



Access – The Foundation for Social Investment

Impact Report – June 2019

Rathbones
Look forward

Impact report

Introduction

This impact report has been prepared by Rathbone Investment Management Ltd (“Rathbones”) and Access - The Foundation for Social Investment. Rathbones (see page 22 for more information) manages the investment of Access’s £60m endowment.

Rathbones invests Access’s endowment principally in social and ethical fixed income investments such as charity bonds or other ethical bonds. This is to ensure that the endowment investment closely aligns with Access’s mission – to improve access to capital for charities and social enterprises so that they can be more resilient and thus have greater impact. This is referred to as a “total impact” approach.

Access sought to demonstrate that it is possible to adopt a total impact approach to investment, targeting high social and environmental impact while still achieving a financial return.

This report presents:

- The background context to this “total impact” approach
- Details of how the investment is performing
- Overview of the social impact being reported by the charities and social enterprises invested in
- The wider impact on the system

The findings outlined in the report may be of particular interest to Foundations or Funders seeking to better understand the process and benefits of aligning endowment investment with organisational purpose and mission.

Access - The Foundation for Social Investment

Background

Access - The Foundation for Social Investment, was established in 2015 to support charities and social enterprises in England to be more financially resilient and self-reliant – so that they can sustain or increase their impact. It achieves this through supporting the development of enterprise activity to grow and diversify income, and by improving access to the social investment which can help stimulate that enterprise activity.

Access was given an expendable endowment of £60m from the Cabinet Office in 2015 to fund capacity building and investment readiness programmes. Access invests this endowment to generate more money for charities and social enterprises, while ensuring that money from the endowment is available to fund these programmes throughout its fixed 10-year lifespan.

Access was mandated by the Cabinet Office at inception to invest the endowment in alignment with its mission – namely to improve charity and social enterprises' access to capital so that they can be more resilient and have more impact. This relationship has since moved to the Department for Culture, Media and Sport. This approach is referred to as “total impact”. At its core, the total impact approach is about making investments which contribute to Access's goals and generate impact not just through programme delivery but through endowment management as well.

Access endowment fund – total impact approach

Mission and total impact approach

Access's impact goals are to increase access to capital for UK charities and social enterprises to enable them to be more financially resilient, self-reliant and ultimately achieve greater social impact.

The endowment fund has adopted a total impact approach aligned with the foundation's mission

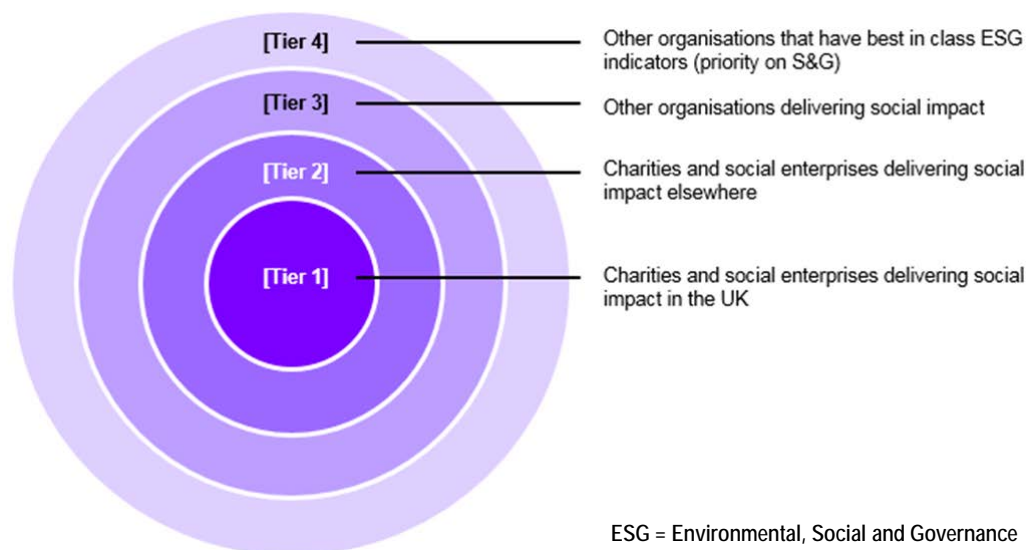
Rather than simply investing its endowment for financial return, Access is seeking to use it to make investments which will contribute to the Foundation's impact goals, before being repaid and used to make grants

Key aims:

- Invest as much as possible in UK charities and social enterprises
- Allocate remaining funds to investments with as similar a social impact to UK charities and social enterprises as possible using the 'bull's eye' approach opposite
- Show that it is possible to invest in charities and social enterprises without undermining financial returns

In defining the impact Access is seeking to achieve, it developed a set of priorities for how the endowment should be invested (starting from Tier 1 as the highest priority). This is to ensure close alignment with its mission of increasing the flow of capital to charities and social enterprises.

