

EQ Future Leaders Portfolios

One year anniversary



Your speakers



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Agenda

1	EQ Future Leaders: an overview
2	Performance and drivers
3	Current positioning
4	Sustainability credentials and improvements
5	New themes: decarbonisation and clean water
6	Q&A

1. EQ Future Leaders: an overview

- Staff-owned discretionary fund manager
- £1.3 billion AUM (Jan 21)
- Founding UK B Corporation
- Focusing on sustainable and impact investing since 2008



Abundance Investment, Adam Smith International, Allbirds, Allplants, Artfinder, Bates Wells, Bulb, C-Level, Carbon Analytics, ClimateCare, DAME, Davines, Delphis Eco, Do Nation, Don't Cry Wolf, Doppler, Dr. Bronner's, Easthall Farm, Ella's Kitchen, EQ Investors, Flooglebinder, Form Nutrition, Forster Communications, Freestar Drinks, Futerra, Gong Communications, Green Element, Humankind Research, innocent drinks, Intrepid Travel, Invivo Healthcare, L&Co



LEAP, Living Alive, Mindful Chef, Montanaro Asset Management, On Purpose, One Stone Advisors, Patagonia, Pelorus Consulting, PROPER Snacks, Provenance, Pukka Herbs, TISC Report, Shoremount, Society, SunFresh Produce, Systemiq, The Body Shop, The Cheeky Panda, The Guardian, The TYF Group, Toast Ale, Tricordant, Verco Advisory Services, Volans, Waterbomb, Wessanen, WHEB Asset Management, Wholegrain Digital, Wildwood Ecology

This is a journey, our story so far

Signatory of:



Microfinance Institution
launched in Sierra Leone



First Impact
Report

Online impact
calculator



Private Equity
Impact Fund launch

Founding UK
B Corporation

2008

2011

2012

2015

2017

2018

2019

2020

Our evolution is a result of learning through doing.

UN Sustainable Development Goals



- Big picture framework for thinking about sustainability
- \$5-7 trillion needed per year to achieve the goals (Source: UNDP, 2017)

EQ Future Leaders Portfolios

Maximise returns

For each risk profile

Keep costs low

Invest in index tracking strategies

Maximise sustainability

Focus on ESG* leading companies,
sustainable themes and low carbon

*ESG = Environmental, Social & Governance

Screening process

1. Exclusions

ESG Laggards
&
controversies

Armaments
Alcohol
Fossil fuel
extraction
Tobacco
Gambling
GMOs*
Pornography

2. Portfolio core

ESG Leaders

3. Satellite themes

Clean
water

Health
care

Climate
solutions

Green
bonds

*Genetically modified organisms

2. Performance and drivers

Portfolios Performance

Portfolios performed well:

Cumulative performance*	1 Year 1 Mar 20 to 28 Feb 21	2 Year 1 Mar 19 to 28 Feb 21	3 Year 1 Mar 18 to 28 Feb 21
EQ Future Leaders Cautious	6.8%	+16.7%	+19.8%
EQ Future Leaders Balanced	11.0%	+20.8%	+24.5%
EQ Future Leaders Adventurous	16.4%	+25.9%	+29.6%
FTSE 100 – UK equities	+1.4%	-1.35%	+0.8%
MSCI AC World – Global equities	+19.0%	+28.8%	+32.2%

Performance includes fund charges and EQ DFM fee. Data as of 28/02/2021. Source: Morningstar, FE

