



Newsletter

investors

Summer 2018

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2018 is turning out to be a great year for EQ and, more importantly, for our clients. I'm pleased to see that our investment performance has remained strong, indeed over the past 12 months it has been quite exceptional compared with our competitors. I've been around long enough to know that there are bound to be some blips in the times ahead but right now I am really impressed with what our team has achieved. However, we are not at all complacent and we've been adding to the research team to help us to say ahead.



External recognition is also an indicator of how well we are doing. We've introduced a facility on our client portal for clients to provide feedback on their satisfaction levels with our service and I'm delighted to see that it is currently reflecting a Net Promoter Score of 79%. Anything over 50% is reckoned to be excellent. Our new business flow is excellent, the vast majority of it fuelled by referrals from existing clients – the best possible indicator of client satisfaction. We've also won a couple more awards – see details inside.

I am a strong believer in the benefits of employee ownership of businesses. In my experience it drives commitment, staff retention and long term thinking. Therefore I was delighted when almost 90% of our eligible staff decided to participate in the share ownership scheme that we launched last month. I am confident that this is also great news for clients because we know that continuity is important for you. We are well placed to deliver that because we have a clear intent to remain an independent company indefinitely and thereby avoid the disruption and conflicts of interest that arise in most takeovers.

Security is an increasingly hot topic, both in terms of data and safe custody of client assets. We certainly are not complacent about either of these but we feel confident that our defences are as strong as they can be.

We are very grateful for your support. Please let me know if there are any areas in which you think we can do better.

John Spiers

John Spiers
Chief Executive

EQ wins 'Best for the World 2018' accolade

EQ has won a B Corp 'Best for the World' award from for the second year running. Our Positive Impact Portfolios – which allow individuals to invest in companies creating solutions to social and environmental problems – put us in the top 10% of B Corporations worldwide based on our score in the Customers section of our B Impact Assessment.



Take steps to protect yourself online

Nath Papadacis, Head of Technology



Fraudsters come up with new tactics all the time. This threat is real: we recently caught someone attempting to transfer funds out of a client's pension, using a scanned signature which they'd obtained by hacking their personal email. We work hard to ensure that your accounts are as secure as possible, but it's also vital that you take steps to protect yourself online.



Your money is safely held

EQ is authorised and regulated by the UK's Financial Conduct Authority. Whilst we provide investment services, **we do not hold any client money ourselves**. All client funds are deposited directly with third party custodians. We only use institutions that are covered by the UK's Financial Services Compensation Scheme.

EQ uses a number of custodians depending on the type of service offered. More than half of our clients' assets are held by Pershing, a wholly owned subsidiary of The Bank of New York Mellon Corporation.

Your online portal is secure

We use multiple security measures to protect you online, some of which are highlighted below:

Encryption and validation

Our website uses secure encryption – indicated by the padlock symbol in your browser bar when you log in to view your account. Modern web browsers will also highlight our web address in green to show that you are indeed on our website, and not an impostor's.

Last logged in date

The time and date of your last login is displayed in the top corner of the page when you log in. This information is a good way of ensuring that you are the only person using your account.

Logging out

You will be logged out automatically after a period of inactivity.

Questioning suspicious activity

The EQ portal does **not** allow you to withdraw funds online, and our staff are trained to question any request that looks suspicious. Fake emails, forged signatures, telephone impersonators... we've seen it all.

Professional criminals do their homework, and will usually only approach us after they've gathered some detailed information about you from other sources.

Steps you can take

No matter how sophisticated our controls are, we can't do it alone. You have a vital role to play in maintaining the security of your accounts. Here are some best practices when it comes to protecting yourself from fraud:

Keep your login details secure

Never write your passwords down or store them insecurely. If you do have to make a record of your login details, ensure these are kept somewhere secure and never store your username and online password together.

Protect your PC

Ensuring your PC is well protected is a critical step in protecting your personal details. Make sure you have a firewall, anti-virus and anti-spyware software installed on your computer and that this is kept up-to-date

Treats emails with caution

Phishing emails will copy logos and styles in an attempt to appear genuine. The message may urge you to click on a link within the email which will then direct you to a 'spoof' website that looks like a genuine web page. If you are ever in any doubt as to the authenticity of an email you should **call us** before clicking on any links in the email or opening any attachments.

US-China trade war: what you need to know

Tertius Bonnin, Investment Analyst

Earlier this month, the US and China kicked-off the first round in their trade war by slapping tariffs on approximately \$50 billion of each other's goods.



Who started it?

The Trump administration has taken action against Chinese companies transferring intellectual property (IP) outside of the US. This has been a catalyst for a growing geopolitical confrontation between Washington and Beijing over its modern industrial policy which seeks to place China at the forefront of key global industries.