The bull's eye framework



ESG = Environmental, Social and Governance

Access endowment fund – total impact approach

Mission and total impact approach

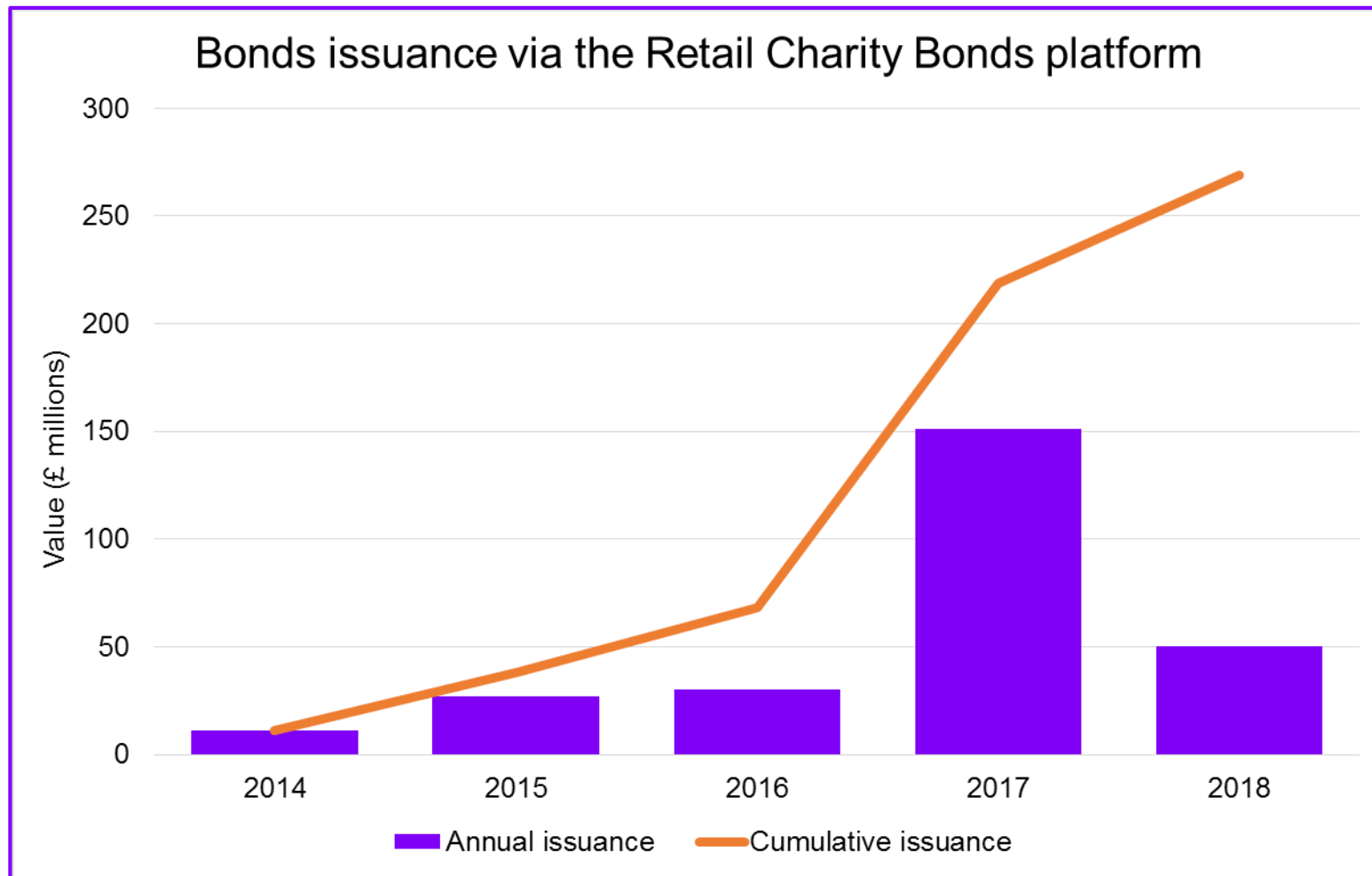
While the ambition was to invest as much as possible in Tier 1 of the bull's eye, this was challenging for a number of reasons. The key challenges are set out below.

- **Flexibility/liquidity:** there was a need for flexibility regarding liquidity from the portfolio, particularly given the lifespan of the endowment fund and the need to meet spending requirements under Access's funding programme. Investments in Tier 1 are usually inherently illiquid and, if the entire portfolio had been invested in such holdings, it may not have been possible to meet the liquidity requirements or any changes to them.
- **Timing:** if restricted to just Tier 1 investments, it would have been very difficult to invest the funds in a timely manner as deal-flow in this area is generally varied. It would also have left the portfolio overly exposed to a limited number of issuers, with associated concentration risk.
- **Market size:** while the ethical/charity bond market is growing*, issuance can still be sporadic and secondary market liquidity can be challenging depending on order size.
- **Suitability:** the suitability of a given investment for different investors will depend on a number of factors such as risk appetite, time horizon, liquidity requirements and return expectations. These considerations restrict the available universe further.

*For example, the number of outstanding bonds issued on the '[Retail Charity Bonds](#)' platform, including retained bonds, was £269m in 2018 (Source: Retail Charity Bonds plc)

Access endowment fund – total impact approach

Size of the charity bond market



This chart shows the annual and cumulative issuance of bonds via the Retail Charity Bond platform*.

While this is one subset of the total charity bond market, it gives an indication of deal flow and growth of the market over time.

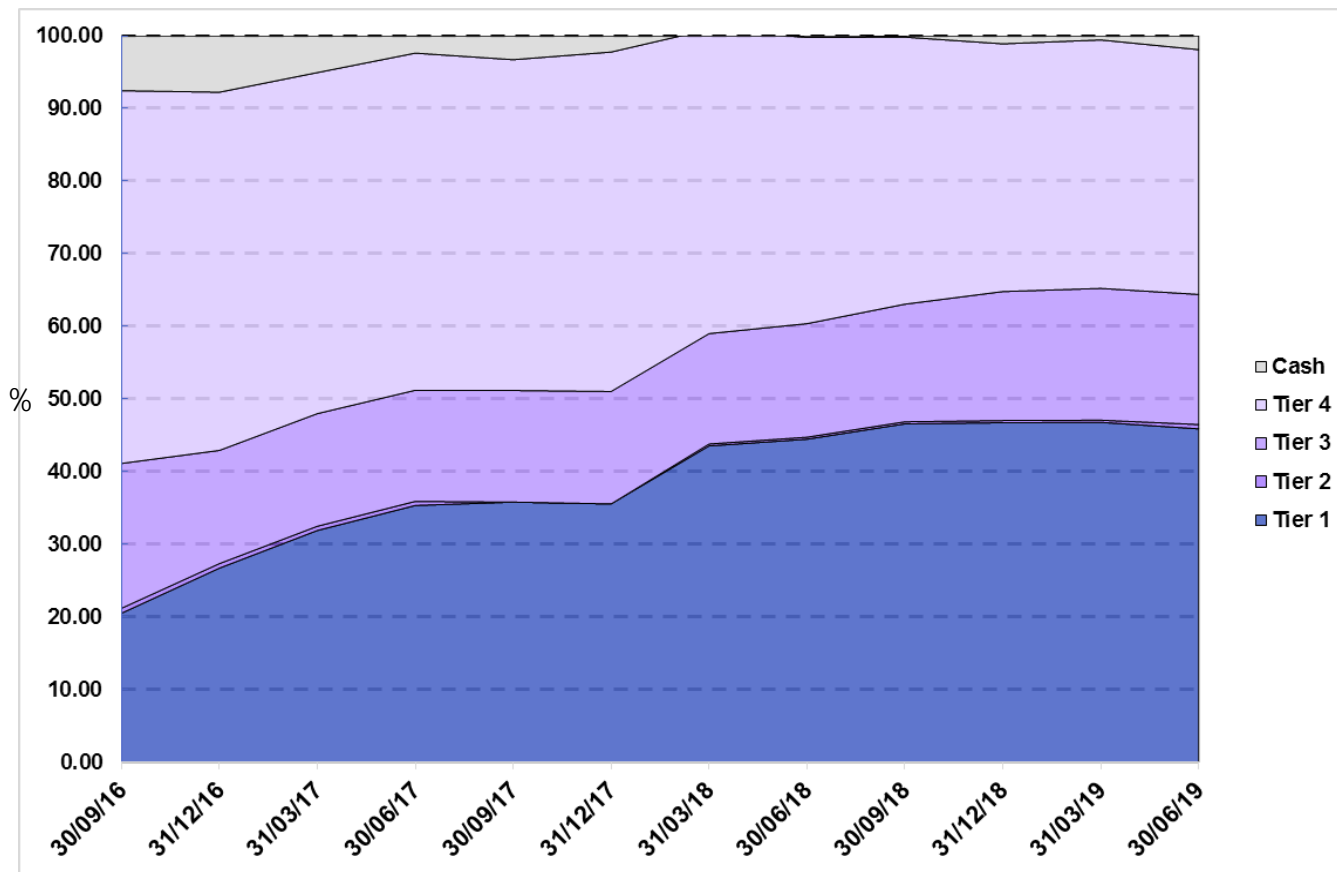
*Retained bonds are included in the issuance figures at the original issuance date of the bond.

