

Aspire Social Impact Bond

Annual Investor Report
Period ending 30 June 2018
Issued December 2018



Contents

| | |
|-------------------------------------|----|
| FOREWORD..... | 3 |
| ASPIRE SIB OVERVIEW..... | 4 |
| Aspire Program..... | 4 |
| SIB structure..... | 5 |
| Investor returns | 5 |
| PROGRAM UPDATE..... | 6 |
| Program establishment | 6 |
| Referrals and enrolments | 7 |
| Participant engagement rates | 8 |
| Housing placements..... | 8 |
| Profile of Aspire participants..... | 8 |
| Outcomes | 11 |
| FINANCIAL REPORT | 13 |
| Coupon payment | 13 |
| Trust Assets and Cashflow..... | 14 |

Foreword

Dear Investor,

Social Ventures Australia is pleased to present the first Aspire Social Impact Bond (Aspire SIB) Investor Report.

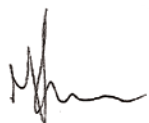
Since the Aspire SIB commenced at the end of March 2017, Hutt St Centre has recruited the Aspire team, moved into dedicated premises, and commenced supporting people experiencing persistent homelessness in Adelaide.

At the end of June 2018, the Aspire Program celebrated its first year of service delivery. Early indicators and feedback suggest that the program is having a positive impact on the lives of the 104 people that were enrolled during the first year, as detailed in this report.

The first year of outcomes data has now been extracted from South Australian Government databases and certified by Deloitte. Given we are only one year into the program's course, the data covers only a relatively small number of individuals and a short amount of time, and results need to be interpreted with caution. They do however provide useful insights into the impact the program is delivering, which are shared in this report.

Over the first year, the Aspire team has experienced challenges, learnt, and had an extraordinary impact on the lives of their friends in the Aspire Program. We trust that this report will provide you with insight into their journey so far, and thank you again for your investment in this program.

Kind regards,



Michael Lynch
Executive Director, Impact Investing
Social Ventures Australia



Elyse Sainty
Director, Impact Investing
Social Ventures Australia



We know that homeless people face many barriers in their lives - and that is reflected in their higher use of hospitals, interactions with the justice system, and greater need for emergency accommodation, compared to the rest of the population. Aspire helps the most vulnerable in our community with wrap-around supports to help them lead better lives.

Hon Michelle Lensink MLC,
South Australia Minister for Human Services

Aspire SIB Overview

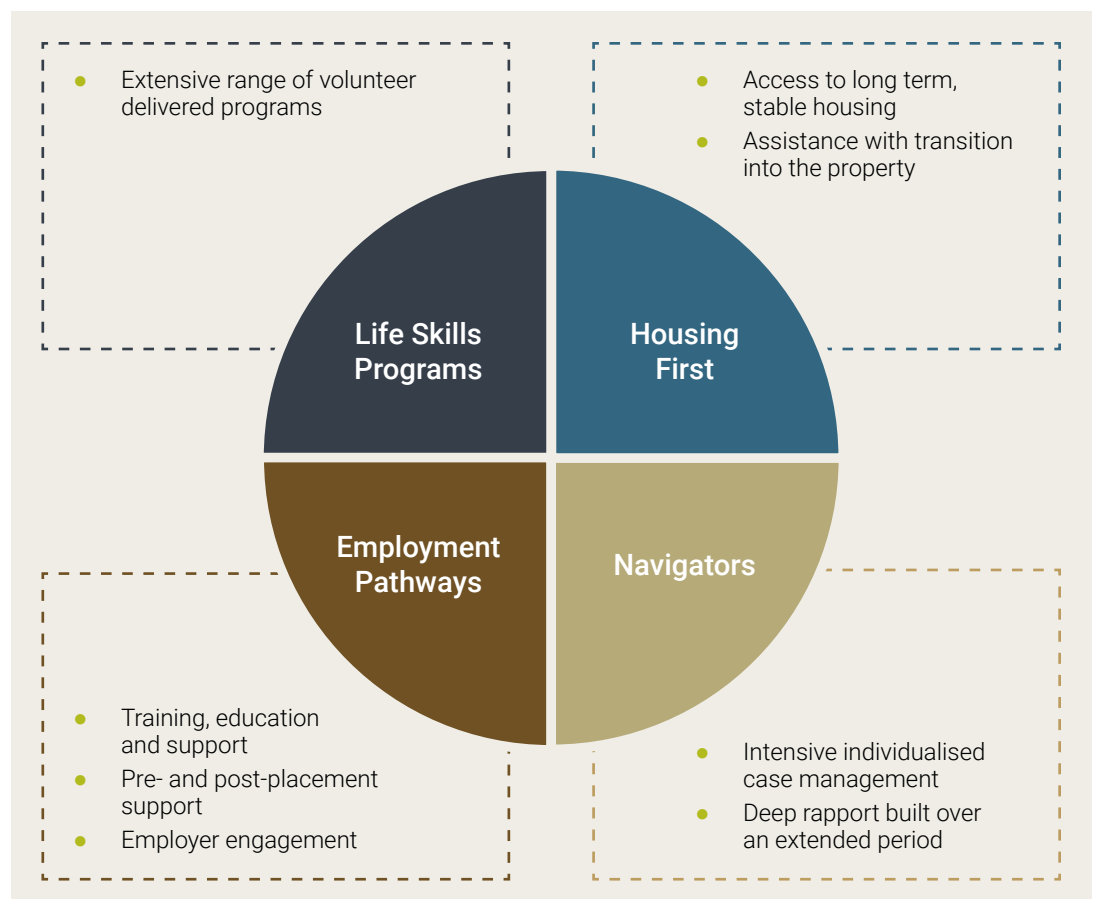
The Aspire SIB funds the delivery of the Aspire Program in Adelaide, which is delivered by Hutt St Centre, a homelessness services specialist, in partnership with community housing providers. The Aspire SIB has a term of 7.75 years and utilises \$9 million of investor capital.