Further to IP theft claims, the US has investigated the negative effects of Chinese imports on numerous domestic industries and has threatened to impose more tariffs should China retaliate further.

It's not just America vs. China

Under the White House's protectionist 'America First' doctrine, the US has also investigated whether it faces threats to national security by importing aluminium and steel from traditional allies including the European Union, Canada and Mexico.

In retaliation, the EU has proposed duties on iconic American brands such as Harley Davidson motorcycles and Levi's jeans, to which the US President was swift to suggest the lucrative European auto industry is at risk of punitive import tariffs should the EU retaliate.

Will anyone benefit from a trade war?

Companies worldwide are increasingly interconnected through complex global supply chains built in the post-War era. The biggest risk posed by trade tariffs, therefore, stems from the "secondary" impact of abrupt changes in input costs to these supply chains.

Companies will likely be forced to raise prices on the shelf which will ultimately hurt consumers.

The exact effect of trade barriers will vary by company and nation depending on a number of variables including: the underlying goods targeted, the speed with which countries enforce retaliatory customs procedures, the agility of companies to redirect supply chains and adjust to demand, and the corporate willingness to absorb increasing costs by cutting into profit margins to remain competitive.

Despite EU concessions, parties on all sides have been standing firm and announcing their own lists of tariffs. We believe it is increasingly unlikely that substantial trade barriers can now be avoided.

What are the implications for the global economy and financial markets?

President Trump's 'deal making' approach usually starts with headline grabbing, followed by conciliation once a mutually beneficial deal has been brokered. This has been recognised by many investors and current markets broadly reflect this opinion. While a few markets have corrected, notably in Asia, we believe this is more due to a lack of US dollar liquidity than a fundamental repricing for trade wars.

It is likely that markets could initially be led lower by uncertainty weighing heavily on business sentiment and investment. The structural importance of the US-Chinese trade relationship in the global economy means very few countries would escape the negative effects of rising trade barriers. Asian economies most at risk are those integral to the global supply chain and inextricably linked to Western trade, such as South Korea and Taiwan. Germany, Europe's industrial powerhouse, is also at risk should tensions around auto exports escalate.

Further risk presents itself this summer, a period in which market liquidity is traditionally thinner. This could result in exacerbated moves in both equity and currency markets. We can also expect demand for safe-haven assets (i.e. government bonds) to rise as investors seek more defensive positions.

Taking tax-free cash from your pension

Jeannie Boyle, Executive Director / Chartered Financial Planner



The chance to pocket a tax-free 25% lump sum from your retirement fund is one of the most popular perks of saving into a pension, but choosing how and when to take advantage of it is crucial.



What is the tax-free pension lump sum?

The pension commencement lump sum (commonly known as tax-free cash) is the amount of money available to you free of any tax once you reach the minimum pension age, which is currently 55 (set to rise 57 in 2028). It can be a substantial bonus when you retire after saving throughout your working life, and has lots of potential uses.

How is it calculated?

If you have a personal pension – such as a Self-Invested Personal Pension (SIPP) or workplace pension – the fund's value is determined by the investments that you hold. The tax-free cash is simply up to a quarter (25%) of the fund's total value when you decide to take the money.

If you have a final salary pension, most schemes also allow members to draw a one-off tax free lump sum. Sometimes this lump sum is offered at the cost of receiving a smaller starting pension. For other schemes the lump sum is automatically offered in addition to your guaranteed pension income.

Should I take a lump sum or keep it invested?

Once you reach the age of 55, you're usually free to take money out of your personal pension(s) – as much

as you want, whenever you want. Of course, if you have no immediate plans for the money you can leave it invested. As long as your money stays in your pension pot you won't pay tax on it and you'll get tax-relief on contributions you make.

There are three reasons why it's not a good idea to take out more tax-free cash than you need:

- 1) Whatever you take out loses the tax advantages of pensions. Any interest that the money earns (e.g. in the bank) could be subject to income tax. If you invest it outside of an ISA then it will be subject to capital gains tax. It will also become part of your estate for inheritance tax purposes.
- 2) Leaving your money in an invested portfolio gives you the benefit of compounded investment returns. An extra 10 years of growth can make a big difference to your retirement income.*
- 3) For every pound you take out of your pot, £3 of what's left gets 'crystallised'. From then on, even if your pension fund continues to grow, whatever that £3 is worth it won't generate any more tax-free cash for you. So the more tax-free cash you leave in your pension today, the more you should be able to take out tomorrow.*

In a nutshell, if you don't have an immediate need for your tax-free cash it is usually better to leave the money invested in your pension.

What other options do I have?

There's nothing to stop you taking your tax-free lump sum while continuing to work. If you're in a modern, flexible pension, you can take your tax-free cash while continuing to make contributions into your pension (although see point 3, above).

***Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up, so you could get back less than you originally invested.**

There are rules to stop you 'recycling' your tax-free cash into new pension contributions though so you should take advice if this applies to you.

You can also draw a combination of tax-free cash and taxable income from your pension: if you drew £10,000 in this way you would receive £2,500 tax-free and the other £7,500 would be subject to income tax. Spreading withdrawals over a number of years can

minimise your tax bill and while spreading your tax-free entitlement over several years. It also means your remaining tax-free cash entitlement will continue to grow.

If you take any taxable income from your personal pension the amount you can pay into a pension to earn tax relief falls to £4,000 a year. You should take advice if you are considering this.

Providing expert guidance to employers, business owners, directors and trustees

We help progressive organisations design pension and employee benefits packages that complement their business objectives and that their employees both understand and appreciate. Our services include:

- Group personal pensions
- Risk & healthcare benefits
- Employee communications
- Flexible benefits
- Financial planning for employees
- Investment consulting for charities

To find out more or to arrange a meeting please contact:

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EQ in the news

EQ is continuing to grow its media presence. Recent coverage includes:

- **The Times:** Reasons why you may need a lasting power of attorney
- **Yourmoney.com:** 10 tips to get your finances in shape this summer
- **The i:** How to save money on your wedding day
- **Money Observer:** How to calculate a suitable drawdown amount from your pension pot
- **Mail Online:** Do you want a 'feelgood' Isa? Five ethical investment ideas aimed at helping the world and making a profit

Investment performance boost

Sophie Kennedy, Head of Research



Achieving outstanding performance in the uncertain investment climate of the past few years is not easy. However, as you can see below we have managed to beat our peers in growing the assets that you have entrusted to us.

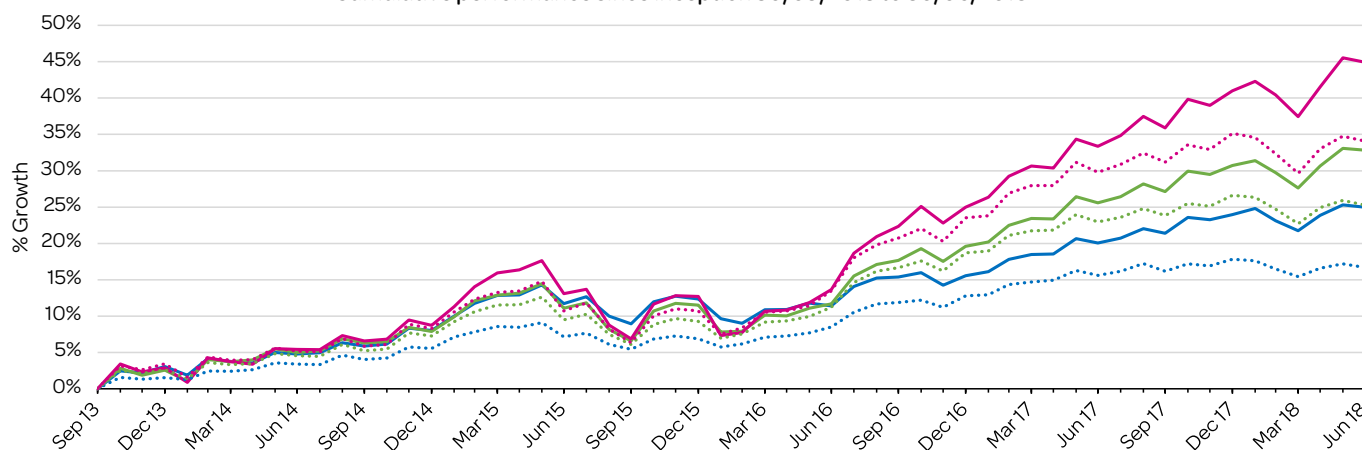
- We benchmark our portfolios' performance against Asset Risk Consultants' Private Client Indices (ARC).
- These performance series are based on real performance figures provided by over 70 investment houses.
- They show how our portfolios have performed, like-for-like and inclusive of fees, against our peers and competitors.
- We are delighted to report that across the board our Cautious, Balanced and Adventurous portfolios (solid lines) have all outperformed their corresponding ARC benchmarks (dotted lines).

Annual performance	Jul 17 - Jun 18	Jul 16 - Jun 17	Jul 15 - Jun 16	Jul 14 - Jun 15
Best Ideas Cautious	4.10%	7.78%	-0.29%	6.60%
ARC Cautious	0.97%	6.53%	1.26%	3.63%
Best Ideas Balanced	5.76%	12.45%	0.54%	5.81%
ARC Balanced	1.88%	10.57%	1.59%	4.71%
Best Ideas Adventurous	8.67%	17.36%	0.48%	7.29%
ARC Steady Growth	3.28%	14.40%	2.49%	5.24%

Risk warning

Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. EQ Best Ideas Portfolios are available in **seven** different risk profiles, of which **three** are shown here. Inception dates may vary: please see factsheets for full details.

