



investors

Newsletter

Summer 2017

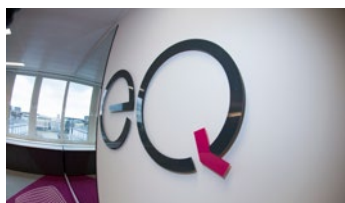
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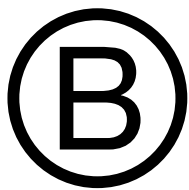


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Certified



Corporation®

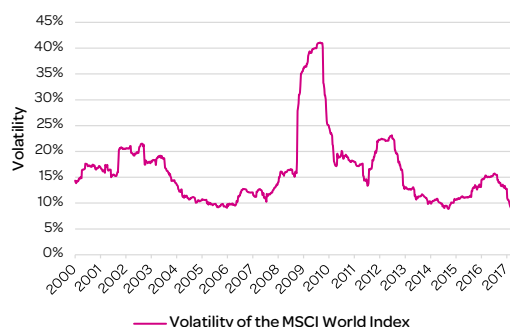
Beware the low volatility trap

Despite the relentless stream of shock events, financial markets have been exceptionally calm now for over a year. We usually measure this in terms of volatility and as you can see from the chart: it's been hitting record lows.

In times like this it is tempting to become complacent about risk. That seems to be the case with some investors: serial defaulter Argentina launched a 100 year bond which was four times over-subscribed; Snap had a highly successful IPO despite only offering shares with no voting rights.

However, we know that a setback will occur at some point and it might be even more bruising than normal. Global indebtedness (generally viewed as the cause of the 2008/9 meltdown) has never been higher. Therefore, we are sticking with our conservative positioning – it has been a bit of a drag on performance but despite that we have comfortably beaten our peers.

It's now three years since I agreed to acquire the business that has become EQ and in this issue we look back on some of the changes we've implemented. It's been an exciting time, during which we have welcomed hundreds of new clients and I hope they are happy with progress so far. However, we are not complacent, so we are working on new plans to enhance our services to you and hope to be able to reveal those in the autumn.



Volatility of the MSCI World Index

John Spiers

John Spiers
Chief Executive

EQ is one of the 1,000 fastest growing companies in Europe

The Financial Times' FT1000

Act 3: a great life after 50

EQ Seminar, 6pm on Wednesday 4 October 2017

EQ Investors are delighted to present an evening's exploration, hosted by professional coaches Judy and Adrian Reith.

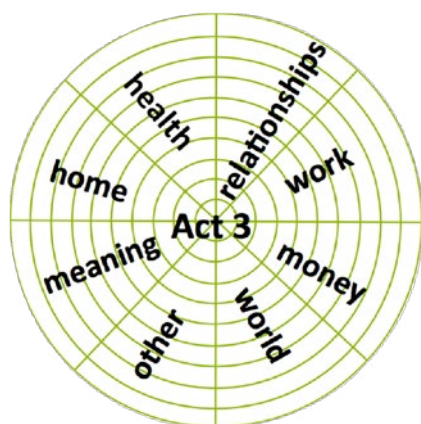
Are you getting to the time in your life where you're wondering...

“ I'm 50+ Now what? People around me are changing, kids are going or gone... Retirement feels unreal – yet, what do I want to do with the next 20 years? ”

We call this Act 3:

Our Third Act is the extra 20 or so years we are likely to have with better health, resources and expectations than our parents did. We're into new territory here.

This 90-minute session is about updating our mental software for this extra time... dealing with issues such as:



What you'll get

A chance to review the key issues that will transform this third stage of your life, while you've still got time! And some pointers, tools and tips on your first steps towards achieving those goals to make your Act 3 the best so far.

Register online:

To register for this free event please visit:

eq-investors-a-great-life-after-50.eventbrite.co.uk



Adrian and Judy Reith, founders of Act 3

EQ in the news

EQ is continuing to grow its media presence, with recent coverage including:

- **This is Money:** Jeannie Boyle explains the basics of inheritance tax in this Q&A for This is Money and MailOnline.
- **The Sunday Times:** With interest in ethical investing growing, the EQ Positive Impact Portfolios are named as one of the options for investors looking to make a positive contribution with their money.
- **Pioneer Post:** Employee representation on company boards is just one way companies can behave better, writes EQ Chief Executive, John Spiers.
- **The Independent:** Mike Neumann, Head of Investment Management at EQ, urges investors to look beyond political events and avoid short term moves.
- **Daily Mail:** Sophie Muller, Head of Research at EQ, highlights a fund well positioned to capture the rising popularity of digital streaming services.
- **Destination Innovation:** Author and leading lateral thinker, Paul Sloane interviews John Spiers about his life, career and philanthropist activities.



