GRAYSIDE
FINANCIAL SERVICES

Grayside's SRI / Ethical Newsletter

Welcome to the current six-monthly newsletter.

With all the current confusion around Brexit it's no surprise that markets have been affected.

In times like these however it's important to listen beyond all of the market noise towards the long term market drivers. The recent announcements at COP 24 in Poland have underlined once again the paramount importance of a sustainable economy.

This can only be good news for well managed investments that recognise the financial implications of respecting the social and physical environment we live in.

This edition includes:

- Update on our SRI Portfolios
- News
- Spotlight on Stocks – Case studies on what's under the bonnet of funds in our portfolios

Our SRI newsletter is edited by Richard Essex, one of Grayside's financial advisers and an Ethical investment specialist. He is also a member of the Ethical Investment Association, and the UK Sustainable Finance Association.

The value of investments can fall as well as rise. What you get back is not guaranteed. Past performance is no guarantee of future returns.

Grayside Limited is authorised and regulated by the Financial Conduct Authority.

Update on SRI Portfolios

Our SRI portfolios have continued to perform robustly over 1and 3 years to the end of 30th September 2018, the gross investment returns have been as follows;

Portfolio	1 Year	3 Years
SRI Cautious	1.70%	19.65%
SRI Balanced	3.72%	25.97%
SRI Progressive	4.49%	34.74%

* Gross Investment Return is before charges are taken.

eQ investors

You may remember from the last newsletter we have introduced some new Impact Portfolios with a discretionary fund manager called EQ Investors. These are designed to create a positive impact, alongside a financial return, in line with the Sustainable Development Goals set by the UN in 2015.

Here are performance figures from 2 of their portfolios ending 31 October 2018

Portfolio	1 Year	3 Years
Positive Impact 4 Cautious	-1.47%	16.50%
Positive Impact 6 Balanced	-1.83%	21.81%

* It's worth qualifying the above figures by saying that these have allowed for on-going charges to be deducted, which make them more comparable with our other portfolios.

Please also note that the Positive Impact 4 fund sits somewhere between our own SRI cautious portfolio and balanced portfolio whilst the Positive Impact 6 fund sits between the SRI Balanced and Progressive.

News and Developments

The 2018 United Nations Climate Change Conference is the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (**COP24**), also known as the Katowice Climate Change Conference, has just taken place in Katowice, Poland. Here is a summary of the main points.

Countries settled on most of the tricky elements of the **“rulebook**” for putting the **2015 Paris agreement** into practice. This includes how governments will measure, report on and verify their emissions-cutting efforts, a key element because it ensures all countries are held to proper standards and will find it harder to wriggle out of their commitments.

The majority of participants agreed with **The IPCC** (The Intergovernmental Panel on Climate Change) warning, that allowing warming to reach **1.5°C** above pre-industrial levels would have grave consequences, including the die-off of coral reefs and devastation of many species.

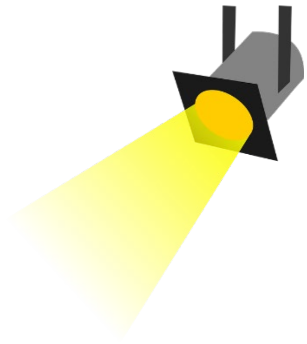
To be specific the **EU**, a handful of other developed countries and **scores** of **developing nations** including the poorest and most vulnerable affirmed that they would strive to meet the IPCC’s advice on limiting warming to no more than 1.5°C.

There is however still some resistance to a more radical transformation. For example The US, Russia, Saudi Arabia and Kuwait joined forces to prevent the conference fully embracing the IPCC’s findings, watering down a statement to a weak commendation of the timing of the scientists’ report. Australia joined with the US in a celebration of coal, and Brazil signaled its climate scepticism under Jair Bolsonaro by withdrawing its offer to host next year’s talks.

What happens next?

The UN will meet again next year in Chile to thrash out the final elements of the Paris rulebook and begin work on future emissions targets. But the crunch conference will come in 2020, when countries must meet the deadline for their current emissions commitments and produce new targets for 2030 and beyond that go further towards meeting scientific advice.

That conference may be held in the UK or Italy, both of which have bid to be hosts. The UK’s intention in offering to host is to signal it will retain its role on the world stage after Brexit.



Spotlight on Stocks

For this edition we are featuring 3 new case studies from 3 new funds that are appearing in our portfolios.

Smurfit Kappa

As much plastic was produced between 2000 and 2015 as during all years before that. Of all plastics around 40% is used in packaging and of that only 14% is recycled.

Smurfit Kappa is a world leading producer of paper-based packaging, such as corrugated cardboard, solid board and folding carton, which offer a genuine sustainable and recyclable alternative to plastics. Making packaging more sustainable is increasingly important as e-commerce continually drives demand. Smurfit is a holding in the **Pictet Environmental Opportunities Fund**. This features in both our Balanced and Progressive Portfolios.

The company provides recycling solutions and owns over 100k hectares of forest globally which gives it an excellent carbon footprint as the forests absorb more carbon than the firm's activity produces. Smurfit Kappa designs and delivers cost effective packaging solutions for its customers by preventing waste of packaged products, by optimizing material usage and by reducing transport trips through appropriate packaging design.

Marshalls

Creating Better Landscapes

It is the UK's leading hard landscaping manufacturer and has been supplying product to the construction, home improvement and landscape markets since 1890, and a FTSE 250 company. Marshalls is a clear market leader with high barriers to entry and has an experienced management team which are executing a strategy focused on driving growth and improving business efficiencies in tandem. It employs over 2600 people all in the U.K (as at the latest annual report) and created 50 new apprenticeships in 2017. They currently have 13 manufacturing sites following the latest acquisition.

As well as exceptional customer service, technical innovation and manufacturing expertise, it continues to be widely regarded as a leader in its field regarding Corporate Responsibility and Sustainable business practices, which are key elements of the Marshalls culture. This is clearly demonstrated by the accreditations the company has received and the commitments set out by the Board to continuously improve the company's ESG credentials. For example, Marshalls was the first company in the sector to be awarded a Fair Tax Mark accreditation which is given to businesses who display a transparency in their tax affairs. Supply chain relationships include the ethical sourcing of natural stone from India, China and Vietnam as well as extensive reserves of UK natural stone.

Marshalls is awarded a Green Flag and a score of 10/10 by MSCI for its ESG practises and is ranked top quartile in the context of global construction materials peers. Marshalls is a holding in the **Unicorn UK Ethical Income Fund.** This is also now featuring in both Balanced and Progressive Portfolios.

a2dominion

A2 Dominion is a stock held in the Edentree Amity Short Dated Bond fund, which features in all 3 of our portfolios. A2 develops affordable, private & social rented homes, in addition to supported housing across London and the south east. With house price to median income ratios having almost doubled over the last 20 years, the challenges faced in the provision of affordable dwellings, particularly in cities, have increased. Looking ahead, it is apparent that a substantial amount of investment, beyond public expenditure and policy, is required for the housing sector to evolve in a manner that is both sustainable and inclusive.

A2 Dominion is a profitable business that deploys its surpluses in furthering its commitment to social housing and is in a prime position to tackle this pertinent issue. With the proceeds of its 4.75% 2022 bond going towards generating a commercial return for reinvestment in social purposes therefore, A2 Dominion is a clear example of how EdenTree seeks to implement its profits with principles investment approach.'