Source: Bloomberg, Retail Charity Bonds plc

Access endowment fund – total impact approach

Bull's eye tiers over time

Over time, Access's ambition was to shift as much as possible of the capital in the endowment to being invested at the centre of the bull's eye. Given the various constraints on the portfolio (principally how long investments could be made for) Access's aim was that this could be 40%.



This chart shows how the portfolio composition by bull's eye tier has changed over time.

In September 2016, there was an initial allocation in Tier 1 of 20.50%. This has grown over time, as new opportunities have come to market and been identified. As at 30 June 2019, almost 46% of the portfolio was invested in Tier 1 organisations.

This is an encouraging rise that has exceeded initial ambitions and demonstrates that it is possible to align endowment investment with organisational goals.

	Tier 1	Tier 2	Tier 3	Tier 4	Cash
30/09/16	20.50	0.68	19.95	51.33	7.54
31/12/16	26.72	0.62	15.59	49.32	7.74
31/03/17	31.90	0.58	15.51	46.96	5.04
30/06/17	35.35	0.56	15.29	46.42	2.37
30/09/17	35.81	0.00	15.36	45.55	3.27
31/12/17	35.56	0.00	15.48	46.74	2.22
31/03/18	43.54	0.27	15.20	41.90	-0.90
30/06/18	44.47	0.28	15.64	39.40	0.22
30/09/18	46.58	0.29	16.19	36.77	0.17
31/12/18	46.74	0.29	17.76	34.11	1.09
31/03/19	46.79	0.30	18.15	34.20	0.56
30/06/19	45.88	0.59	17.90	33.72	1.90

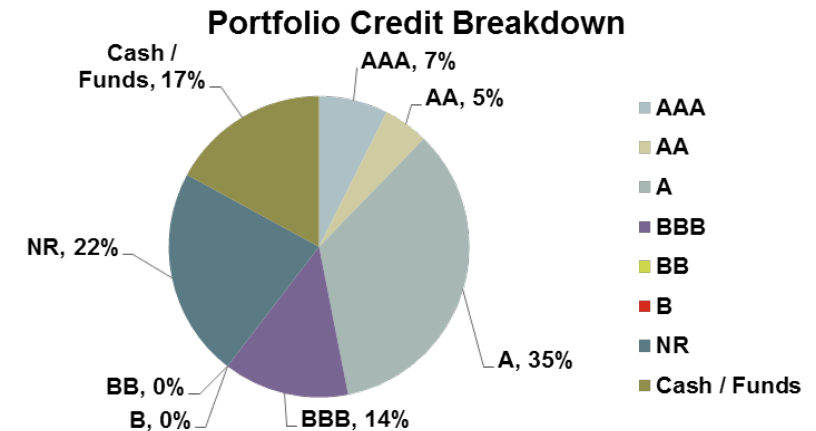
Access endowment fund – total impact approach

Financial returns

A key aim of Access's total impact approach was to show that it is possible to invest in charities and social enterprises without undermining financial returns.

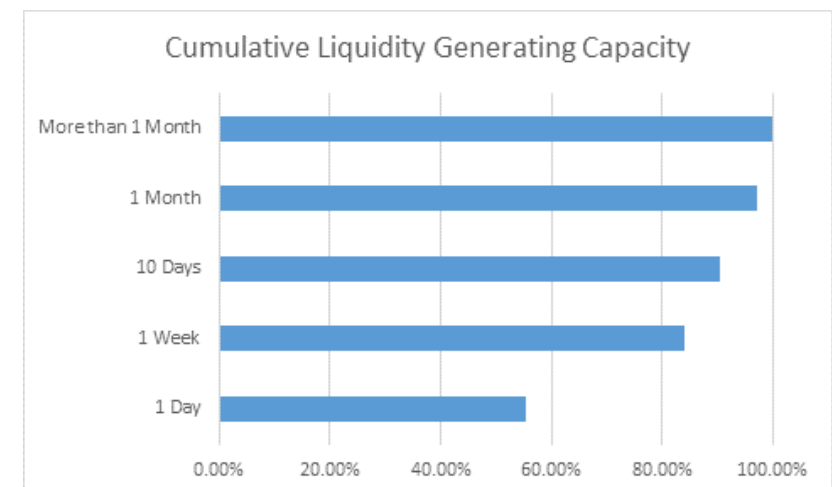
- The charts to the right show the portfolio breakdown as at 30 June 2019.
- While there is a relatively high proportion of non-rated (NR) holdings – as would be expected in a portfolio focused on charities and social enterprises – there is a good spread of higher-rated issuers in the remainder of the portfolio, indicating risk can be effectively managed.
- A non-rated holding is a bond that has not been assigned a credit rating by a credit rating agency.
- Bonds rated AAA-BBB are investment grade with AAA being considered those least likely to default.
- Ratings agencies used are Moody's, S&P and Fitch.
- Liquidity (a measure of how easy it is to sell a particular investment and realise its value) was also carefully managed.
- On the next page, we show the performance of the portfolio since inception, and after the cost of fees.

