Please read the Prospectus before investing.

Shares in the Funds may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "U.S. Person", as defined in Regulation S under the 1933 Act.

## Important information (cont.)

Subscriptions to a Fund may only be made on the basis of the current Prospectus and the Key Investor Information Document, as well as the latest annual or interim reports and the applicable terms & conditions. Please refer to the 'Risk Factors' section of the Prospectus for all risks applicable to investing in any fund and specifically this Fund. Documents other than KIIDs are available in English, French, German, Italian, Spanish and Dutch (no Dutch Prospectus). KIIDs are available in local languages. The summary of investor rights is available on our website in English. Documents can be obtained free of charge on request by writing to the management company at 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg, from International Financial Data Services (Luxembourg) S.A. at 47, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and /or from [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com) and or from:

- in Austria from Erste Bank, Graben 21 A-1010 Vienna;
- in Belgium from CACEIS Belgium S.A., avenue du Port 86 C b 320, 1000 Brussels
- in France from CACEIS Bank, 1/3 Place Valhubert, 75013 Paris;
- in Germany from JP Morgan AG, Junghofstr. 14, 60311 Frankfurt;
- in Liechtenstein from Liechtensteinische Landesbank AG, Städtle 44, 9490 Vaduz Principality of Liechtenstein;
- in Sweden from Skandinaviska Enskilda Banken AB (publ), Kungsträdgårdsgatan, SE-10640 Stockholm, Sweden;
- in the UK from JPMorgan Worldwide Securities Services, 60 Victoria Embankment, London EC4Y 0JP;
- in Switzerland from our representative and Paying Agent in Switzerland, RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich branch, Bleicherweg 7, CH 8027 Zurich.

Threadneedle Management Luxembourg S.A. may decide to terminate the arrangements made for the marketing of the Fund.

*In the EEA and Switzerland:* Issued by Threadneedle Management Luxembourg S.A. Registered with the Registre de Commerce et des Sociétés (Luxembourg), Registered No. B 110242 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg.

*In the UK:* Threadneedle Management Luxembourg S.A. Registered with the Registre de Commerce et des Sociétés (Luxembourg), Registered No. B 110242, 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg. 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.

*In the Middle East:* This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors' with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparty and no other Person should act upon it.

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