Appendix 1: About SASC and the SASH

1.1. SASC is a social investment company which specialises in investments into charities and social enterprises to help them to increase their impact. It has a track record across the UK, having had two funds in operation since 2014. These are the Community Investment Fund (CIF) and the Third Sector Investment Fund (TSIF). The CIF has done 17 deals (total £17.1m) in 14 organisations and five of these loans have been repaid. The TSIF has done 14 deals (total £13.8m) in 11 organisations and three loans have been repaid.

1.2. The SASH was registered as a limited partnership in April 2019 and the fund was launched in May 2019 with 15 limited partners including SASC Trust, Big Society Capital Limited, Social Investment Business Foundation and City Bridge Trust. A total £26m of investment has been committed.

1.3. It is an unregulated collective investment scheme for the purposes of the Financial Services and Markets Act 2000 (the Act), which means that it would not be authorised or otherwise approved by the Financial Conduct Authority (FCA), and accordingly could not be marketed in the UK to the general public, but the establishment, operation and winding up of the scheme would be regulated activities under the Act. This fund structure is typical for private property investment funds and is similar to the Real Lettings Property Fund 2 in which GLAP already invests.

1.4. The fund offers investors the opportunity to invest in the provision of safe, stable and appropriate homes for vulnerable people and their families across the UK. Its initial target is for investment of £100m by October 2021. A fund of £100m should enable the purchase, refurbishment, letting and management of around 1,000 affordable homes across the UK. This estimate is informed by lower quartile UK house price data, the deals being done in the other SASC funds and the expected mix of geographies. It is expected that £15m of the fund will be spent in London, providing 50 to 75 homes. This estimate is based on property prices of between £200,000 and £300,000. Any investment made by GLAP will be for homes in London.

1.5. The SASH has so far committed £23.3m of loan funding to purchase 204 properties across the country. A further 3 investments are due to go to its Investment Committee in August

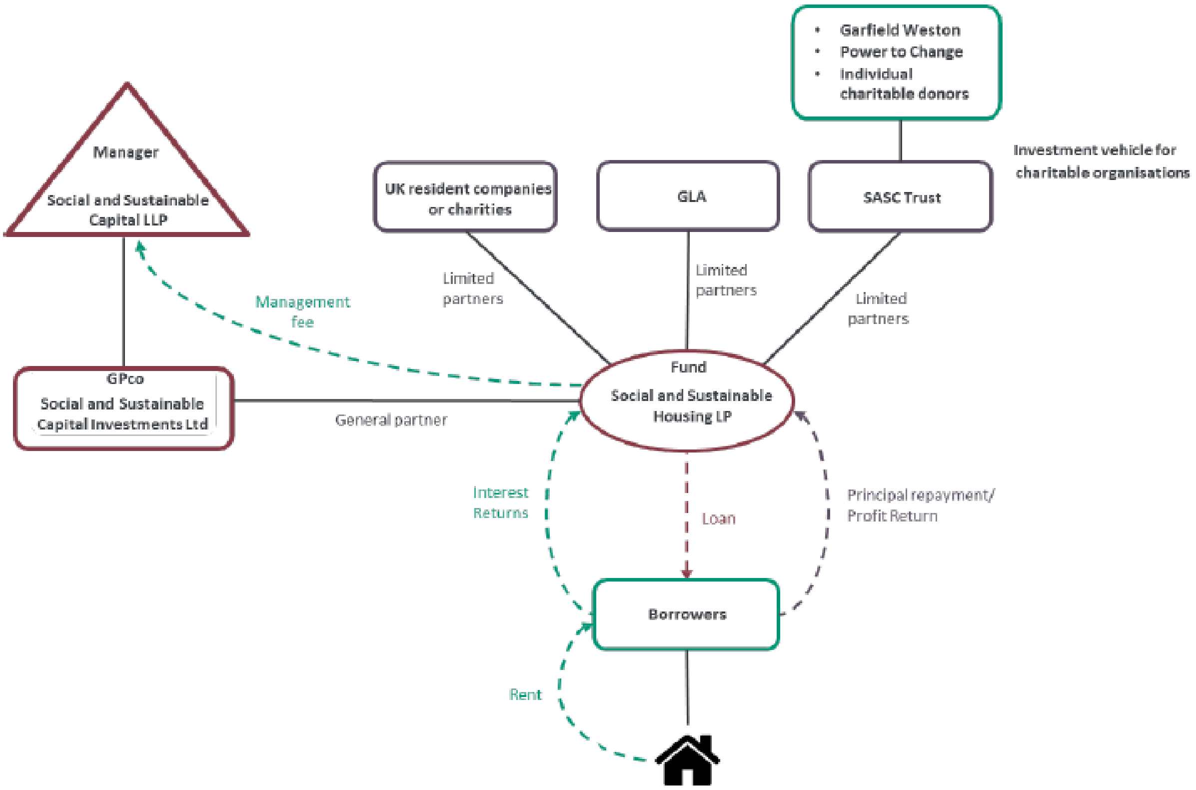
1.6. The fund has a life of ten years from the end of the Investment Period and is due to end in May 2032. There is an option to extend at the discretion of the Fund Manager and subject to investor consent by up to two consecutive one-year periods.

1.7. Social and Sustainable Capital Investments Ltd will act as the General Partner for the SASH (the partner responsible for management of the limited partnership, to the exclusion of the investor limited partners) and SASC will be the fund manager. SASC already manages two other impact investment funds which offer targeted social impacts as well as financial returns and is an FCA Authorised Investment Manager.