Performance vs. Vanguard

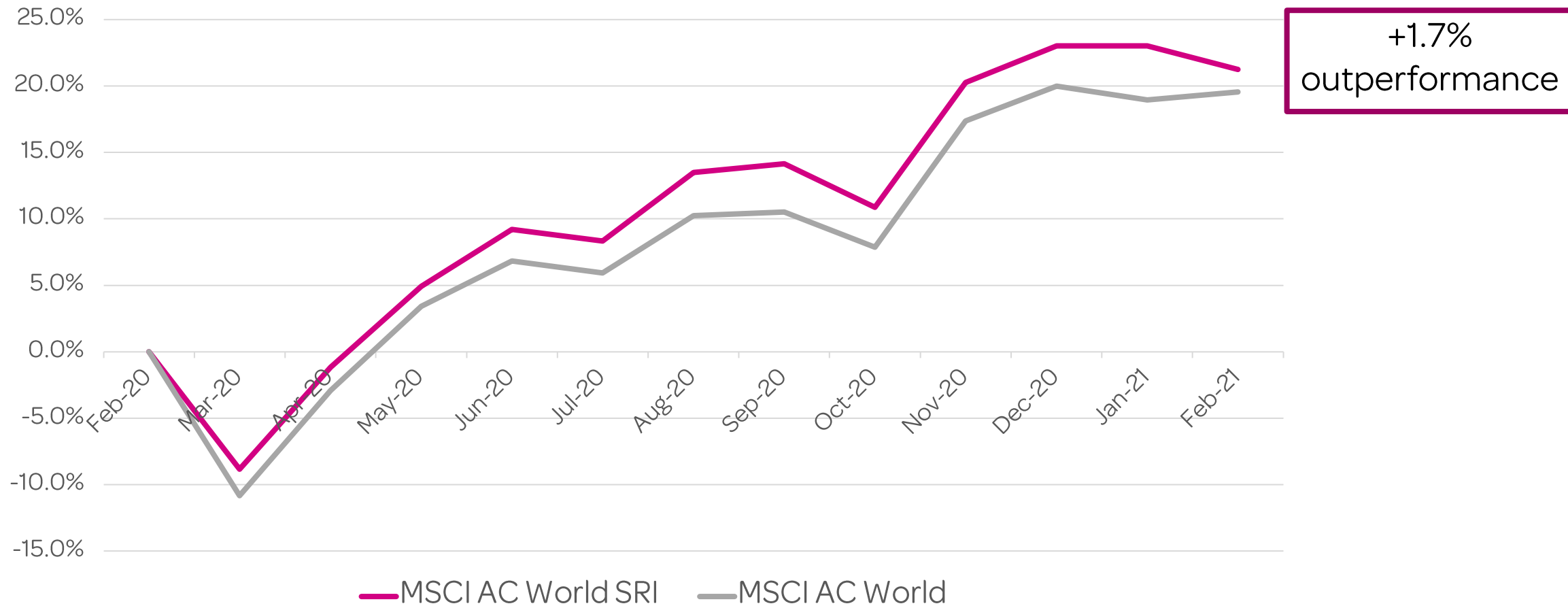


Cumulative Performance*	1Y	2Y	3Y
EQ Future Leaders Cautious	6.8%	+16.7%	+19.8%
<i>Vanguard LifeStrategy 40%</i>	5.9%	+14.9%	+17.3%
EQ Future Leaders Balanced	11.0%	+20.8%	+24.5%
<i>Vanguard LifeStrategy 60%</i>	9.3%	+17.7%	+20.4%
EQ Future Leaders Adventurous	16.4%	+25.9%	+29.6%
<i>Vanguard LifeStrategy 80%</i>	12.6%	+20.1%	+23.0%

