



GRAYSIDE
FINANCIAL SERVICES



Grayside's SRI / Ethical Newsletter

Welcome to the current six-monthly newsletter.

There have been some encouraging signs recently regarding the development of sustainable finance.

The EU have taken some healthy initiatives, that hopefully we will still be very much part of, despite Brexit.

We also have a new SRI / sustainable investment offering in connection with wealth manager EQ Investors.

See below on News and Development.

This edition includes:

- Update on our SRI Portfolios
- News and Development items
- 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 1 and 3 years to the end of March 2018, the gross investment returns* have been as follows:

Portfolio	1 Year	3 Years
SRI Cautious	3.31%	14.44%
SRI Balanced	4.23%	17.67%
SRI Progressive	4.12%	19.98%

* Gross Investment Return is before charges are taken.

News and Developments

EU Action to Support Sustainable Finance

On the 24th May 2018 the European Commission delivered its first concrete actions to lead the financial sector to a greener and cleaner economy. This follows an 'Action Plan on Sustainable Finance' carried out by a high level executive group within the EU.

These are the key proposals;

- To include ESG (Environmental, Social, and Governance) as an obligatory part the advice process offered by advisers and wealth managers to individual clients. This is being offered via a European Directive.
- To harmonise criteria for assessing sustainable economic activity so investors can make better informed decisions on where to invest.
- To introduce greater clarity and consistency in how investment and asset managers integrate ESG into their investment making process.
- Low carbon benchmarks to established so that investors can start to compare the carbon footprints of funds as well as financial performance.

Despite the potential impact of Brexit there is a general belief that these proposals would continue to be progressed through UK Legislation. There certainly seems no reason why we wouldn't want to support such developments.

New Portfolio with investors

We have now added this to our existing suite of SRI investments

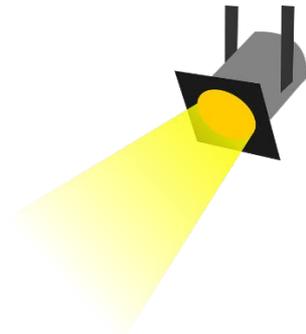
EQ Investors (EQ) is an award-winning, boutique wealth manager with over £700 million assets under management providing investment management services to individuals, small businesses and charitable endowments.

EQ Investors is a founding B Corporation in the UK. Certified B Corps believe in business as a force for good, and are actively helping to solve social and environmental problems through their day-to-day activities.

Established in 2012, the EQ Positive Impact Portfolios are designed to meet the growing investor appetite for an investment approach which not only delivers an attractive return but is also committed to making a positive contribution to society or the environment. In particular they are aligned closely to the Sustainable Development Goals set by the UN in 2015. In addition, they put a lot of emphasis on measuring the performance of these portfolios against

Like our existing portfolios the EQ's portfolios contain typically 15-20 impact funds, covering a range of styles, asset classes and fund management groups.

Again, like our existing SRI portfolios this can also be accessed via the Nucleus platform, or other platforms depending on your circumstances and needs.



Spotlight on Stocks



Union Pacific is a stock held by the fund management team at Quilter Cheviot, who manage the Old Mutual Equity Fund. This fits into their energy efficiency theme as they see transport efficiency being one of the most exciting growing segments within the energy efficiency sector, driven by the move away from road transport to rail and the growing adoption of low carbon-emission vehicles. Within this trend, Union Pacific stands out from the crowd. As one of the largest railroad operators in the US linking 23 states by transporting industrial goods and commodities from the West and Gulf Coasts, Union Pacific is well positioned to benefit from this modal shift. The company also connects with Canada's rail systems and it is the only railway serving all six major Mexico Gateways.

From an economic standpoint, rail freight is significantly cheaper than any other transport as well as more environmentally friendly. In the US alone, if just 10 percent of the long-haul freight currently moving on highways was diverted to rail, nearly 4 billion litres of fuel would be saved and greenhouse gas emissions would decrease by nearly 10 million tons. Union Pacific has committed to improve its own fuel efficiency by setting a target as early as 2011. This is just one of the initiatives that are being implemented to reduce its own carbon footprint, together with the deployment of smart electronics to assist the locomotive engineer to save fuel and improve safety and train scheduling.



Infineon is a stock held within the Jupiter Ecology Fund. They are a German semi-conductor manufacturer providing chips for auto-safety systems for cars. This is likely to be a growing area as the average value of semi-conductor material in an internal combustion car comes to £230 compared to a full electric vehicle that will require a value of around £700.

Infineon have been a leader in this regards with a strong management team and a strong track record for innovation. For example, in the area around power efficiency they introduced the 300mm 'Thin Wafer' in 2011 which lowered the cost per unit by 20-30% against the existing 200mm wafer.

All of this has contributed to strong financials including a 15% return on equity and 10% plus compound annual growth rate on revenues.



The Liontrust Sustainable Future Corporate Bond Fund has a holding with **Transport for London**. Transport for London is the means of implementing the London Mayor's Transport Strategy. It provides and operates a range of public transport, which is designed to keep London moving and being safer, modern and affordable for everyone. TfL's principal activity is to provide safe, integrated, efficient and economic transport facilities and services within Greater London.

They have a strong focus on sustainability, with the emphasis on improving the transportation network, through reducing traffic on the streets, improving the air quality and providing an accessible, affordable and safe transport network. TfL have introduced additional services such as the Night Tube demonstrating the willingness to listen to customer views.

Management clearly demonstrate the importance of the Environment in relation to their business and have published plans & guidelines on topics such as: Making London's air cleaner, Tackling climate change, Mayor's clean air action plan, Ultra low emission vehicles and Transport emissions roadmap.