
Get in touch

If you have major capital plans that need financing,
or you're looking to refinance your existing debt,
contact us to find out more about Retail Charity Bonds.

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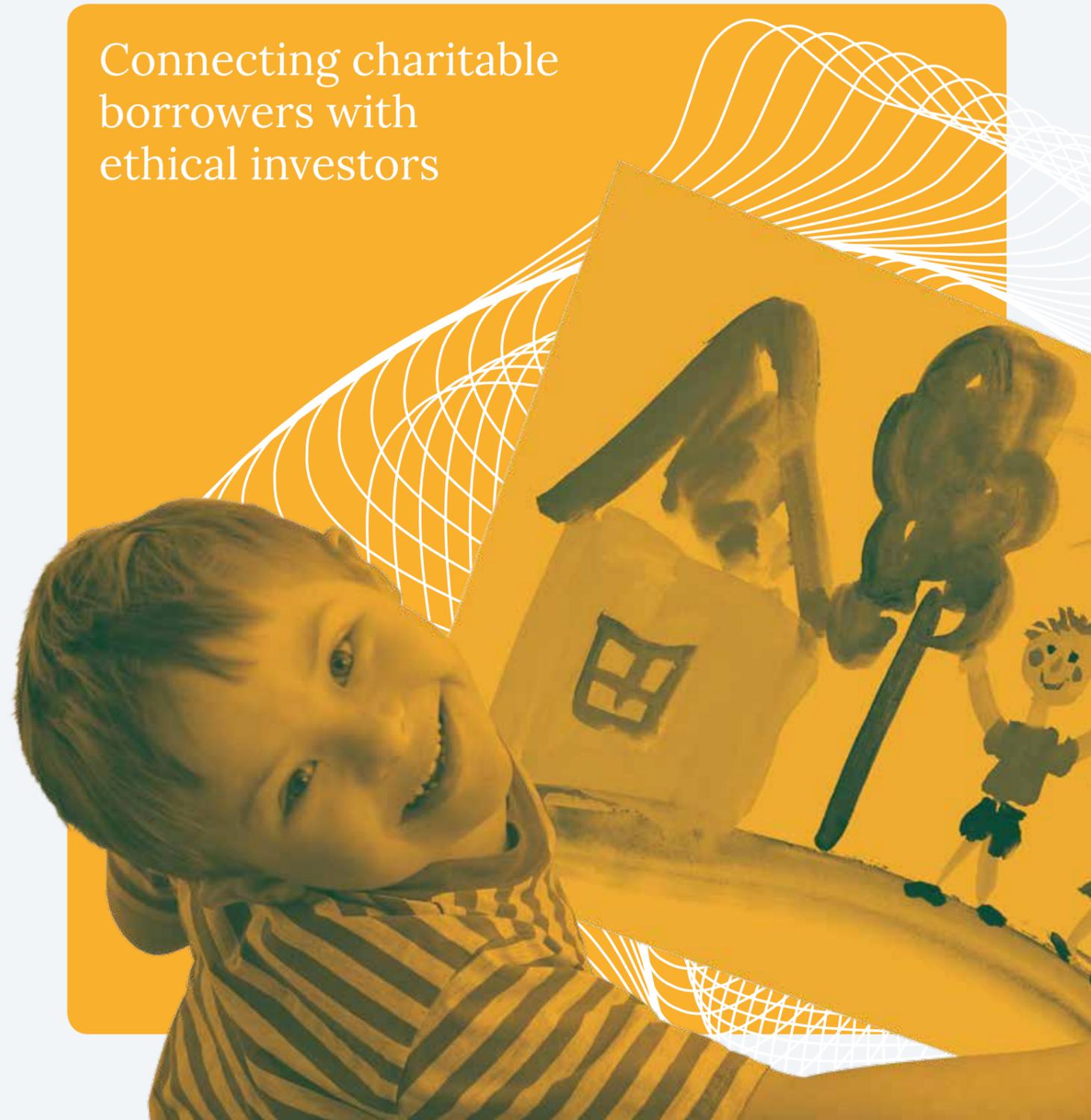
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Retail Charity Bonds

Simple finance for positive impact

Connecting charitable
borrowers with
ethical investors



“

We were delighted the bond issue was so successful. Affordable homes are in very high demand in our area and it will help us fund the work we do in providing high quality homes to those who cannot afford to rent or buy at market prices.

”

David Bogle

Chief Executive, Hightown Housing Association



An alternative to bank borrowing

Do you have major capital plans that require unsecured finance? Are you looking to refinance existing debt?

There is now a positive alternative to bank borrowing – a simple form of unsecured loan finance that connects you with ethical investors.

A Retail Charity Bond is a new way to borrow for established charitable organisations that develop assets, generate revenue and create impact. Developed by Allia, itself a charity and a pioneer in social investment, it is designed to help borrowers in sectors like supported housing, care or education to access affordable finance and deliver their social mission.