Aspire Program

The Aspire Program is based on the 'housing first' intervention model and has been designed to focus on strengthening community engagement and employment participation. Under the Aspire service model, participants are provided stable accommodation, job readiness training, pathways to employment and life skills development. Importantly, they also have the long-term support of a dedicated 'Navigator' to help them connect with wider support services and identify and achieve their aspirations.

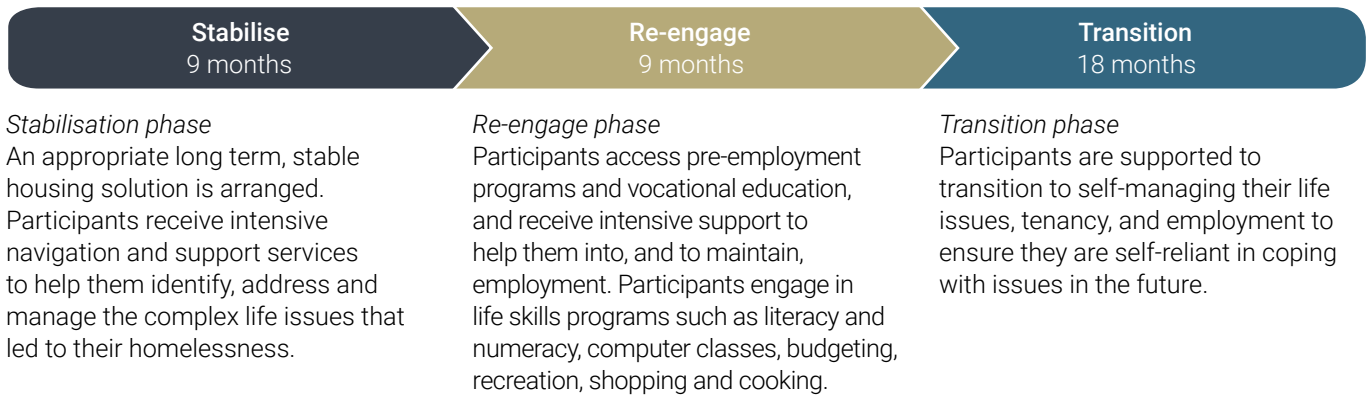
Program Elements

Figure 1 Aspire Program elements



The Aspire Program is designed as a three-year program with tiered intensity of support. Each individual's journey will be unique, and the level of support will be adjusted to reflect their strengths and needs. On average, the phases of the Aspire Program are as follows:

Figure 2 Aspire Program phases



SIB structure

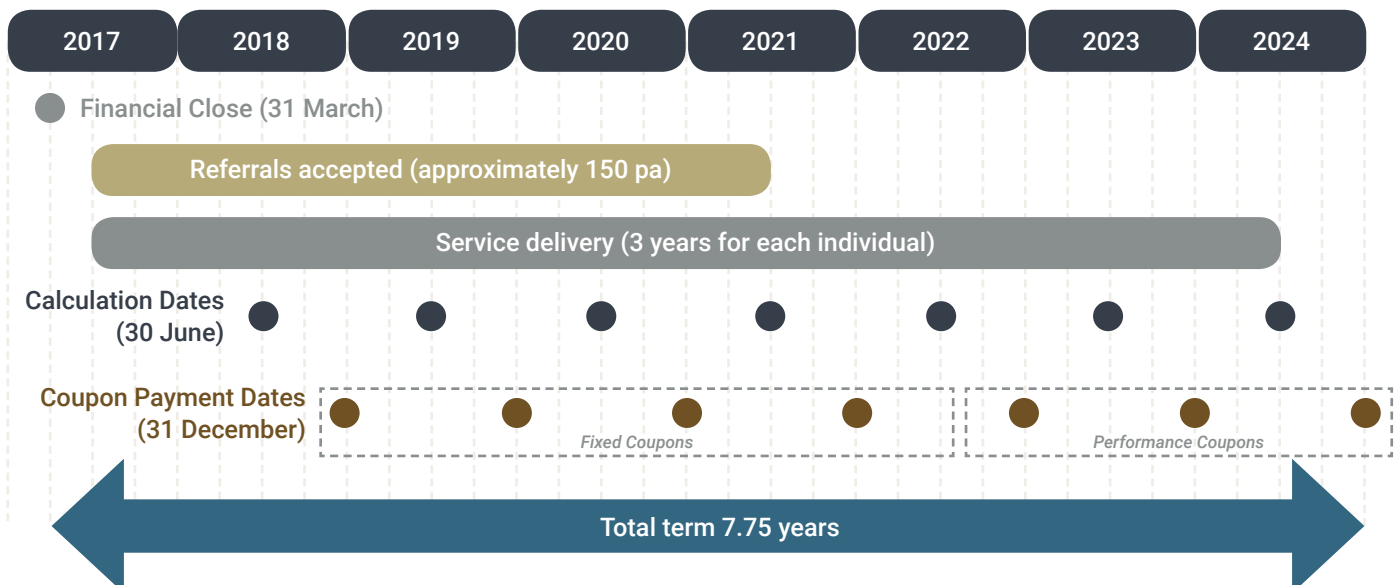
The Aspire SIB is underpinned by an outcomes-based contract between the South Australian Government and the Aspire SIB Trust. Payments will be made by the South Australian Government based on the savings generated as a result of the program. These savings are determined by measuring the reduction in participants' utilisation of Government services relative to a historical baseline. Specifically, outcome payments are made based on the reduction in the number of hospital bed days, convictions, and short-term or emergency accommodation support periods.

The level of these payments from the South Australian Government will in turn be reflected in the investment returns generated by the Aspire SIB.

Investor returns

Investors will receive a 2% per annum Fixed Coupon Payment over the first 4.75 years of the bond, and Performance Coupon Payments linked to program performance at the end of the final three years. Performance Coupon Payments and Redemptions are determined by the balance of Trust Assets, and are thus directly linked to the performance of the Aspire Program. Under the Target performance scenario¹ investors would receive an overall return of approximately 8.5% per annum.

Figure 3 Aspire SIB timeline



1. As set out in the [Aspire SIB Information Memorandum](#) dated 1 February 2017

Program Update

Program establishment

The Aspire Program formally commenced at the end of March 2017. Since that time, Hutt St Centre has built a team of 17 people from a mixture of existing staff members and new recruits.

The team moved into new premises dedicated to supporting Aspire participants which is located close to, but independent from, the main Hutt St Centre site.

A new client management system was rolled out to assist with data collection, management and reporting. The system is managed by a dedicated data analyst and provides an opportunity for both participants and staff to record satisfaction and outcomes across multiple life domains. The strong focus on measurement has provided valuable insight into progress, potential challenges and how the Aspire Program can evolve over time to meet the desired target outcomes.

As the Aspire Program celebrates its first year of service delivery, there is an increased focus on employment and education, with some participants moving into the Re-engage Phase of the Aspire Program. Over the year, just under one-third of Aspire participants engaged in work or education.

Hutt St Centre was a finalist in all three award categories in the 2018 Social Impact Measurement Network of Australia (SIMNA) Awards.