New guide published: 10 tips for investing a windfall

Coming into money isn't something that happens often. But sometimes it isn't just a dream; you win the lottery, a wealthy aunt passes away, your bonus is larger than expected – or you earn some money from the sale of a company. Now what?

Before you commit yourself to spending, investing, giving gifts or even giving up your job, it makes sense to take some time to consider your financial situation and your options. Our latest guide offers some helpful tips on how to make your windfall work for you in the long run.

Download a copy from the EQ website:

eqinvestors.co.uk/blog/new-guide-on-investing-a-windfall/

Meet the EQ team

Josh Seager, Macro-economist & Investment analyst

What is your role at EQ?

My analysis helps us determine our asset allocation – the process by which we decide how much to invest in different markets, such as UK or US equities, bonds and commodities. I look at many different metrics, from valuations to economic data. I spend quite a lot of time looking at what has been predictive in the past, which helps us focus on important data for the future.

I also do economic and quantitative research. This could be on a wide range of themes such as the rebalancing of the Chinese economy, or the outlook for oil.

What's keeping you busy at the moment?

Unfortunately, politics. We generally try not to spend too much time on politics but they have been too significant to ignore of late. We're not in the business of predicting

elections but we are always on the lookout for opportunities arising from dislocations between investor expectations and reality.

What do you like doing in your spare time out of work?

After breaking my ankle last year I'm back to running and playing football. This takes up a fair bit of time as I play twice and run about 30 miles each week. I've been a season ticket holder at West Ham for nearly 20 years, and spend every other Saturday there with my dad. Despite a string of hammerings at home this season, I've renewed my ticket. As ever, I hope for a better season next year, but will probably be disappointed!



Congratulations for a double-award win

Dan Atkinson heads up the EQ paraplanning team, and picked up two industry awards last month: winning **Best Paraplanner** at the Money Marketing Awards and **Personality of the Year** at the Professional Paraplanner Awards. Nice work, Dan!



Are ethical investing and impact investing the same?

Damien Lardoux, Portfolio Manager

If you're new to impact investing, you might wonder what it means, and how it's different from ethical or social responsible investing (SRI). In a nutshell, impact investing is investing to solve social and environmental problems.



How is it different?

Ethical investing typically focuses on excluding controversial sectors, for example tobacco and firearms. By contrast, SRI selects companies for positive environmental, social and governance (ESG) performance relative to industry peers, irrespective of the impact of the product or services.

Impact investing goes a step further by identifying companies whose products and services are helping to tackle social and environmental problems. By tapping into a real need, providing a solution *and* generating a return to investors, impact investments are proving doubly attractive.

Where we look for impact

The United Nations' Sustainable Development Goals provide a good road map for identifying investments that can make an impact. Adopted in 2015 by all 193 member states, they contain specific targets to address issues like poverty, clean water, energy, gender inequality, health and education by 2030.

The full list of goals is reproduced below. The opportunities for companies that can help address them are huge.

At EQ Investors, we are fully supportive of this initiative. Through the EQ Positive Impact Portfolios we

are actively investing in companies that are making progress towards these goals.

Two examples of companies held within the portfolios are Mibanco and Agilent Technologies. You can see the goals they are pursuing and the solutions they have developed on the page opposite.



The EQ Positive Impact Portfolios have been awarded 5 stars by the ratings agency Defaqto





Reducing poverty in Latin America

One in five Latin Americans lives in chronic poverty conditions which cause premature death from hunger, malnutrition, lack of access to basic services and drugs. Whilst the number of people in poverty has significantly decreased since 2000 – mainly thanks to the boom in commodity prices, the development of further economic opportunities will help to get more people out of poverty, particularly women who are over-represented among the poor in the region.

Solution: Financing micro-enterprises

Mibanco is Latin America's largest microfinance institution. Microfinance is recognised for its ability to boost self-employment, reduce reliance on informal, low wage jobs, and create new jobs.

In 2016 Mibanco had a loan book worth \$2.6 billion. This represented an increase of 10% from the previous year, giving 115,000 new people access to credit. Mibanco also plays an important role in local communities by financing domestic water and sewage connections and promoting waste recycling.



