Results analysis: Schroder BSC Social Impact

SBSI has declared an attractive dividend, ahead of the outcome of its strategic review.

Update
31 October 2025

- Schroder BSC Social Impact (SBSI) has released its full year results for the period ending 30/06/2025, which saw a NAV per share total return of 1.6% to 102.9p.

- The board announced a strategic review in the year. It is currently consulting with shareholders with the aim of putting forward a proposal at or before the AGM on 17/12/2025. The trust also has a continuation vote due should the discount be wider than 10% over the two-year period to 31/12/2025. Given the average discount (to 28/10/2025) has been c. 23%, this vote is likely to be triggered, meaning shareholders will be given the opportunity to vote on continuation prior to the AGM in 2026.

- On the social impact side, a further 22k people benefitted from the company's activities in the year. This takes the total beneficiaries since inception to 422k (98% of which are considered disadvantaged and vulnerable), as well as generating an estimated £238m in savings and income for the government.

- The financial performance was largely driven by investment income, which added 5.3p per share to NAV. This was aided by strong income generation across several holdings, most notably the social outcomes contracts, the Rathbones Charity Bond portfolio as well as a one-off income distribution from the Bridges Inclusive Growth fund.

- This was partially offset by valuation write-downs. The high-impact housing portfolio was a notable detractor here, having been affected by increasing discount rates and a change in assumptions from external valuers. Overall, valuation losses detracted 2.7p per share.

- The good income generation enabled the dividend to be increased by 28% to 3.76p per share. This was largely attributable to the one-off income from the Bridge Inclusive Growth fund. As such, the trust offers a yield of 3.7% of NAV, considerably above the 2% to 3% target. As a result of the sizeable discount, the yield on the shares, as at 28/10/2025, is a substantial 5.4%.

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- The year saw three capital realisations, including partial repayment of a charity bond investment, a partial exit from a property fund and the repayment of a loan within the charity bank co-investment portfolio. These were all achieved at NAV. The management team, led by Hermina Popa and Jeremy Rogers have not made any new commitments during the strategic review process to avoid extending the duration of the portfolio.

- As such, proceeds from the realisations have been allocated to money-market funds pending the conclusions of the strategic review. This has meant the liquidity assets portion of the portfolio has increased to 17% of NAV, with the remainder invested in high impact investments, split across high impact housing (43%), debt and equity for social enterprise (38%) and social outcomes contracts (2%).

- The managers noted several developments in the sector leading an improved outlook for the asset class. The Labour government

announced the Better Futures fund in July 2025 which will increase the number of investment opportunities, which came as a recommendation from the Social Impact Advisory Group, which was launched in February 2025 . Furthermore, broader plans to build 1.5m homes over the coming years should lead to numerous opportunities in the high impact housing portfolio.

- **Despite the improving outlook, the trust saw share price returns of -7.4% leading to the discount widening from 16.7% to 24.7% through the period. The board has sought to narrow this through share buybacks, with 1.9m shares, equivalent to 2.3% of opening share total, bought back in the financial year. Whilst these have continued in the period post results, the discount has widened further to c. 34% as at 28/10/2025.**

- **Chair Susannah Nicklin highlighted SBSI's status as "a unique offering, bringing together multiple social impact investment opportunities across asset classes and issue areas in the UK" and how it "continues to deliver deep positive impact to disadvantaged communities".**

Kepler View

We believe there are some encouraging signs in the **Schroder BSC Social Impact (SBSI)** results. The increased dividend, taking the yield on NAV above the 2% to 3% guide, is particularly positive. This has been supported by high investment income from the underlying portfolio, and whilst this was boosted by a one-off figure from an underlying holding, a large portion of these revenues have an element of government-backing which should be supportive going forward. The yield on the shares is even higher, at 5.4% as a result of the trust's wide discount, which widened throughout the year and in the period beyond.

Whilst portfolio activity in the period has been limited, the realisations that have occurred have been achieved at NAV. We believe this provides evidence that the discount may be factoring in too much negativity. This view is compounded when considering that nearly a fifth of NAV is currently held in liquidity assets.

Despite these positive elements, the outcome of the strategic review will be the dominant factor in the trust's near-term future in our view. Having consulted with shareholders to determine their preferred outcome, the board is evaluating its options, including different fund structures and potential alternatives, with a proposal due by the AGM in December. We note shortly after this, the trust is likely to have a continuation vote, meaning the prospect of the trust not continuing in its current form is elevated.

Regardless, we believe SBSI continues to be a unique proposition, primarily due to its strong social impact credentials. The total number of people reached by the trust's investment activities is closing on half a million, with the vast majority being the most disadvantaged, vulnerable or underserved members of society. On a human level, this is a very commendable outcome and when combined with the estimated £238m of government savings and income generated, reinforces the positive effect such a vehicle can provide above traditional financial metrics.

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