With loans starting from £10 million, Retail Charity Bonds offer unsecured funding with light terms and fixed costs, as well as the opportunity to engage with a wide audience of retail investors.

Retail Charity Bonds are designed exclusively for charitable organisations to make it easier and more affordable to raise unsecured loan finance

Why retail bonds?

Some of the biggest charitable organisations, like the top housing associations and universities, have been borrowing large amounts of money through commercial bond markets for years. Retail Charity Bonds now make it easier and more affordable to access loan finance starting from £10 million. The benefits include:



Lighter terms

Retail bonds typically have lighter terms than banks. Bank loans are usually secured, they may contain a range of covenants that restrict what the borrower can and can't do and often require regular and detailed financial reporting. For credit worthy borrowers, Retail Charity Bonds are unsecured and covenant-light.



Access to investors

As retail bonds are regulated and listed on London Stock Exchange, borrowers can reach a very wide range of individual and institutional investors. As a result, most issuers have raised the funding they require within one or two weeks of launching an offer.



Profile raising

With high demand for mainstream ethical investment opportunities, retail bonds can attract significant publicity in financial media, taking the message of your organisation's activities and the issues it addresses to a new audience of high net-worth individuals.



Fixed rates

Retail Charity Bonds pay a fixed rate of interest for the duration of the bond, giving you certainty of borrowing costs across the whole of the term.



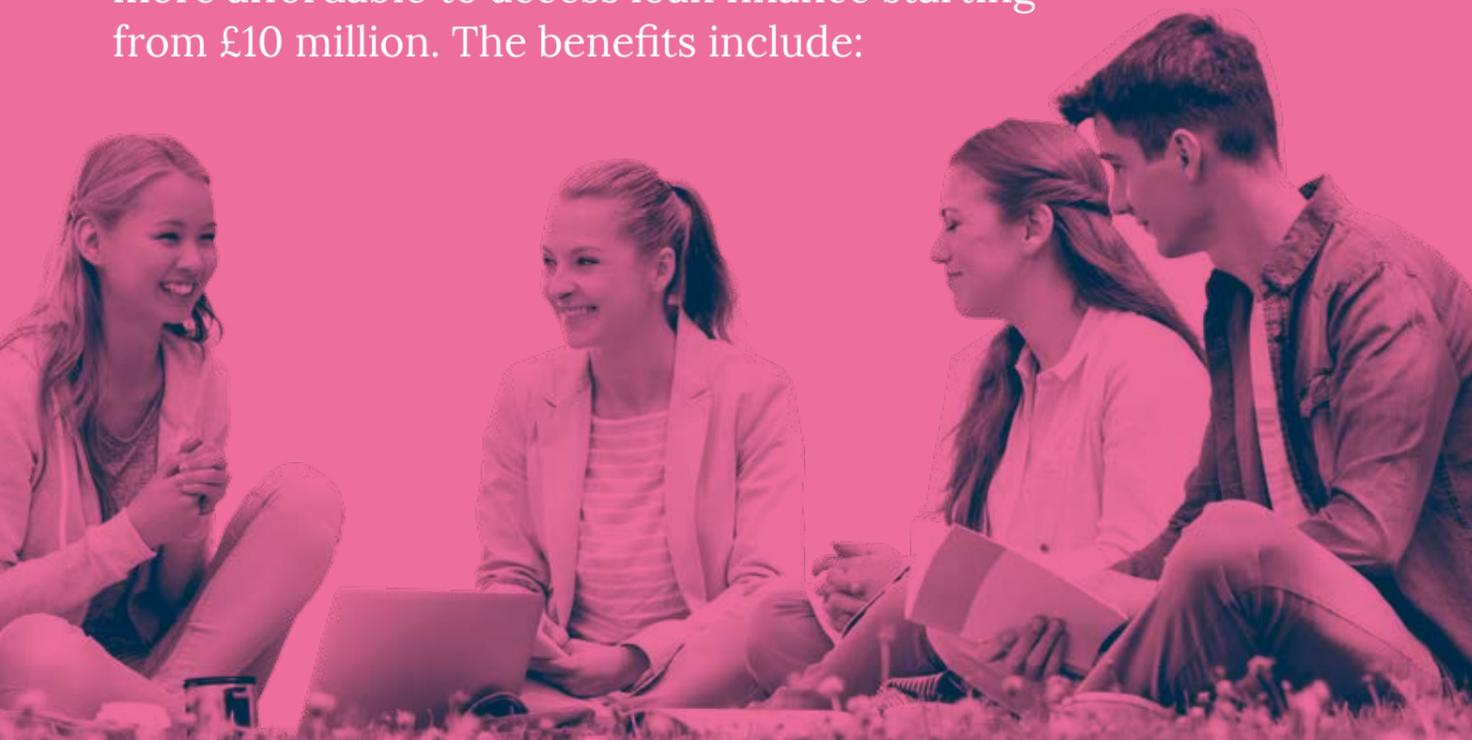
Medium term finance

The duration of a Retail Charity Bond is typically between 5 and 10 years, though longer terms are also possible. There's also no requirement to make any repayment on the loan before the end of the term.



