GRAYSIDE
FINANCIAL SERVICES

Grayside's SRI / Ethical Newsletter

August 2020

Welcome to the current six-monthly newsletter.

Unfortunately for various reasons we missed the last newsletter but intend to continue on a six-monthly basis.

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.

Update on SRI Portfolios

Our SRI portfolios together with the EQ funds (our other proposition) have continued to perform robustly despite the disruption to the markets caused by the current COVID crisis;

Here are the Cumulative Returns for the last year and 3 years as a %

Grayside SRI Model Portfolios

Portfolio	1 Year	3 Years
SRI Cautious	2.33%	6.04%
SRI Balanced	2.05%	5.96%
SRI Progressive	2.18%	8.61%

* **Net** Investment Return after **all** charges are taken up to 6th August 2020
(Including adviser charges)
Source Narrate Report from Nucleus Platform

EQ investors Positive Impact Portfolios

Portfolio	1 Year	3 Years
Positive Impact 4 Cautious	4.68%	12.7%
Positive Impact 6 Balanced	5.94%	16.97%

* **Net** Investment Return after charges (**not** including adviser charges)
taken up to 30th June 2020
Source EQ June Factsheet

Please also note that the Positive Impact 4 fund sits somewhere between our own SRI cautious portfolio and balanced portfolio whilst the PI is more in line with our SRI Progressive portfolio.

News and Developments

COVID has exposed the need for Sustainable Growth even more.

While the pandemic has been distressing in many ways it has also offered some un-sung benefits to many people. Because of the more restricted social activity many more people have been encouraged to explore local green spaces and value the countryside and communities that are on their doorstep. Similarly working from home has made people evaluate their work-life balance, whilst being aware of the resulting reduced carbon footprint.

Evidence to support this has come from findings from the Climate Assembly UK, a group of 108 members of the public chosen, by Central Government to be representative of the UK population and to help shape future climate policy by discussing options to reach net zero carbon emissions, in line with the government's 2050 target.

Nearly eight in ten of the members said the measures taken by the government to help the economic recovery from Covid-19 should be designed to help reach net zero and an even bigger proportion – 93% – said that, as the lockdown eased, the government and employers should encourage lifestyle changes to cut emissions.

In addition, more sustainable consumption was very much on the rise before the lockdown, but the evidence is suggesting that these trends will not decline. The Telegraph highlight some of the these trends in their Article of the 5th of August, in which they point to the significant uplift in searches for vegan food and sustainable retail.

This can only be good news for sustainable investment. In a recent Bulletin from business analysts PWC, they claim 'the collapse in global economic activity has brought greater credibility to the 'disorderly transition' climate scenarios that regulators and industry have been considering. For example, they cite 'The sharp downturn in demand for energy could accelerate the devaluation of certain assets and heighten the risk of them becoming stranded assets. While this issue has already been identified, the COVID-19 crisis could accelerate change, posing significant risks to balance sheets.

The measuring of ESG (Environmental, Social and Governance) factors has never been more important for helping to measure financial risk.

On a more positive note they also foresee a more sustainable approach being vital for boosting the economy. They argue 'The renewed importance placed on sustainability is likely to influence the nature of any future economic recovery'. This they made clear to the UK Government when they, as part of 200 businesses, wrote to the Prime Minister demanding that any recovery must create a more resilient economy that has low carbon and environmental protection as its core.

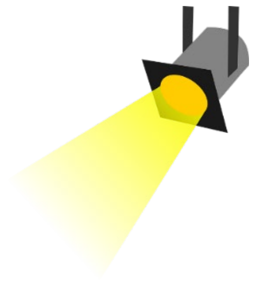
EQ Future Leaders Portfolio - Pioneer in Passive ESG

EQ have just launched their **Future Leaders Portfolio,** which adds a further arm to our SRI proposition.

