



Grayside's SRI / Ethical Newsletter

Welcome to our latest six monthly newsletter which we produce to highlight the advantages of investing ethically. This edition is dedicated to the social impacts addressed by responsible investing.

The economy is continuing to grow since the Brexit vote, but this growth is not equal across all areas of the country. The Manchester Institute of Innovation and Research discovered that while the UK is home to the richest region in Europe, 31 out of 40 UK regions have GDP below the EU28 average.

It is good to see that SRI funds, such as those in our portfolios, are addressing some of these social issues by building up the social infrastructure in some of the more deprived areas to help make society more equal.

This edition includes:

- Update on our SRI Portfolios
- News and Development items on Social Impact
- 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 also 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.

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Update on SRI Portfolios

Our SRI portfolios have continued to perform robustly. Over the 1 and 3 year periods to the end of September 2017, the gross investment returns* have been as follows:

Portfolio	1 yr	3 yr
SRI Cautious	5.17%	22.12%
SRI Balanced	8.15%	27.17%
SRI Progressive	10.21%	30.52%

* Gross Investment Return is before charges are taken.

News and Developments

Sustainable Development Goals – A framework for change?

The SDGs came into effect in January 2016 building on the successes of the Millennium Development Goals initiated by the United Nations. The Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 Goals, shown below, include new areas such as climate change, economic inequality, innovation, sustainable consumption, and peace and justice. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another. In other words social goals such as ‘zero hunger’ and ‘health and well-being’ will be related to providing a safer environment via goals such as clean water and climate change.



In practice The UN Development Programme is driving cooperation between Governments and Business with an aim of achieving the targets it has set for 2030.

There is progress. For example on goal 1, aimed at ending poverty, an estimated 767 million people lived below the extreme poverty line in 2013, down from 1.7 billion people in 1999. This represents a reduction in the global rate of extreme poverty from 28% in 1999 to 11% in 2013.

Whilst it is generally accepted that this is driven from Governments the corporate community have an important role to play and they are starting to get engaged. In a recent survey commissioned by PWC it was found that 92% of businesses were aware of SDG's and 71% had started plans on how they respond. A smaller number, however were actually incorporating these into their core business strategy.

There are equally signs however that tackling SDG's can be successful. Unilever, for instance, have said that their Sustainable Living Brands are growing 30% faster than the rest of its business.

The SDG's are also becoming a useful framework for Investment Companies. For example Standard Life has just launched impact funds linked to these goals.

Social Investment Tax Relief

With Government funding reducing for a number of social objectives in the UK we have seen the emergence of more social enterprises aimed at running a business whilst providing a specific social purpose. Social enterprises are distinct in that they recycle profits back into the community.

It's now possible to invest in these types of organisations with the added incentive of tax relief by way of SISR (Social Investment Tax Relief). This means individuals can invest in these ventures and deduct 30% of the cost of their investment from their income tax liability. The investment must be held for 3 years after which it will also be free of capital gains tax.

The advantage of these arrangements is that it can allow individuals to invest in particular social projects that are of personal interest.

An example would be the regional SISR funds offered by fund manager Resonance. They specialise in providing investments in a collection of social enterprises operating in particular regions of the UK, appealing specifically to those people who wish to place some investment in their own neighbourhoods. This would tend to apply to high net worth or sophisticated investors.

Spotlight on Stocks



London & Quadrant

One of the bonds held within the Royal London Ethical Bond Fund (found in all three of our portfolios) is with Housing Association 'London and Quadrant'.

L&Q are one of 4 investments this fund has in social housing which, because of a decline in Government grants over the last few years, is attracting more private investment.

L&Q is one of the UK's leading housing associations who now own or manage over 90,000 homes in the London and the South East. Their core business is to provide high quality affordable housing with an emphasis on improving the wider social infrastructure.

They offer a number of options including shared ownership and renting. With rents often being particularly punitive in the London area they offer an Intermediate market rent, designed to help working households who cannot yet afford to buy a home, who are unable to afford the cost of renting on the open market or cannot access social rented housing. This rent is typically 20% lower than normal market rents.

Just as importantly, however L&Q recognise that social support is often required to assist those more deprived areas. For example they offer the L&Q Foundation, which offers a number of supplementary services aimed at improving the tenant's quality of life.

In particular the combined employment support offer aims to get on average 1,000 residents a year into work or better work. The tenancy sustainment team will support vulnerable tenants across the group to keep their homes and live independently. This will involve the foundation intervening to support tenants that are living chaotic lifestyles, financially excluded, in debt or in financial crisis. Solutions will include quality debt advice from trained experts and credit unions who L&Q would work closely with.



A bond for the above is held by the Rathbone Ethical Bond Fund (again held by all three portfolios). This supports the social enterprise 'GLL' who provide leisure and other activities to all communities.

Running over 250 leisure centres their core business is providing access to healthy sporting activities for all parts of society. By offering discounts they are able to appeal to those lower income households and statistics show that they provide access to many. For example their centres provide swimming lessons for up to 100,000 children each week.

GLL also works directly with communities helping to fund and support specific projects aimed at improving the health and lifestyles of its participants. It is also involved in reaching out to communities to educate on healthy living and sporting opportunities.

Finally they have recently acquired public libraries, such as those recently acquired in Dudley in the West Midlands. Their aim is to improve the library experience for all by enhancing the traditional library resource while providing additional events to take place there.



The Rathbone Ethical Bond Fund currently invests in a three year fixed rate bond issued by Scope, the UK disability charity.

Scope offers a range of services including local disability advice and information lines, education and learning opportunities; after school schemes and home support; residential care; and employment and training.

Their reach is vital. Some of their current activities include the following;

- Their Helpline, which offers free impartial and expert information now provides support to over 20,000 people.
- They currently promote a foster care service focussing on disabled children who find it hard to find families.
- Their independent living accommodation scheme looks to place 18-25 year olds in properties and shared bungalows; their first one in Cardiff centre was a great success.

An example of a beneficiary of Scope of would be the Beaumont College, Lancaster.

This college offers the technology to help enable communication amongst physically disabled young adults. The college uses creative arts, dance and film-making to support the personal development of the 18-25 year olds who attend. The college work with partners such as the BBC and BT to support the students developmental needs.