The SIMNA Awards are a national celebration of those growing and shaping the practice of social impact measurement in Australia. The Aspire Program was awarded runner up in the category 'Excellence in Social Impact Measurement'.

"We are proud to receive this award for our work to end homelessness for each person who walks through our doors, with care and without judgement."

Ian Cox,
CEO - Hutt St Centre



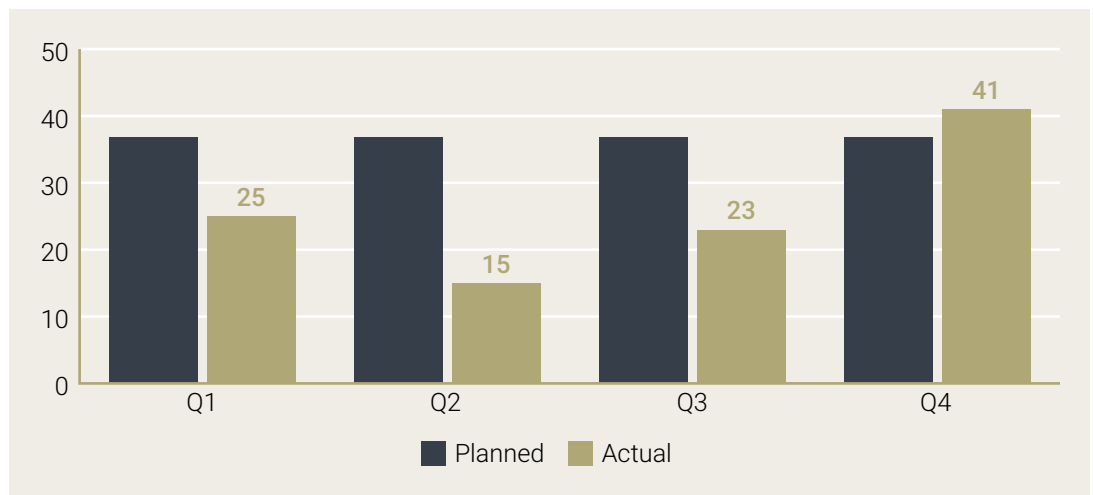
Referrals and enrolments

During the first year of service delivery, 195 referrals were made to Aspire and **104 individuals were enrolled** in the Intervention Group. 18 separate agencies made referrals over the year, including homeless service providers, housing providers, hospitals, prisons and domestic violence services.

The most common reason for a referral not converting to an enrolment was participant ineligibility; Hutt St Centre has worked closely with referral partners to ensure they understand the Aspire eligibility criteria.

The number of people enrolled into the program is lower than the 150 planned, as illustrated in the chart below.

Figure 4 Planned and Actual Enrolments by Quarter



The lower than expected enrolments into the program is due to a number of factors:

- As described further below, participant engagement has been stronger than expected, leading to a lower level of 'vacancies' in Navigator case-loads.
- A higher than expected level of complexity in participants' presenting issues, with mental health issues in particular requiring significant Navigator support. Hutt St Centre is exploring options to augment the Navigator role with specialist mental health support.
- Constrained housing availability, as further described below.

A key factor in the determination of outcomes is the aggregate amount of time participants spend on the program, and gradually building enrolment numbers is an important focus for Hutt St Centre.

"I was feeling very suicidal, I had no will to live. I had no reason to want to gain a new life. I've gone through a couple of deaths in my family, lost my kid, I had a lot. Sleeping rough is the most unco, unnatural feeling, I don't wish it on anybody. Your body shakes to the point that your bones ache and there's nothing you can do to make it better. When I went into Hutt St I was looking for any sort of help, hoping for a future and a start for a new life."

Aspire participant Scott² was referred to the Aspire Program while he was living in a dangerous situation. He was surrounded by drug users, but he maintained his will not to use. Aspire secured a flat for Scott soon after and since then he has completed training and has been working.

2. The actual names of Aspire participants have been changed to respect their privacy.

Participant engagement rates

Of the 104 people enrolled into Aspire, 100 were still actively participating in the program at 30 June 2018, in line with the plan. This represents a **4% disengagement rate**, which is considerably lower than the forecast rate of 33%. This suggests that participants are engaging well with the various program elements, and in particular points to the strong rapport being established with the Navigators.

It is expected that disengagement rates will trend higher over time.