Detecting pesticides in our food

There is growing scientific evidence that some synthetic pesticides are harmful to humans, increasing the risk of attention deficit disorder, autism, and other health problems. With food supply chains becoming more and more global, it is increasingly difficult for the food industry to assess the level of pesticides within their products. A recent study showed that food often contains multiple pesticide residues, which makes the task of assessing overall toxicity even more difficult.

Solution: Food safety testing

Agilent Technologies makes equipment to detect pesticide contamination in food. Their technology is designed to deal with the huge increase in number of contaminants that can find their way into our food supply.

For example, the EU's reference laboratories use Agilent's equipment to detect the pesticide Amitraz in honey. Amitraz is illegal in the EU, but due to its instability it was previously very hard to detect. Since the new testing equipment was introduced the use of Amitraz across the beekeeping industry has significantly decreased.



Fund in focus

Rathbone Ethical Bond Fund

Rathbones
Look forward

First introduced into our Positive Impact Portfolios, the fund was later added to our Income Portfolios at their launch in November 2016. The fund invests in a range of bonds that meet strict criteria ethically and financially.

Why do we like it?

The fund invests in companies or institutions helping to tackle social and environmental issues, based mainly in the UK.

Demonstrating that impact investing can deliver strong financial returns, the fund has a strong record of income generation and is one of the strongest performers within its peer group, maintaining a yield above 4%.

Example holding

Golden Lane Housing is a charity that provides supported housing for people with a learning disability, giving them choice over where they live, who they live with and what type of support they receive. The charity has invested over £95 million to date, buying or leasing 700 homes for over 1,700 people with learning disabilities across England, Wales and Northern Ireland.

EQ now and then

John Spiers, Chief Executive

It's still a few months off, but October will mark three years since the launch of EQ Investors. Now is a good time to look back at where we started, what we have accomplished so far, and get a glimpse of the future.



A new office and enlarged EQ team

One obvious change has been the new office. An office move is a fresh start for any business. We wanted an energising workspace that felt welcoming, and would support our business growth for years to come.

Expanding our service offering

We are now geared to offer a service to over 90% of savers and investors.

This ranges from a full discretionary service for high net worth individuals, to an online and telephone advice service. These services complement and extend our traditional financial planning business.

Sense of a wider community

EQ became one of the UK's founding B Corporations: the international standard for companies that believe in business as a force for good.

We operate a Matched Giving programme to help our clients and staff raise extra funds for their favourite causes (see p.8) and we

have also set up a registered charity, the EQ Foundation.

Our Positive Impact Portfolios are a unique proposition for clients who care about how and where their money is invested.

Building awareness of EQ

Despite being a relative newcomer to the wealth management market, we've quickly established recognition and credibility. EQ now features regularly in newspapers such as The Times, Daily Telegraph, and Independent, and on BBC Radio 4's Today Programme.

Delivering great returns

Since EQ's launch we are delighted to say that we have delivered excellent net returns for you. This proves the value of having a rigorous research based investment strategy.

Comparing the results of wealth management firms, our Cautious, Balanced and Adventurous portfolios have all beaten their competitor averages over the past three years. This is using data from the independent and industry-standard analysis run by Asset Risk Consultants (ARC).

You can view the performance of all our model portfolios here:

eqinvestors.co.uk/investing/model-portfolios/

24/7 access to your portfolios

In summer 2016 we unveiled a new client portal that provides anytime access to portfolio and performance information. Context-sensitive charts and graphs provide full insight into holdings, market value and transactions for all your investments.

In the autumn we will be rolling out access to fact find information and personal financial planning goals.



Innovating with Alexa

We've built the client portal to integrate with Amazon Alexa – so you can check your balance by talking to your Alexa-enabled device.

Success fuelled by feedback

As always, we always welcome feedback from you. Please let us know what you think about our services and how we can make them better.

EQ is officially a Good Egg

Ben Faulkner, Communications Director

EQ is honoured to be one of the first two UK companies to be awarded Good With Money's new 'Good Egg' kitemark – for financial services companies that are making a positive impact.

The launch of the new kitemark followed research in 2016 by Good With Money which showed that over half of UK consumers wanted a label to identify ethical or sustainable financial products. They went on to develop the kitemark in partnership with the UK Sustainable Investment and Finance Association (UKSIF).