Cumulative performance since inception 30/09/2013 to 30/06/2018



Model performance is shown in sterling, net of underlying fund charges and an EQ management fee of 0.59% (including VAT) per annum, but excludes platform and advice fees. Underlying fund charges may vary depending on platform. All income reinvested; actual returns may vary. ARC benchmark figures are based on participating investment managers' actual performance data, net of fees, following the last quarter end. Data sources: EQ, Morningstar.

EQ scoops sustainability award

We are delighted to announce that our inaugural impact report for Positive Impact Portfolios has won Sustainability Report of the Year at the BusinessGreen Leaders Awards.

The judges praised our report for "its breadth, engaging style, and commitment to transparency, which effectively showcased the performance of its Positive Impact Portfolios and its engagement with the UN Sustainable Development Goals".

businessGreen
LEADERS
AWARDS
2018

Now in their 8th years, the BusinessGreen Leaders Awards bring together the best and brightest from across the green community to celebrate the projects, individuals, teams and organisations that are redefining what it means to be a successful business.

EQ Foundation update

John Spiers, Chief Executive



There are thousands of brilliant charities around the world doing great work and deserving support but only a few have a game changing opportunity. We recently became aware of Excellent Development, a UK registered charity which builds sand dams. Sand dams are a low-tech, environmentally friendly way to store water in arid regions of the developing world.



Many regions that suffer acutely from drought actually enjoy substantial rainfall; the trouble is that it rains torrentially for very short periods, so most of the water is lost as run-off.

By building reinforced concrete walls across seasonal rivers, sand dams not only trap some of the water but also huge volumes of sand. The water is trapped within the sand, so it doesn't evaporate, stays fresh for long periods and is filtered, so it can be extracted and drunk safely.

Huge quantities of water can be stored very cheaply in this fashion – up to 40 million litres per dam – yet sand dams are designed to capture only a small proportion of the overall flow. This means that, unlike traditional dams, sand dams don't end up starving downstream communities of water.

This pioneering innovation could have a huge impact. Families in arid regions are often forced to live a nomadic existence; women and children spend many hours every day travelling just to collect water. That's bad for maintaining education and building financial stability.

Excellent Development has so far arranged the construction of almost 1,000 dams, always with the full backing of local communities. Now they are installing smart meters to gather clear evidence of the scale of the benefits. Their longer term goals are ambitious: to help build 10,000 dams for 5 million people by 2025, and 1 million dams for 0.5 billion people by 2040.

We're delighted to be supporting them with a grant at this stage of their work. That should help to persuade larger funders, such as the Gates Foundation, to finance construction at scale.

To learn more about sand dams please visit: www.excellentdevelopment.com

Good reads

Looking for some pool-side reading material? Here are our top picks for the summer:

The Quantum Leader by Danah Zohar

Zohar trained as a physicist before studying how quantum mechanics can be used to understand better how human beings operate. In her latest book she applies this approach to business and corporate structures

to spend. Abraham manages to explain a highly complex problem in an entertaining and enlightening way.

The 100 Year Life by Andrew Scott & Lynda Gratton

This book looks at the implications of increasing longevity and that most people being born today can expect to live to at least 100. How will it change our societies and how will it affect our finances?

Beyond the 4% Rule by Abraham Okunsanya

This is a must read for anyone approaching or already in retirement and not sure how much they can afford

From the lab: portal enhancements

Moudjib Boussari, Software Developer



We are pleased to announce some new features on the EQ client portal, as we continue to add functionality and improve the user experience.

Online document store

You can now access portfolio reports, review documents and general correspondence via the 'Doc Store' tab. This provides quick and easy access to important information and helps to reduce the need for paper post. All files are encrypted and secure.

Access document store

Go paperless

Add funds

We've designed the Doc Store to work together with the 'Go paperless' option under Communications Preferences. If you opt for paperless delivery then we will only print out and post your quarterly statements if they remain unopened in the Doc Store after 4 weeks.



Net Promoter Score

You may have noticed the one-question survey popping at the bottom of your screen when you log-in. Answering it is, of course, completely optional. However, we do encourage you to let us know how likely you are to

recommend us – it provides a simple yet effective way for us to identify quickly where we can work to improve our service to you.

Add funds online

This brand new functionality lets you add money to your ISA and GIA portfolios. Simply click on the new 'Add Funds' option on the settings tab. This will notify your adviser and platform that you intend to deposit funds in your account(s) and provides details of where to send the money. You can add any amount from £1 upwards to your investments, any time you like.

How likely are you to recommend us to a friend or colleague?

1 2 3 4 5 6 7 8 9 10

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 then 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.



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