As at 30 June 2019



Source: Bloomberg

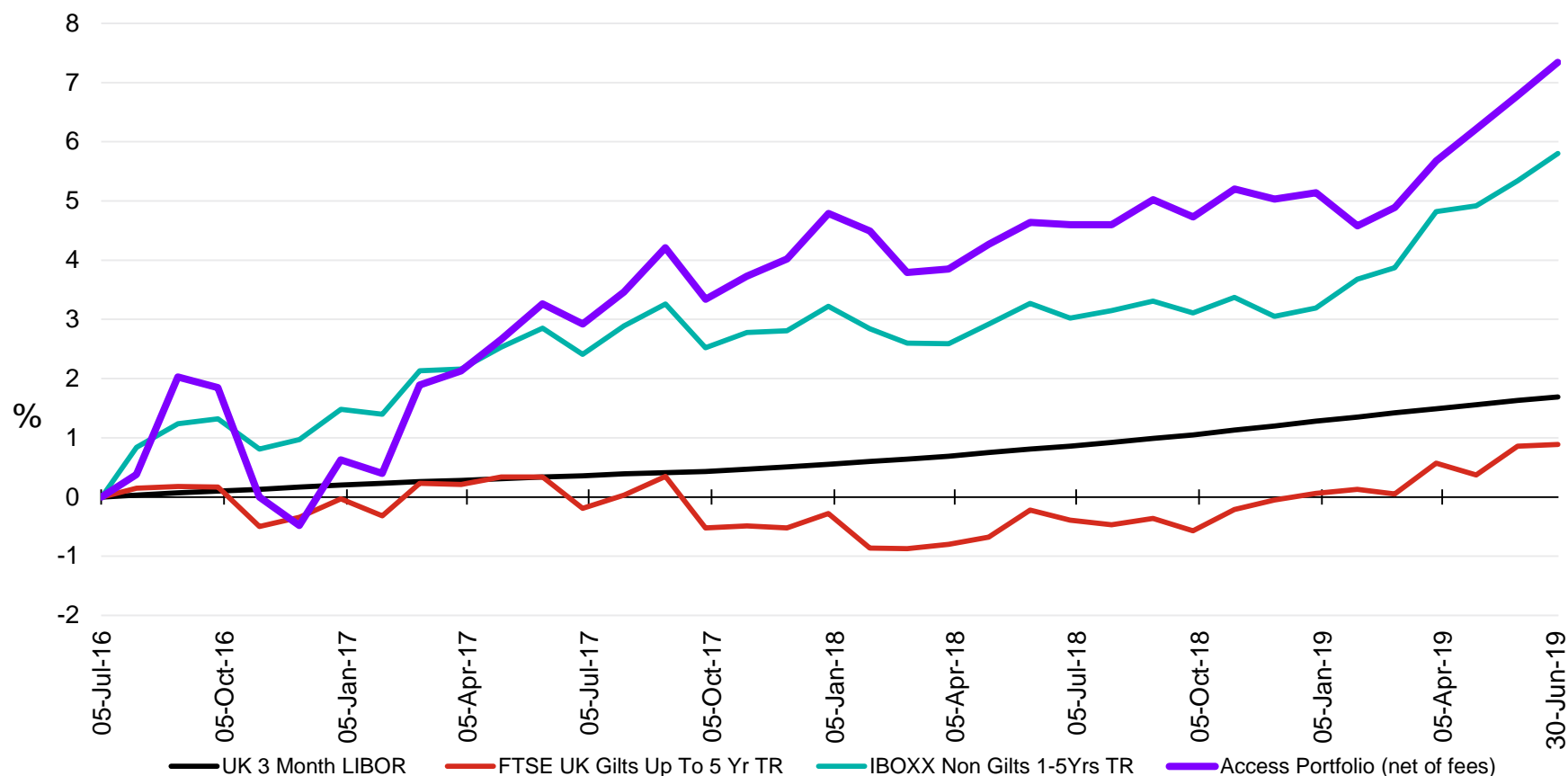
Liquidity*



* Rathbones' estimate of the liquidity generating capacity of the fund, assuming a minimal cost (varies by bond) impact on sale price.

Access endowment fund – total impact approach

Financial returns



Annual performance %	06 Jul 2014 - 05 Jul 2015	06 Jul 2015 - 05 Jul 2016	06 Jul 2016 - 05 Jul 2017	06 Jul 2017 - 05 Jul 2018	06 Jul 2018 - 05 Jul 2019
	-	-	2.85%	1.59%	3.10%

The returns figure shown as part of the performance is known as a time-weighted return. Time-weighted return is a frequently used method for providing a clear picture of investment performance. The calculation is adjusted to exclude any cash flows, such as contributions, transfers and withdrawals. The returns are expressed as a %. Time-weighted return allows for a fairer comparison of performance with other investments because it is not distorted by cash flows (contributions, transfers or withdrawals).

Performance is calculated after the deduction of any management fees.

Past performance is not indicative of future performance and the value of investments may go down as well as up.

The impact of underlying investments – impact methodology

Developing a common language for impact

The Access endowment fund creates a positive impact in two primary ways:

1. **Supporting the positive impact generated by the organisations in which it invests (investee impact).**
2. **How it chooses to invest and the actions of its investment manager in growing and supporting the social investment market (investor impact).**

Investee impact

- Access aimed to invest as much as possible of the endowment fund in UK charities and social enterprises.
- Outside these categories, investment in other types of organisation that are creating positive impact or which are viewed as having best in class ESG (environmental, social and governance) performance was targeted.
- There is an implied assumption that the investments made into charities, social enterprises and other organisations generating social impact will result in a positive difference being made. The scale and depth of this impact will vary.
- Where quantifiable impacts have been published by organisations (see individual impact report cards in Appendix B), Rathbones has reported on these on the following pages. Access is not directly claiming these impacts; rather it has supported the investee organisations to deliver them through its investment.