Housing placements

Over the year, nine different housing providers offered properties to the Aspire Program, with Unity Housing and SA Housing Authority providing the largest number of properties.

The number of housing offers made has been broadly commensurate with the number of participants, however the conversion of offers to tenancies over the year was 52%, causing a shortfall in housing supply. The low conversion rate is a result of housing offers being made with one or more restrictions, which favour tenants with more stable rental histories or lower case complexity than that typical of Aspire participants. Hutt St Centre are continuing to work closely with housing agencies to unlock housing offers and address the issue of restrictions.

As at June 30, of the **44 tenancies** entered into by Aspire participants all but one had been retained, with no formalised processes or issues such as unpaid rent or neighbour complaints.

Profile of Aspire participants

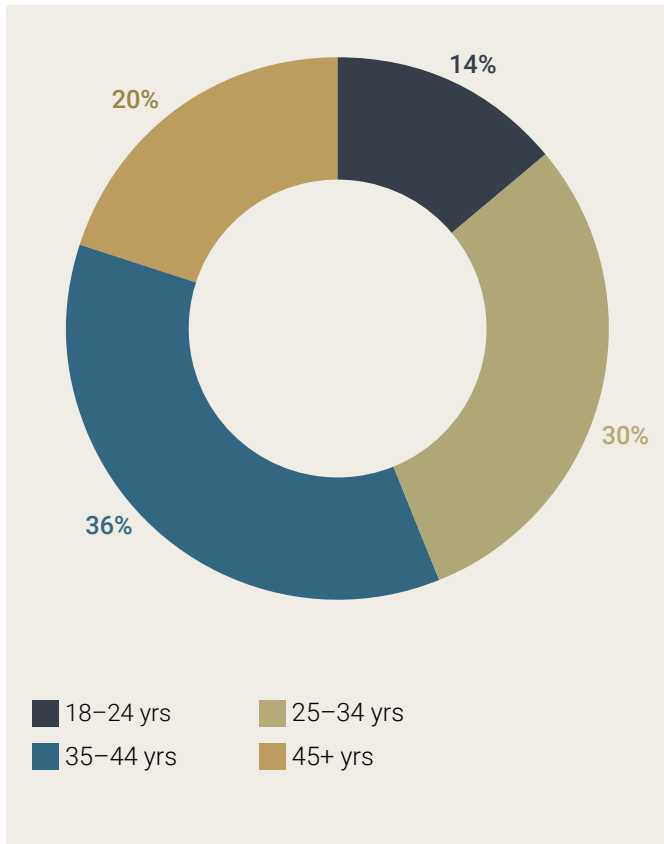
Individuals entering the Aspire Program have presented with varied and complex backgrounds including mental health issues, alcohol and drug usage and difficulty accessing stable accommodation and employment. According to data collected by Hutt St Centre from participants:

- 63% of the cohort are male
- 9% are of Aboriginal or Torres Strait Islander descent
- 9% have a guardianship history
- 57% misuse drugs often or always
- 35% have been attacked since becoming homeless
- 60% do not have any meaningful activities in their life aside from surviving day to day