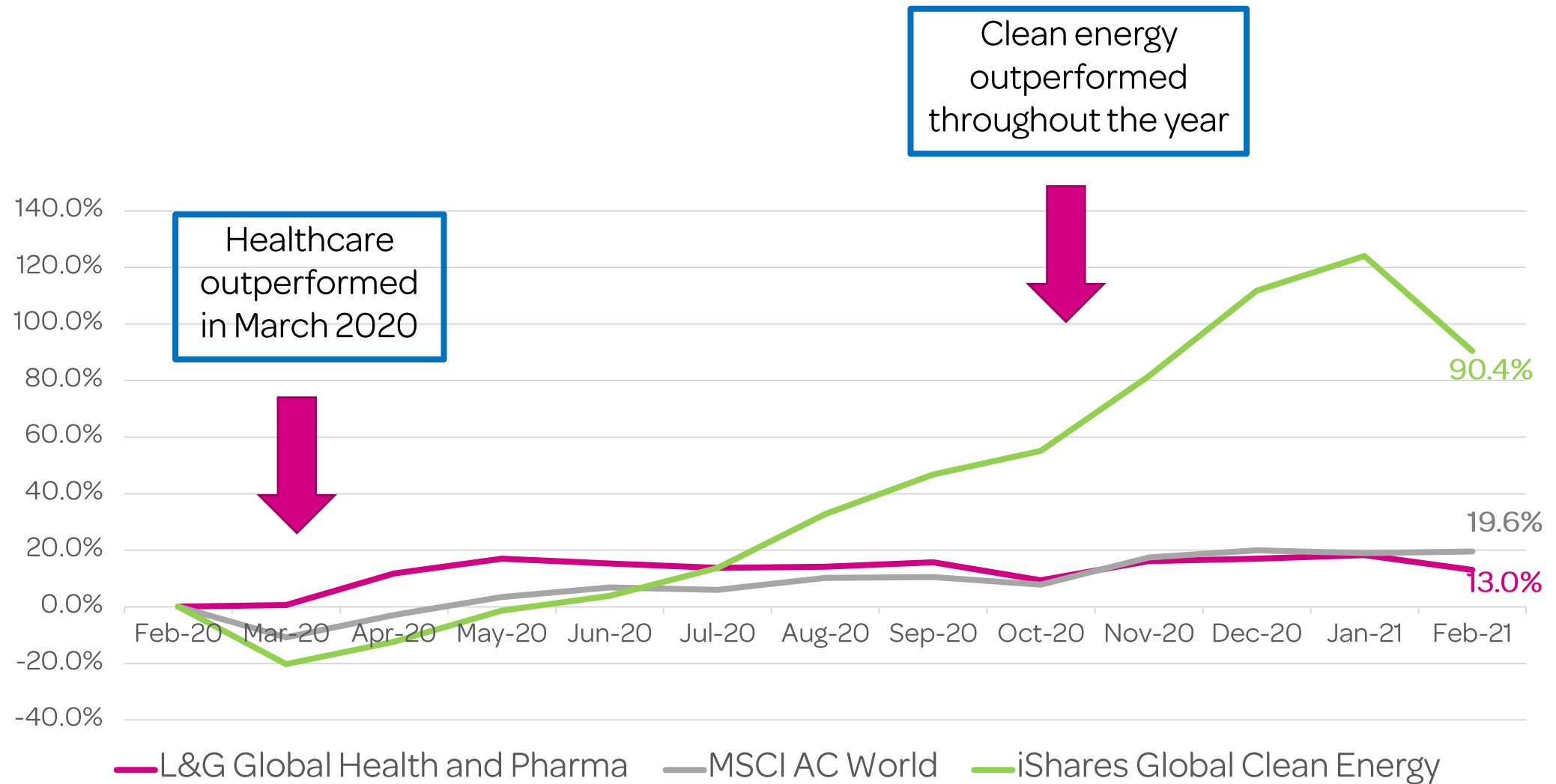
Performance includes fund charges and EQ DFM fee. Data as of 28/02/2021. Source: Morningstar, FE

Past performance is not a guide to the future. The value of investment and the income derived from it can go down as well as up and clients can get back less than they originally invested. *All performance presented prior to the portfolio inception date (29 Feb 2020) is simulated performance. Simulated data is made with the benefit of hindsight and is provided for informational purposes only. The idea is to indicate historical performance for the portfolio where there is insufficient live data to display. Simulated performance is not actual performance, but is hypothetical.