Flexible maturity

A Retail Charity Bond has an expected maturity date when the loan will be repaid. However, if for any reason you're unable to repay on that date, you can defer repayment for a further two years.



How it works

Issuing a Retail Charity Bond will typically take three months from start to receiving the funds in your account.

The bonds are issued by a special purpose company with an independent board of directors. The company exists solely for the purpose of issuing bonds on behalf of charitable organisations and will check that each borrower is suitable for a bond.

Once approved, the information about your organisation is inserted into template legal documents. The prospectus is then

approved by the Financial Conduct Authority before the bond is launched to investors.

When the bond is issued, funds are passed on to you as a loan from the issuing company. Your organisation pays interest on the loan, which is passed through to pay the interest on the bond, and will repay the loan at the end of the fixed term.



“

The Retail Charity Bond enabled us to reach mainstream investors looking for listed products that they can hold in their ISA and trade on the London Stock Exchange. This meant we could access a far bigger market and raise the finance more cheaply.

”

Alastair Graham

Director, Golden Lane Housing



Since its launch in 2010, over £5 billion has been raised through bonds issued on ORB, the London Stock Exchange's specialist trading platform for retail bonds



Investor *demand* for ethical investments

There is a strong and growing interest in ethical investment.

Many individuals want to see their investments doing some genuine good for society, and there are many socially-responsible investment funds that seek to support positive change. These investors however still want their investments to be appropriate, regulated and tradeable, and comparable to other offerings on the market.

A Retail Charity Bond enables borrowers to access these investors through a mainstream investment product. The bonds are listed on London Stock Exchange, and so are regulated by the Financial Conduct Authority. They're also traded on the Order book for Retail Bonds, the Stock Exchange's dedicated trading platform for retail bonds

that allows investors to sell their bonds at any time at the best available price, meaning investors are not tied in for a fixed term.

As a result, a listed bond offer is able to access a very wide range of investors representing billions of pounds of capital.

54% of British investors want their investments to have a positive impact beyond just making money

YouGov research, Oct 2015

“

The factors that made this investment effective for me were the rate, generating a regular income, and the fact that I could also sell the bond early if I needed to. The investment was very straight forward – as simple as opening an ISA or dealing in shares.

Individual investor in a Retail Charity Bond

The CAF Retail Charity Bond offered attractive returns as an investment, and for EdenTree, a company that believes in profit with principles, this was an amalgamation of what we'd like in an investment and our basic purpose.

”

David Katimbo-Mugwanya

Fixed Income Fund Manager, EdenTree



Impact and Success

CAF raises £20m in a week

The Charities Aid Foundation (CAF) Retail Charity Bond raised £20 million in one week after strong demand from both institutional and retail investors.

"We wanted to do something open and liked the idea of retail bonds. Our supporters and those interested in the work of CAF would be able to participate and a Retail Charity Bond seemed a good way to do that as opposed to a private placement," explains Dr John Low, CAF's Chief Executive.

Initially, CAF wanted to raise £20m, but knew that it might want to raise further finance in the future. The CAF Retail Charity Bond was therefore designed to include £10m of 'retained bonds'. These are created at the time of the issue but can be sold at a later date, with the proceeds passed on to CAF as a further loan advance. This makes it possible for CAF to raise more money when it needs it, without the cost of a second issue.

The bond was launched in March 2016 and strong demand from both institutional and retail investors meant the offer was oversubscribed and had to be closed early – raising £20m in just four working days.

"We have been delighted at the reception to the Charities Aid Foundation Retail Charity Bond and its early closure," said Dr Low. *"CAF has a 90-year-record supporting civil society by helping people to support charities safely and effectively and helping charities make the most efficient use of their money. The proceeds of the bond will be used to further our work, enhancing CAF's services for donors and the thousands of charities we work with."*



Golden Lane Housing raises £11m to buy and adapt properties

Golden Lane Housing, one of the UK's leading social housing landlords for people with a learning disability, raised finance through a Retail Charity Bond to buy and adapt 30 new properties.

One of these was a bungalow for Steven and June's daughter Vicky. *"If Vicky always lived with us she would have a tiny life and it would get harder as we got older. Vicky is now happy, settled and safe and has got a secure future. It's a beautiful bungalow. We hope the move to this bungalow will be her forever home."*

Alastair Graham, Director, Golden Lane Housing commented, *"These 30 properties are providing a lasting legacy for future generations of people with a learning disability."*

Vicky and her parents,
Golden Lane Housing