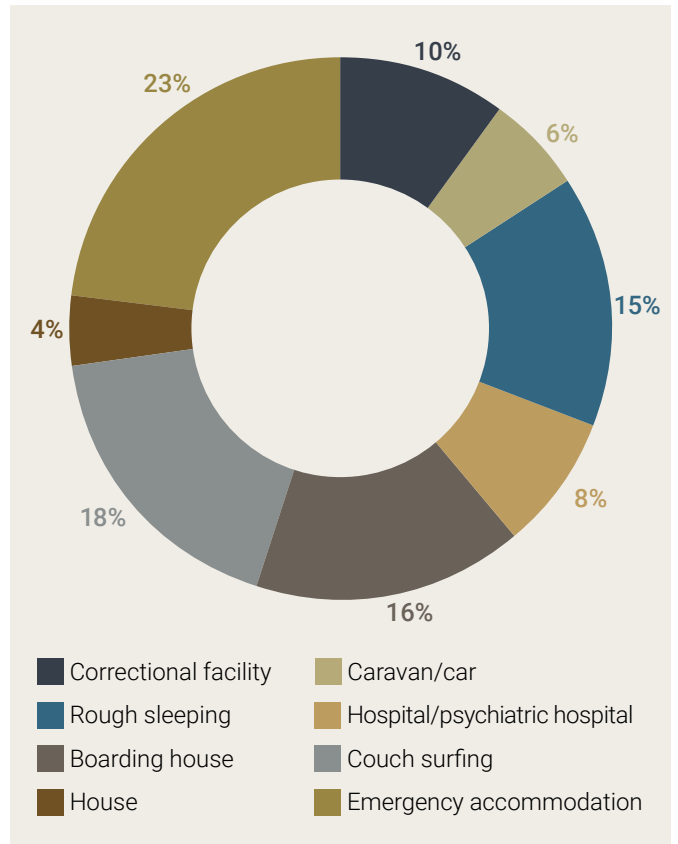


The charts below illustrate the characteristics of Aspire participants on entry to the program.³

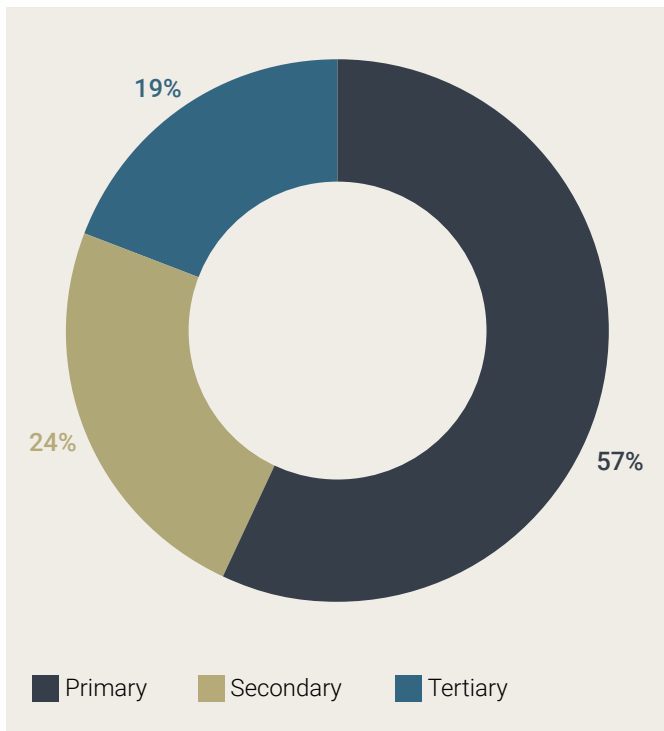
Age



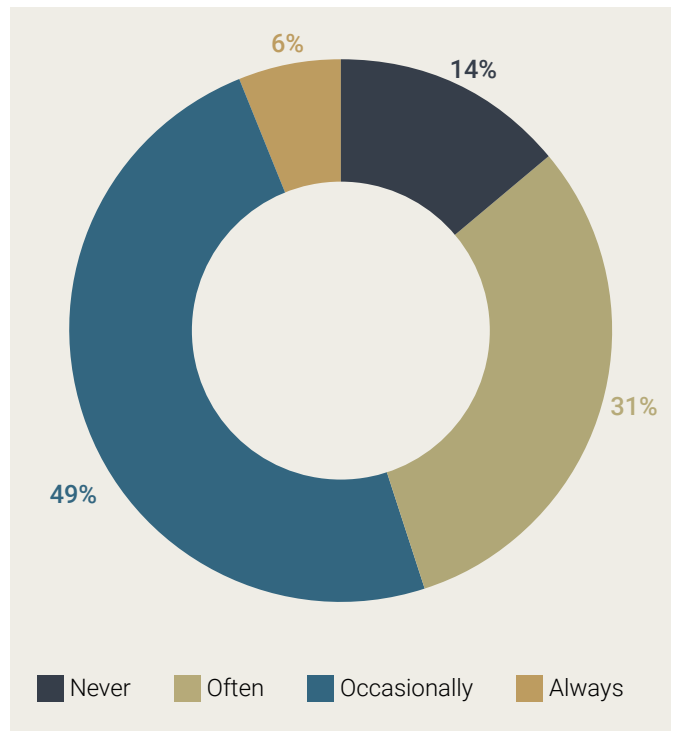
Accommodation Type



Highest Level of Education



History of Employment



3. Source: Hutt St Centre (reported by clients).



Case study: Alex's story

When Alex was referred to the Aspire Program, he was living in a caravan park. The arrangement was expensive and not a long-term option. Aspire was able to secure a medium-term property for Alex which suited his current situation.