Appendix 2: Operation of the SASH

The SASH Operation Diagram below sets out details of how the fund works and the relationships between the partners and the borrowers. This follows the typical form for a private property fund. There are two relevant entities involved in the provision of this investment vehicle:

- Social and Sustainable Capital LLP – responsible for management of the fund; and
- Social and Sustainable Investments Ltd – general partner of the fund



Below is a summary of how the SASH operates:

1. The fund contracts with an approved charity or social enterprise to provide a loan to enable the borrower to source and purchase properties (typically over the first twelve to eighteen months).

2. The borrower manages the properties on a fully funded basis over the 10-year life of the loan.

3. The SASH investment includes full funding for the following:

- a staff member to carry out the purchasing of properties;
- conveyancing fees;
- insurance;
- repairs and renovation; and
- furniture (if required), including flooring, beds, wardrobes, sofas and chairs.

4. The borrower pays the Fund rent receipts less costs (including property management, insurance and maintenance costs).

5. The properties are let on assured shorthold tenancies at LHA rates.

6. The Fund takes on the risk of voids, reductions in housing benefit or the non-payment of rent.

7. At the end of the ten-year loan facility, the charity has the option to:

- pay 85 per cent of the value of the property portfolio at that time subject to a minimum of 75 per cent of the initial amount borrowed; or
- surrender the property portfolio to the Fund in full satisfaction of the loan.

  This gives the charity a ten-year risk free period of managing the portfolio, and the ability to generate 15 per cent of equity.

8. There will be annual distributions during the period of the investment and at the end of the term investors will share in any uplift in property value. Appendix 3 shows scenarios for investor returns

Appendix 3: SASC's Investment and Repayment Process

Investment Process

1. SASC's investment process has been developed and refined since 2014 as the result of the experience and success of working with impactful organisations in the sector. Its due diligence process is focussed on the following eligibility criteria of borrower organisations being able to demonstrate:
   - a strong management team;
   - a track record of delivering support work;
   - an engaged board;
   - a track record of managing housing; and
   - a defined opportunity.
2. The SASC Investment Committee meets monthly to consider detailed papers for each proposal. It is common practice for the borrower to attend the meeting for a discussion with the committee. When an approval is given, the final negotiation and documentation process commences. SASC has developed a standardised set of documents for the Housing Fund:
   - term sheet;
   - loan facility agreement;
   - legal charge document; and
   - anti-money laundering/KYC checks.
3. When all conditions are satisfied and documentation signed, details are passed to the Fund's administrator.

How the repayment process works

4. At the start of the loan, an agreement is reached between the Fund and the borrower organisation on the expected rent and necessary outgoings. Outgoings include repairs, maintenance, management and insurance. Each quarter the organisation transfers the net rent less these overheads.
5. A key variable is the void rate. Experience has shown that this operates at around 5%. In the Fund, the trigger for a default is set at 25%, which should give SASC and the borrower the opportunity to work through and resolve the problems.
6. An example of how the money flows (broadly based on an existing investment) is set out below:

Total weekly payment received with respect to beneficiary (bricks and mortar plus any support payment)	£130
Less amount related to support services	(£30)
Less amount for direct costs (repairs, maintenance, insurance etc.)	(£15)
Less amount for property management (retained by borrower)	(£15)
Amount paid to SASH to service the loan	£70

The fund management cost is one per cent of capital invested and costs are estimated to be a further 0.25 per cent with the fund estimating a net IRR of 3.2 per cent using the Conservative Base Case (further detail below).

Investor returns

SASC has modelled a set of scenarios based on the primary risks the fund is exposed to:

Scenario	Annual Rent Movement	Annual House Price Movement	Voids / Bad Debts	Net IRR	Notes on Assumptions
Significant Downside	-2%	-3%	Increase by a factor of 6 from base case	-1.5%	• LHA falls which has historically never happened. • House prices fall at a rate that has not been experienced regionally since 1973, and in any city since records were collected. • Voids and bad debts rise to elevated levels and no remedial action taken.
Downside	0%	-2%	Increase by a factor of 4 from base case	0.2%	• LHA rates remain frozen for the life of the fund. • House prices fall at 2% per year, exceeding the worst rate seen in any region in the UK since 1973. • Voids and bad debts rise to elevated levels and no remedial action taken.
Conservative Base Case	0%	1.2%	Conservative assumption based on SSO historic performance	3.2%	• LHA rates remain frozen for the life of the fund. • House prices rise in line with the historic worst 10-year average in the UK (1.2%). • Voids and bad debts remain stable at conservative levels.
Base Case	0.5%	4%	Conservative assumption based on SSO historic performance	5.8%	• Small LHA rate rise. The LHA rates freeze is due to be lifted in April 2020. The current legal position which is the default, will be a return to LHA rising in line with CPI. • House prices rise at a rate between the UK historic worst case 10-year average (1.2%) and the historic median 10-year average (7%). • Voids and bad debts remain stable at conservative levels.
Upside	3%	7%	Conservative assumption based on SSO historic performance	9.2%	• LHA rates increase in line with long term CPI. The LHA rates freeze is due to be lifted in April 2020. The current legal position which is the default, will be a return to LHA rising in line with CPI. • House prices rise at the UK historic median 10-year average. • Voids and bad debts remain stable at conservative levels.

Sensitivities

To illustrate the robustness of the model on the downside, SASC has run two additional scenarios:

1. Conservative base case for 7 years, followed by 3 years of significant negative performance
2. Base case for 7 years, followed by 3 years of significant negative performance

Scenario	First 7 years	Last 3 years	Net IRR
1	Conservative base case	House prices fall at 10% per annum	1.25%
2	Base case	House prices fall at 10% per annum	1.7%

The model shows the following annual distributions in the conservative base case:

Net running yield

Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13
0.0%	2.5%	3.8%	4.3%	4.6%	4.5%	4.5%	4.4%	4.4%	4.3%	4.1%	3.4%	2.1%