DEAR FRIENDS...

IN SHARING SOCIAL AND SUSTAINABLE CAPITAL'S THIRD IMPACT REPORT WE ARE DELIGHTED TO HAVE THE OPPORTUNITY TO UPDATE YOU ON OUR WORK OVER THE LAST 12 MONTHS, AND TO BE ABLE TO STEP BACK AND OFFER A PERSPECTIVE ON OUR FIRST 5 YEARS OF INVESTMENT ACTIVITY.

Over the last year, our investment activity has continued apace. We have seen the charities and social enterprises that we support thrive. Where there have been challenges, it has been an opportunity to learn new lessons. The pages that follow will describe this in more detail.

We also introduce our recently launched fund, Social and Sustainable Housing (page 10). We believe this is a ground breaking initiative. It reflects our interactions over the years with both investors and investees. We are excited by the support the fund has received, and delighted to have announced our first close last month, with over £26m of commitments.

Thanks to the Social Investment Business, Big Society Capital, and Santander, since 2014 we have been able to deploy over £30m to 23 inspiring organisations. We have learned a huge amount on that journey, including what it really takes to be an "invested social investor" (a challenge also set for us by our guest contributor on page 17). We continue to adjust our model to enhance our investment process - being more thoughtful about post-investment support has been one important aspect of this.

Looking back, a significant turning point for SASC came when, rather than just hearing what potential investees were telling us, we really started to listen. In 2017, this resulted in the successful relaunch of The Third Sector Loan Fund.

In 2018, working directly with a charity and a blank piece of paper allowed us to co-design an innovative social investment structure. Being creative and flexible led to the launch of Social and Sustainable Housing.

For those working day to day in the field, it is easy to forget what a new activity social investment is. Grant making in a systematic way was already a feature of the late 19th century, and venture capital investment took off over 70 years ago. Social investment, by contrast, has only been around for just over fifteen years.

When we look at the world before social investment, we see an essentially binary picture. Investors (including those who were stewards of philanthropists' capital) demanded commercial returns, ignored impact and often invested in organisations responsible for significant harm.

Philanthropists, on the other hand, gave grants that accepted 100% loss of capital in return for impact. The gap between these two extremes was an empty space that no one spent much time thinking about. It was into this gap that SASC launched its first two funds in 2014.

Five years on, a more nuanced menu of investing alternatives is beginning to fill this space. The menu is sometimes referred to as the "Spectrum of Capital," a concept used by both the global-scale Impact Management Project and Big Society Capital.

While developing Social and Sustainable Housing, we considered where to position the fund on this spectrum. We had to think carefully about the appropriate allocation of risk between investor and investee, and the trade-off inherent in that decision.

Two drivers guided us. We wanted to help small and medium sized charities and social enterprises become more sustainable and increase their impact. And we needed to be attractive to investors pursuing both financial and impact returns.

The launch of Social and Sustainable Housing helps us define more clearly our positioning on the "Spectrum of Capital" and reinforce an ever stronger commitment to our mission.

2018/19 has been a transformative year for SASC. We invite you to read on......

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BOARD CHAIR

BENJAMIN RICK,
CO-FOUNDER AND
MANAGING DIRECTOR