It was a very positive step for Alex to move in before Christmas and start making a home. Alex's stability then enabled him and his Navigator to start working on a backlog of issues that had built up due to his situation. These included his physical health issues, mental health issues and fines. The Navigator advocated for Alex to get his significant fine load reduced by nearly half. Alex worked hand in hand with his Navigator on assembling the information needed: the result was a giant weight off his mind and has been a great step towards getting his life in order. He has organised an affordable payment plan to keep reducing his debt and has been connected to appropriate health professionals.

The Aspire team worked with Alex to investigate employment and training options. Alex completed a short-term Job Ready funded cleaning course and he was very impressed to say, 'a day after I finished the course I had a job!', employment that he has since maintained.

Long term, Alex will work with the Engagement Navigator on future plans. He wants to undertake further study in Public Relations (sports) and/or sports psychology, and to explore the potential to expand on his mechanical qualifications and motor sports contacts, skills and knowledge.

Outcomes

The outcome data set out in this section is drawn from Deloitte’s certification report for the 30 June 2018 Calculation Date.

Service Utilisation Rate

The metrics used to determine the outcomes generated by the Aspire Program are:

- The number of days spent as an admitted hospital patient;
- The number of convictions⁴; and
- The number of short term/emergency accommodation support periods.

The targeted reduction in the number of hospital bed days and convictions is 15%, and the targeted reduction in accommodation periods is 50%, compared to the counterfactual⁵ service utilisation rate for each metric.

The table below sets out the counterfactual and recorded rate of service utilisation for each metric over the first year of the Aspire Program, and the percentage reduction achieved.

Table 1 Service Utilisation Rates

| Outcome metric | Counter-factual Rate Per Person | Recorded Rate Per Person ⁶ | Target Reduction | Actual Reduction |
|------------------------------|---------------------------------|---------------------------------------|------------------|------------------|
| Hospital bed days | 3.3 p.a. | 3.0 p.a. | 15% | 10% |
| Convictions | 1.3 p.a. | 1.0 p.a. | 15% | 22% |
| Accommodation periods | 2.0 p.a. | 0.7 p.a. | 50% | 64% |

These results are encouraging, however it must be stressed that they are based upon relatively small numbers and the experience of a few individuals can have a disproportionate impact on the results. This has been observed in relation to hospital bed days, where a small number of individuals had extended hospital admissions.

Measurement Years

The avoided number of services for the Intervention Group is determined with reference to the total amount of time the group collectively spends on the program during the year.

The table below compares the targeted and actual Intervention Group size and the aggregate ‘Measurement Years’ recorded.

Table 2 Measurement Years

| | Target | Actual | Variance |
|--|------------|------------|----------|
| Intervention Group size | 150 | 104 | -31% |
| Average years on the program per person | 0.5 years | 0.4 years | -19% |
| Aggregate Measurement Years | 75.0 years | 42.2 years | -44% |

4. The number of convictions is derived from the number of offences over the year and a prior year conviction rate.

5. The ‘counterfactual’ is the estimate of what would have happened in the absence of the program.

6. Source: South Australian Government data (supplied by the Department for Health and Wellbeing, South Australian Housing Authority, and South Australia Police).

The lower than expected number of Year 1 enrolments coupled with the fact that, on average, individuals were enrolled later than half way through the year, has led to a lower than planned level of Measurement Years.

Avoided Services

Taken together, the reduction in the rate of service utilisation per annum and the aggregate number of years measured produce the number of avoided services.

$$\text{Avoided Services} = (\text{Counterfactual Rate} - \text{Recorded Rate}) \times \text{Measurement Years}$$

Table 3 Avoided Services

| Outcome metric | Target Avoided Services | Actual Avoided Services | Variance |
|-----------------------|-------------------------|-------------------------|----------|
| Hospital bed days | 37 | 14 | -61% |
| Convictions | 15 | 12 | -16% |
| Accommodation periods | 75 | 54 | -27% |

It must again be stressed that these results relate to a small cohort.

Wellbeing outcomes

In addition to the specific metrics used to determine outcome payments, the Aspire Program undertakes an Outcome Rating Scale (ORS) and Session Rating Scale (SRS) assessment with each participant on a quarterly basis. ORS is designed to assess how a participant is feeling about themselves; individually, interpersonally, socially and overall. SRS is designed to assess how a participant is feeling with regard to the service they are receiving from Aspire.