Investor impact

- Access sought to demonstrate that it is possible to adopt a total impact approach to investment, targeting high social and environmental impact while still achieving a financial return.
- Access has worked with its investment managers to develop and refine approaches to impact measurement and reporting that can be applied to a diversified portfolio investing in both higher and lower impact organisations.
- Access's investment managers have also supported organisations that may have been overlooked by mainstream financial markets and have actively advocated for improved impact reporting and ESG practices.



Impact by theme

The impact of underlying investments

Impact themes

Rathbone Greenbank Investments*, which provides the impact analysis and reporting for the fund, categorises underlying investments into one of eight social and environmental themes (see right).

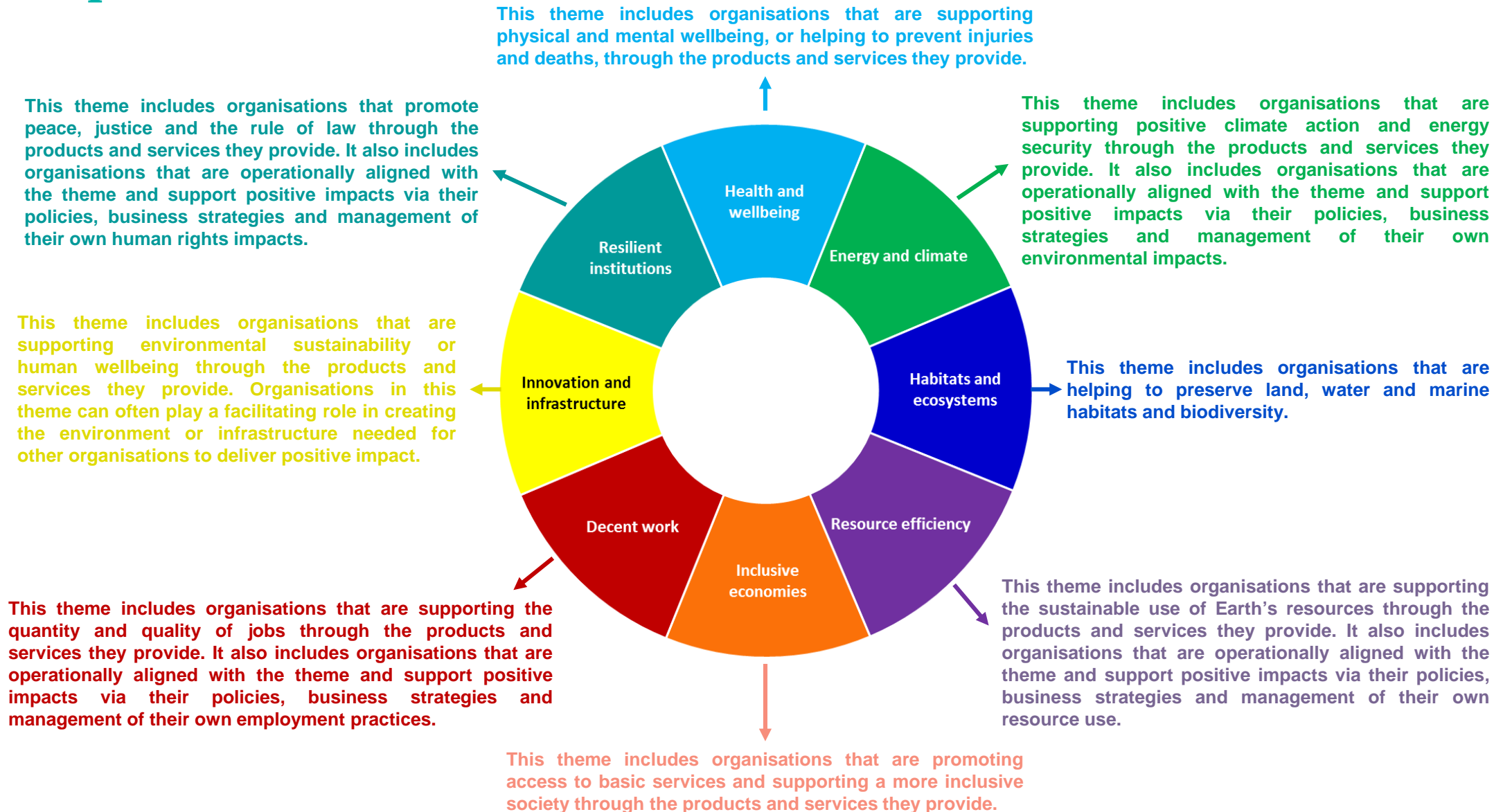
- The majority of investments within the portfolio will impact more than one theme, but for reporting purposes only the primary theme to which each is linked is shown.
- The following pages show key impact metrics across investments in each theme, followed by details of which investments fall into each category.
- These figures represent a selection of illustrative examples of the types of social impact being reported by organisations invested in by Rathbones on behalf of Access's endowment. It highlights the range of impacts being created across social and environmental areas.
- A fuller list of reported impacts can be found in Appendix A.



* Rathbone Greenbank Investments is the specialist ethical, sustainable and impact investment division of Rathbone Investment Management Ltd.

The impact of underlying investments

Impact themes



The impact of underlying holdings

Methodology and notes

1. On the following page we show a selection of positive impact indicators, across multiple themes, for investments held in the portfolio.
2. In the appendix, a more detailed breakdown of impacts by theme is provided. For each theme, we only consider the impact of holdings linked primarily to that theme. For example, under 'Energy and Climate' we report an operational GHG reduction of 6.1 tonnes. This relates only to the five holdings classified in that theme, not the performance of the entire portfolio.
3. To calculate an estimate of the percentage share of each organisation's impact linked to Access's investment, we have divided Access's holding by the book value of each organisation's equity plus debt (as an indicator of the total size of that organisation).
4. We originally explored the idea of using enterprise value as an indicator for the size of an organisation, but this was discounted due to difficulties in obtaining data and the unsuitability of this metric for banks and financial institutions.
5. Impact data is taken from information reported by investee organisations. Sources include annual reports, impact reports, investor updates and company websites.
6. Data will relate to different reporting years, not necessarily the calendar year, according to each organisation's reporting cycle.
7. Data has not been independently verified by Access or its investment managers; any clear discrepancies in data will be queried with the investee organisation in question.
8. We are aware of the dangers of investors 'over-claiming' the impact of investee organisations. We do not wish to imply that Access's investment in these organisations has directly facilitated the stated impact. Impact data is provided for illustrative purposes to demonstrate the nature and type of positive impact delivered by the organisations which Access has invested in and supported.