Rather than investing in individual companies the constituent funds invest in market indecies, A market index would consist of all the companies meeting particular criteria in a certain market. In this case the indicies are constructed through the achievement of good ESG (Environmental, Social, Governance)scores. EQ then pool a number of these funds together in a portfolio which they manage on a daily basis.

As indicated above, there is really strong evidence out there that focussing on ESG improves growth prospects.

This is one of the first Passive retail offerings of its kind and offers a more cost-effective way into SRI investment. However, despite not having discretion over which individual companies to invest in EQ certainly do not take a passive approach themselves. They engage regularly with the various fund managers to improve the quality of their screening process and engagement policies. EQ also intend to track the carbon footprint of the fund as well as align outcomes with the UN Sustainable Development Goals.



Spotlight on Stocks

For this addition I am featuring 3 case studies of stocks that appear in our portfolios, and which have been resilient in the face of the COVID pandemic we have faced.

Primary Health Properties

PHP is a company held within the **Unicorn UK Ethical Income fund**, which appears in both our SRI Balanced and SRI Progressive Portfolios.

The stock is typical as a medium sized company based in the UK providing resilient income and growth to investors. In 2019 the dividend per share was 5.6p (+ 3.7% from 2018)

PHP owns real estate property used for Primary Healthcare around the UK, usually GP surgeries. Because property is secured by covenant with the Government it offers a resilient return to investors, particularly in times like these.

It provides environmental impact via sustainable construction standards of their properties. As a minimum, new properties are required to achieve a recognised sustainable building certification standard, of at least BREEAM (Building Research Establishment Environmental Assessment Method) Very Good in the UK or nZEB (nearly Zero Energy Buildings) which typically corresponds to an A3 Building Energy Rating in Ireland, and requirements are in place for developers and contractors to ensure the implementation of responsible property development practices.

In addition, 100% of the newly completed assets delivered in 2019 held an EPC with a rating of B or better.

They will also continue to work with occupiers regarding their ongoing environmental responsibilities and developers to integrate a range of sustainable features into new scheme including solar PVs, roof lights, electric vehicle recharge points, water conservation and ecology.

From a social aspect PHP are helping to make healthcare more accessible by locating good quality facilities nearer to the patients.

WoDS TRANSMISSION

WoDS Transmission plc manages and operates the transmission assets from West of Duddon Sands wind farm, which has been operational since 2014. The company is responsible for the safe management of the subsea cables, connectors and electricity converters that reach from the 182 wind turbines all the way to an offshore substation, where it connects to infrastructure owned by the National Grid.

The holding is invested in via the **Rathbone Ethical Bond Fund**, which appears in all our SRI Portfolios as well as the EQ Models.

Interestingly, the income to the company is unrelated to the actual generated electricity as it's based on a long-term fixed contract linked to inflation, which is tightly regulated. Thus, WoDS transmission presents a low-risk fixed income investment opportunity while also playing a vital part in upholding critical infrastructure in bringing green electricity to the UK's grid. It also helps contribute to UN SDG goal 7.

signify

Signify is the world leader in lighting solutions and owned by the **Impax Environmental Market Fund,** which appears in the EQ Models.

On the simplest level, signify provides more energy efficient lighting technologies, such as connected LEDs, which are up to 80% more energy efficient when compared to the conventional technologies that they replace. Signify's new business model 'light as a service' is emerging – which means city councils or business owners no longer own the devices but Signify does, providing full servicing and updating. Keeping the lighting solutions within the company's responsibility remit helps to prevent these from landing in landfill, and instead enables the sustainable circular re-use of resources by Signify. Uniquely, Signify's Research and Development is focused on innovating the simple light product into providing various other societal benefits. For example, it's UV-C lighting disinfects air and surfaces from bacteria. By turning light sources into data points, Signify's 'Li-Fi' solutions provide internet connections through lighting, eliminating the need for more physical infrastructure to connect places digitally.

Signify proved again to be resilient in these challenging times with LED sales at 80% of 2019 levels by end of Quarter 2 and with operational profitability lying at 9%