On average, participants reported an overall 15% increase in general wellbeing and self-perception in their three months of being in the Aspire Program.

"I was introduced to Aspire in one of the most difficult periods of my life where I felt I had nowhere else to turn and no other options. I felt that I was listened to and treated with dignity and respect. It gave me hope for the future.

Through Aspire I was able to secure safe and sustainable accommodation for myself and two young children which was my main concern. My case worker was readily available and has helped to provide me with the resources I needed to begin to get my life back on track. Through Aspire I have recently gained meaningful employment to gradually assist me in re-entering the workforce."

Aspire participant

Financial report

Coupon payment

The first Fixed Coupon Payment will be paid to investors on or around 31 December 2018.

The Fixed Coupon rate is 2% per annum, and the first Fixed Coupon Payment will reflect the time since each Tranche of Notes was issued, in accordance with the following formula:

$$\begin{aligned} \text{First Fixed Coupon Payment} &= \text{Note Value} \times 2.00\% \times (N1 + N2) / (365 \times 2) \\ &= \text{Note Value} \times 2.00\% \times (640 + 276) / 730 \\ &= \text{Note Value} \times 2.5096\% \end{aligned}$$

Where:

- Note Value is the number of Notes multiplied by \$100 (the note issue price).
- N1 is the number of days elapsed from (and including) the issue date for the Tranche 1 Notes (being 31 March 2017) to 31 December 2018.
- N2 is the number of days elapsed from (and including) the issue date for the Tranche 2 Notes (being 30 March 2018) to 31 December 2018.





Trust Assets and Cashflow

Performance coupons in 2021-2024 and redemption payments are linked to the value of assets in the trust.

For the period from the commencement of the SIB to 30 June 2018, cashflows to and from the Aspire SIB Trust were as follows:

Table 4 Aspire SIB Trust cashflows to 30 June 2018 relative to Target performance scenario

| \$m | Target | Actual | Variance |
|---|--------------|--------------|---------------|
| 1. Note subscription amounts | 9.00 | 9.00 | - |
| 2. Government payments⁷ | 2.40 | 2.40 | - |
| 3. Interest on cash⁸ | 0.14 | 0.24 | 0.10 |
| Total Inflows | 11.54 | 11.64 | 0.10 |
| 4. Payments to Hutt St Centre | 1.57 | 1.50 | (0.07) |
| 5. Establishment costs | 0.27 | 0.27 | - |
| 6. Management fees | 0.16 | 0.16 | - |
| 7. Coupons | - | - | - |
| Total Outflows⁹ | 2.00 | 1.93 | (0.07) |
| Closing Trust Assets | 9.54 | 9.71 | 0.17 |

7. Government payments to date are 'standing charge' or fixed amounts

8. Includes interest accrued on term deposits totalling \$0.05m

9. Excludes GST payments yet to be claimed totalling \$0.07m

Disclaimer and confidentiality

This document has been prepared by Social Ventures Australia (ACN 100 487 572), (SVA) as the Manager of the Aspire SIB Trust. Please refer to the Information Memorandum, SIB Deed Poll and Purchase Deed for the Aspire Social Impact Bond dated 1 February 2017 for information on structure and terms. The information contained herein should be considered as indicative and does not purport to contain all the information that any recipient may desire. SVA does not provide financial advice and recipients should seek independent financial advice. Further, statements in this report are not intended to be tax advice and investors should consult a professional tax adviser, if necessary, for tax advice required in connection with completion of tax returns.

Investors should note that past performance of the Aspire Program should not be treated as an indication of future performance. This document and all the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of SVA Nominees Pty Ltd (ACN 616 235 753) in its capacity as trustee of the Aspire SIB Trust.

Photographs

Front cover: Hutt St Centre staff member. Photo: Hutt St Centre.
Page 6: Hutt St Centre staff. Photo: Hutt St Centre.
Page 8: Aspire program participant. Photo: Hutt St Centre.
Page 10: Hutt St Centre staff and clients. Photo: True Pictures.
Page 13, 14: Hutt St Centre staff. Photo: Hutt St Centre.

Social Ventures Australia
Brisbane | Melbourne | Perth | Sydney | ABN 94 100 487 572 | AFSL 428 865
aspresib@socialventures.com.au | socialventures.com.au | @Social_Ventures