Portfolio

Investee impacts

A reduction in NOx emissions
linked to London's public
transport of

12.8

kilograms

Lending to

117

micro-entrepreneurs

A reduction in water
network leakage
equivalent to

0.34

Olympic sized
swimming pools

The management of

80

social housing
properties

The provision of
£41,775
in 'green' finance

The generation of
enough renewable
energy to power

206

UK homes

Avoiding

357

tonnes of GHG
emissions

The management of

0.7

leisure centres

Charities to
raise

£68,833

During 2018, the
fund's investment in
organisations has
supported...

News organisations in
countries with limited
press freedom to
increase their reach by

32%

on average

43

children learning to
swim

The provision of water &
wastewater services to

605

customers

Portfolio

Investor impacts

Helped the Access Foundation demonstrate that investing for social and environmental impact can generate financial returns

Signalled the importance of social and environmental policies and practices to
all
holdings

Invested in
14
charities or social enterprises

On our behalf, our investment managers have...

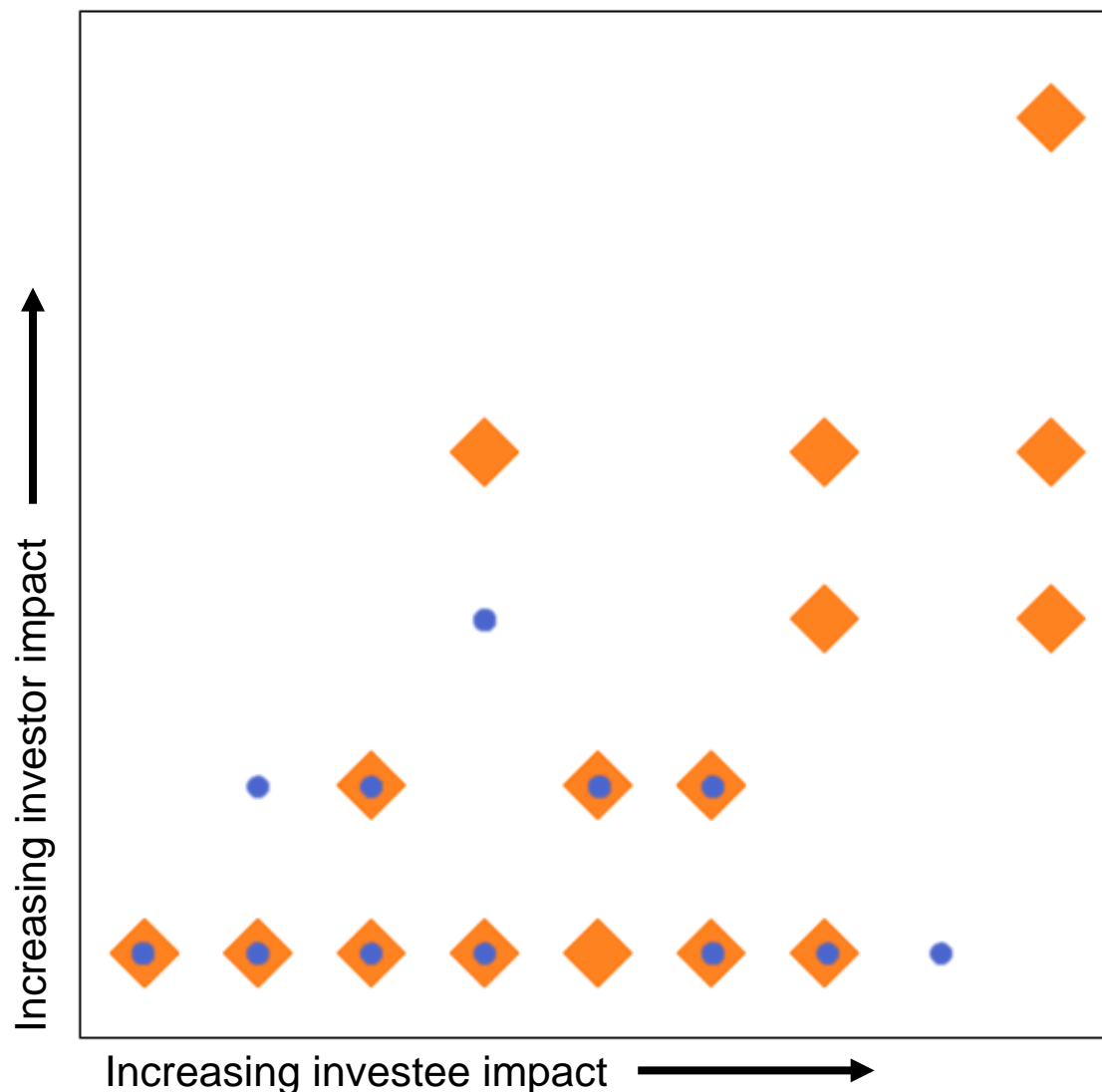
Engaged with
14
portfolio holdings on environmental, social or governance matters

Helped to grow the impact investment market by investing in

7
new or previously overlooked opportunities offering attractive impact and financial opportunities

Portfolio

Portfolio impact



Each symbol represents a portfolio holding:

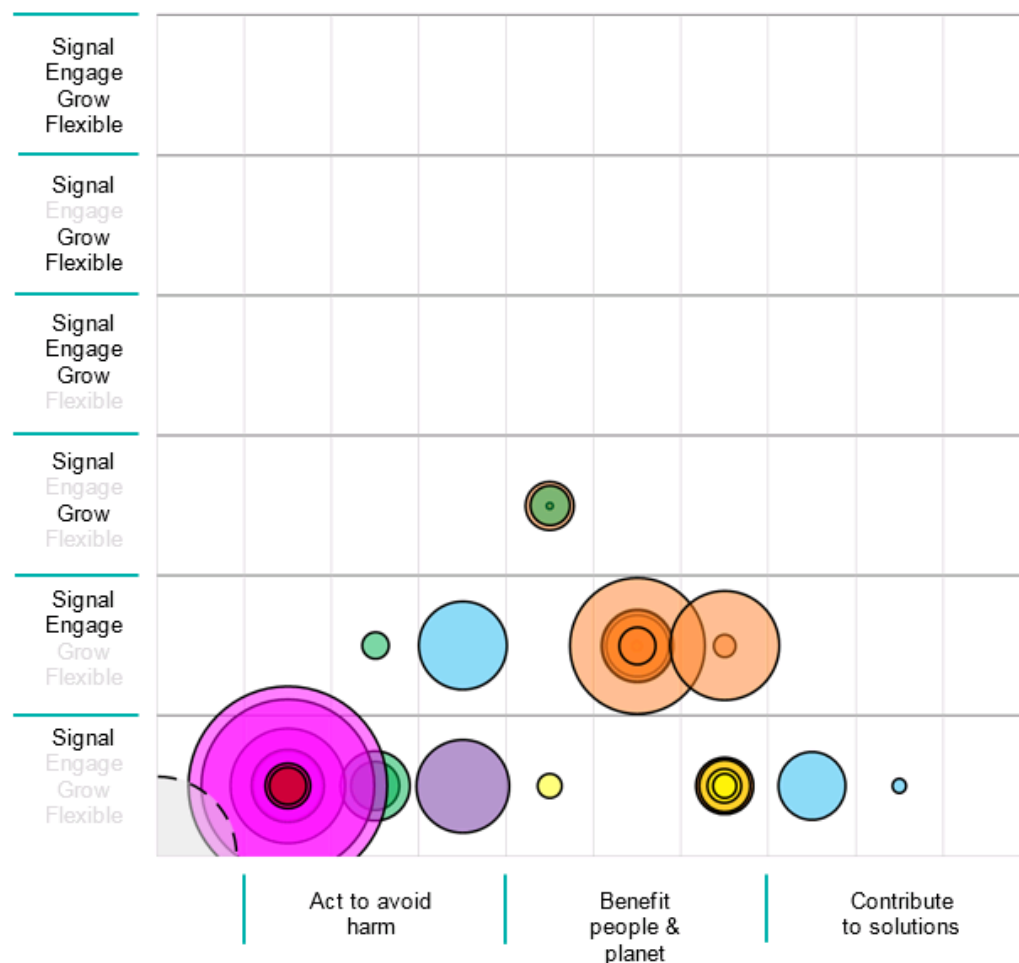
- Holdings as at September 2016
- ◆ Holdings as at June 2019

This graphic shows the transition of the portfolio over time: it gives a high-level view of how the impact of both the organisations Rathbones has invested in - and its own impact as an investor - have increased.

- More details on the portfolio composition can be found in the following pages and in the Appendices.
- Information on what is meant by 'investee' and 'investor' impact can be found on page 10.
- Information on the methodology used and impact scoring details for each holding can be found in Appendix A.

The impact of underlying investments – Access Endowment Fund

Portfolio impact mapping – Sep 2016

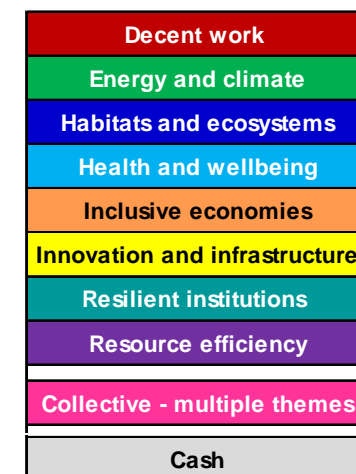


This chart shows the starting point for the portfolio in September 2016. It should be viewed in conjunction with the chart for June 2019 on the following page.

The chart shows each holding categorised by the impact of the enterprise (x axis) and the investor contribution of Access and its fund manager (y axis).

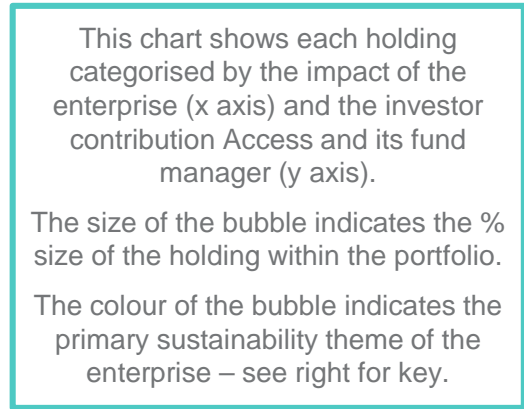
The size of the bubble indicates the % size of the holding within the portfolio.

The colour of the bubble indicates the primary sustainability theme of the enterprise – see right for key.



— More details on the impact investment terminology used in this chart can be found in Appendix A.