Making a positive impact

Good With Money identified the EQ Positive Impact Portfolios as a strong case for awarding us a Good Egg. The Positive Impact Portfolios are fully managed portfolios of ethical funds that you can hold within an ISA, a pension, or a regular investment account. They invest in funds which are leading the way in seeking out companies that make a positive impact on society and the environment, while generating market-leading returns.

“ A Good Egg is a kitemark that can only be used by financial services companies that are able to prove they make a positive impact, not just by improving the lives of customers, but by benefiting society and the environment, too. ”

Rebecca O'Connor
Co-founder and Editor,
Good With Money

“ We are extremely honoured to be one of the founding Good Egg kitemark holders. More and more people are looking for their money to do good while doing well. ”

John Spiers,
Chief Executive, EQ Investors



Business as a force for good

From our perspective, it's also great to see a kitemark out there that focuses on the financial services industry in the UK. In 2015 we became one of the first Certified B Corporations in the UK. Our original B Corp assessment looked at how we do business here at EQ as a whole: including our governance, how we treat our staff and suppliers and the impact we have on our local community and on the environment.

Good Egg have tailored their approach to focus on the things that are most important for financial services firms like ours: including transparent fees and charges, company ownership, and whether clients can invest for social and environmental impact.



Independently verified

Just as UK B Corporations are certified by B Lab UK, an independent charity, the Good Egg kitemark has been developed in conjunction with Ethical Screening, an ethical research consultancy who did the initial analysis on our application.

A further level of analysis is provided by the Good Egg advisory panel, which includes Anna Laycock, executive director of the Finance Innovation Lab, Fionn Travers Smith, former project manager for Move Your Money, John Fleetwood, managing director of 3D Investing, and Michael Fotis, founder of Smart Money People.

“ We welcome Good With Money's Good Egg kitemark because it takes a practical look at the places people put their money and how it is used. It responds to public demand for a simple label to allow people to easily distinguish between ethical and sustainable, and unethical financial products. ”

Simon Howard
Chief Executive, UKSIF

You can find out more about the Good Egg kitemark at:

goodegg.good-with-money.com

EQ Matched Giving

Alexander Michelsen, Training & Communications Manager



We know how hard it can be to raise funds for your favourite cause, so we designed EQ Matched Giving to give both donors and fundraisers an extra incentive: we'll match your donations!

A wide range of fundraising activities are eligible, like taking part in a charity run or a local bike ride. Once you know what you're going to do then it's easy to set up a fundraising page online. Use a reputable fundraising website like JustGiving or VirginMoneyGiving.

However you keep track of donations, you can tell your supporters that their contributions will be leveraged by EQ Matched Giving in addition to any Gift Aid or Income Tax rebates.

Example

- A friend sponsors you for £100
- Gift Aid increases that to £128
- Our matching increases it to £228

If your friend pays tax at 45% they can also reclaim £31.25 on their donation.

This reduces their net cost to £68.75 – for a £228 donation that's an increase of 231%!

For a 40% taxpayer the rebate would be £25 – resulting in a net cost of £75 and an increase of 204%.

Is there a limit?

Yes, there will be a maximum of £1,000 available per client per annum and a minimum (to keep our administration costs bearable) of £200.

Is every client eligible?

Almost. You must have an ongoing fee agreement with us and have been a client for at least six months.

Are any charities not eligible?

A few, we are only supporting UK registered charities and we will not be

supporting organisations that operate in certain fields, including amateur sport, private education, single faith religious groups.

How do you apply?

We've tried to keep this as simple as possible:

1. Read the **Terms and Conditions**
2. Download an **Application Form** from the EQ website
3. Complete it and email to us at eggiving@eqinvestors.co.uk

We will then let you know if you are eligible. Once you have sent us evidence of the funds you have raised then we will send a matching amount to your chosen charity, linking it back to you.

EQ Foundation donates to Grenfell Tower Appeal

Following the terrible fire at Grenfell Tower on 14 June the full scale of the event has since emerged and those affected are in need of emergency and ongoing support. In response, the EQ Foundation has made a donation through its partnership with The Big Give.

theBigGive.org.uk

Important information

This newsletter does not constitute advice or a personal recommendation. It does not take account of the specific circumstances of individual investors. If you wish to establish if any of the products or services described herein may be suitable for you, you should contact us for advice. Remember that the value of your investments can do down as well as up and that you could get back less than you invest. The levels and bases of taxation can change at any time.