As at 30 September 2016



The impact of underlying investments – Access Endowment Fund

Portfolio impact mapping – June 2019

%	Company Name	Name	Bull's eye Tier	Theme	Sub-theme
1.86	Aberdeen Standard Ethical Corp B	ABERDEEN STANDARD FUND MGRS Ethical Corp Bond Instl Inc	4	Collective - multiple themes	Responsible
5.21	A2Dominion	A2D FUNDING PLC 4.75% Bonds 18/10/2022	1	Inclusive economies	Basic needs
1.59	A2Dominion	A2D FUNDING II PLC 4.5% Bonds 30/09/2026	1	Inclusive economies	Basic needs
0.59	Anglian Water Green Bond	ANGLIAN WATER SERVICES 1.625 Gtd Snr Sec MTN 10/08/25	3	Resource efficiency	Water security
1.17	Asian Development Bank	ASIAN DEVELOPMENT BANK 0.75 MTN 24/03/2022	3	Innovation and infrastructure	Supporting human wellbeing
1.76	AXA	AXA GROUP 7.125% Sub Notes 15/12/2020	4	Energy and climate	Operational alignment (Climate)
2.56	BlueOrchard Microfinance	BLUE ORCHARD INVESTMENT MGRS Microfinance D Fund Acc (GB	3	Inclusive economies	Inclusive economies
3.63	Bupa	BUPA FINANCE PLC 5% Bonds 25/04/2023	4	Health and wellbeing	Healthcare access
4.83	Dolphin Living	DOLPHIN SQUARE CHARITABLE FD 4.25% Bond 6/07/2026	1	Inclusive economies	Basic needs
3.96	EdenTree Amity Sterling Bond	EDENTREE INV MGMT Amity Sterling Bd Instl B Inc	4	Collective - multiple themes	Responsible
2.95	Aviva	FRIENDS LIFE GROUP PLC 8.25% MTN 21/04/2022	4	Energy and climate	Operational alignment (Climate)
0.33	Golden Lane Housing	GOLDEN LANE HOUSING LTD 4.375% Bonds 29/07/2021	1	Inclusive economies	Inclusive economies
6.65	Greensleeves Care	GREENSLEEVES HOMES TRUST 4.25% Bonds 30/03/2026	1	Inclusive economies	Inclusive economies
2.94	Hightown Housing Association	HIGHTOWN PRAETORIAN & CHURCHES 4.4% Bond 30/04/2025	1	Inclusive economies	Basic needs
1.68	3i Group	3I GROUP PLC 6.875% Bonds 9/03/2023	4	Decent work	Operational alignment (Employment)
4.37	Kames Ethical Corporate Bond	KAMES CAPITAL Ethical Corp Bond B Instl Inc	4	Collective - multiple themes	Responsible
0.89	KfW	KREDITANST FUR WIE 5.5% MTN 18/6/2025	3	Innovation and infrastructure	Supporting human wellbeing
1.19	Landsec	LAND SECURITIES CAP MARKETS 1.974% MTN 8/02/2024	4	Energy and climate	Operational alignment (Climate)
3.15	Lloyds Bank ESG Bond	LLOYDS BANK PLC 2.5% MTN 1/06/2022 (ESG)	3	Inclusive economies	Basic needs
4.65	London & Quadrant Housing	LONDON & QUADRANT HOUSING TST 2.625% Bond 5/05/2026	1	Inclusive economies	Basic needs
1.02	Marks & Spencer	MARKS & SPENCER PLC 4.75% Bonds 12/06/2025	4	Energy and climate	Operational alignment (Environmental management)
0.59	Media Development Investment Fund	MEDIA DEV INVESTMENT FUND 4% Bonds 31/12/2025	2	Resilient institutions	Participation & governance
2.64	Motability Operations	MOTABILITY OPERATIONS GROUP 5.375% Bonds 28/06/2022	1	Inclusive economies	Inclusive economies
4.81	Motability Operations	MOTABILITY OPERATIONS GROUP 6.625% MTN 10/12/2019	1	Inclusive economies	Inclusive economies
2.26	Motability Operations	MOTABILITY OPERATIONS GROUP 3.75% MTN 16/07/2026	1	Inclusive economies	Inclusive economies
1.17	MuniFin	MUNICIPALITY FINANCE PLC 0.75% MTN 15/12/2020	3	Innovation and infrastructure	Supporting human wellbeing
*	Our Power	OUR POWER SOCIAL PURPOSE 6.5% Uns Fxd Rt 31/1/21 (In Adm	1	Inclusive economies	Inclusive economies
4.36	Places for People	PLACES FOR PEOPLE 5.09% Sec Bonds 31/07/2024	3	Inclusive economies	Basic needs
2.92	Places for People Finance	PLACES FOR PEOPLE 4.25% Bonds 15/12/2023	1	Health and wellbeing	Sports & leisure
1.94	Places for People Finance RM	PLACES FOR PEOPLE 4.25% Bonds 15/12/2023	4	Inclusive economies	Basic needs
2.43	Places for People	PLACES FOR PEOPLE 2.875% Snr 17/08/2026	3	Inclusive economies	Basic needs
1.97	Principality Building Society	PRINCIPALITY BUILDING SOCIETY 2.375% Snr 23/11/2023	4	Decent work	Operational alignment (Employment)
2.44	Rathbone Ethical Bond	RATHBONE UNIT TRUST MGMT Ethical Bond S Inc (GBP)	4	Collective - multiple themes	Responsible
0.52	Charities Aid Foundation	RETAIL CHARITY BONDS PLC 5% Bonds 12/04/2026	1	Inclusive economies	Basic needs
3.45	Severn Trent	SEVERN TRENT UTILITIES FINANCE 6.125% Gtd Bds 26/02/2024	4	Resource efficiency	Water security
1.50	Svenska Handelsbanken	SVENSKA HANDELSBANKEN 2.75% Snr EMTN 5/12/2022	4	Decent work	Operational alignment (Employment)
1.19	Thera	THERA TRUST PLC 5.5% Bonds 31/03/24	1	Inclusive economies	Inclusive economies
0.60	Thrive Renewables	THRIVE RENEWABLES 5% Fixed Rt Unsec Bd 31/03/24	3	Energy and climate	Climate action
0.98	Transport for London Green Bond	TRANSPORT FOR LONDON 2.125% Bonds 24/04/2025	3	Innovation and infrastructure	Supporting environmental sustainability
5.34	Wellcome Trust	WELLCOME TRUST FINANCE 4.75% Bond 28/05/2021	1	Health and wellbeing	Healthcare access
1.90	Cash	Cash	n/a	Cash	Cash

This table shows details of the full range of investments made by Rathbones on behalf of Access as at 30 June 2019

* Our Power ceased trading on 25 Jan 2019

Summary

This evidence has demonstrated that:

- It has been achievable to closely align Access's endowment investment with its mission - almost 46% of the portfolio has been directly invested into UK charities and social enterprises delivering social impact.
- The organisations invested in are delivering positive social and environmental impacts across a broad range of areas.
- We have seen that it is possible to adopt a total impact approach to investment, targeting high social and environmental impact while still achieving a financial return.

Access was necessarily somewhat constrained in its approach by how long investments can be made for due to its time-limited lifespan and the need to fund its committed programme delivery.

Nevertheless, the performance of the portfolio - combined with the positive impacts on both organisations and the wider system - suggest that the ambitions for Access's total impact approach have been met.

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Important information

Information valid at date of presentation.

Tax regimes, bases and reliefs may change in the future.

Rathbone Brothers Plc is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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