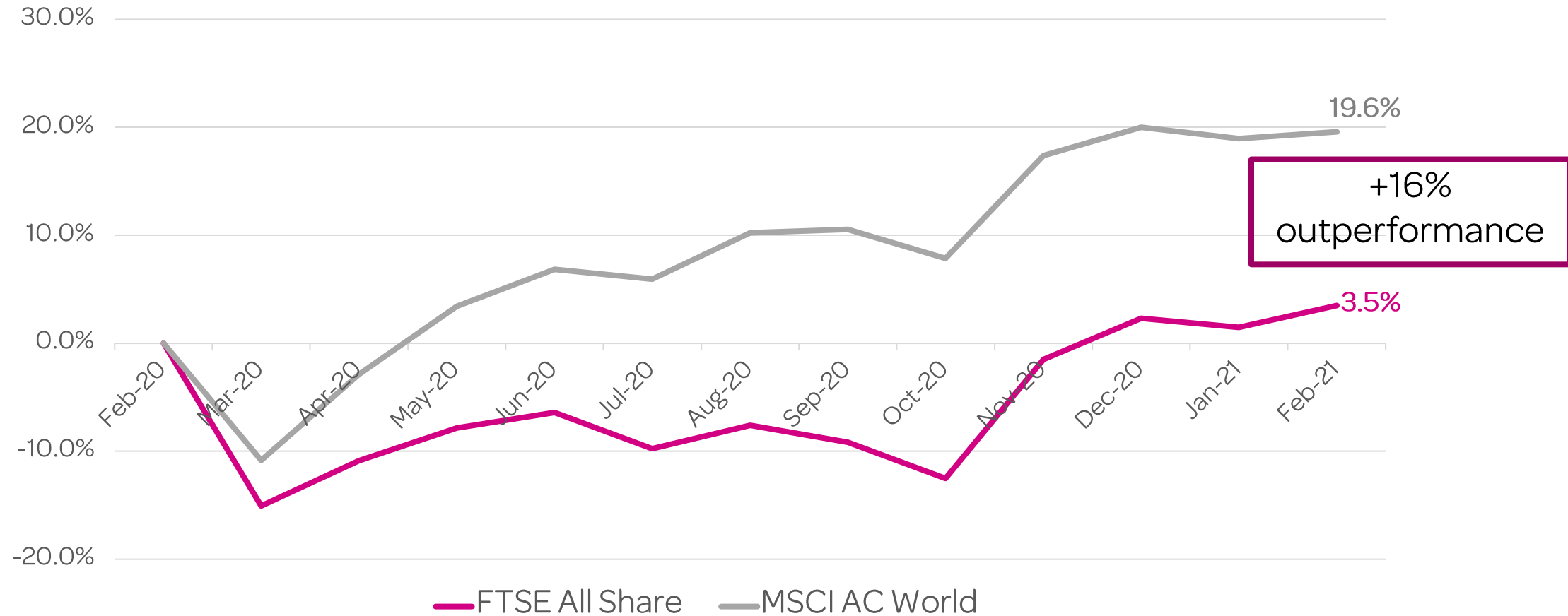
Outperformance of ESG leaders



Contribution of sustainable themes



Global equities outperform the UK



3. Current positioning

Overview: March rebalance

- All SRI* equity trackers are now funds
 - Reduced trading costs
 - Reduced ongoing charges (OCF)
- Adjusted positioning to a new economic environment
- Increased exposure to sustainable themes

*SRI = Socially Responsible Investment

- Slight increase in equity exposure favouring UK
- Reduced exposure to defensive sectors (healthcare) in favour of more cyclical sectors (industrials)
- Increased exposure to mid and small caps

EQ Future Leaders Balanced

Equity exposure	Feb-20	Mar-21	Difference
SRI Trackers	49.5%	49.5%	0.0%
Thematic Trackers	10.5%	12.3%	1.8%
Healthcare	7.5%	3.8%	-3.8%
Clean energy	3%		-3.0%
Decarbonisation		3.5%	3.5%
Clean water		5.0%	5.0%
Total	60.0%	61.8%	1.8%

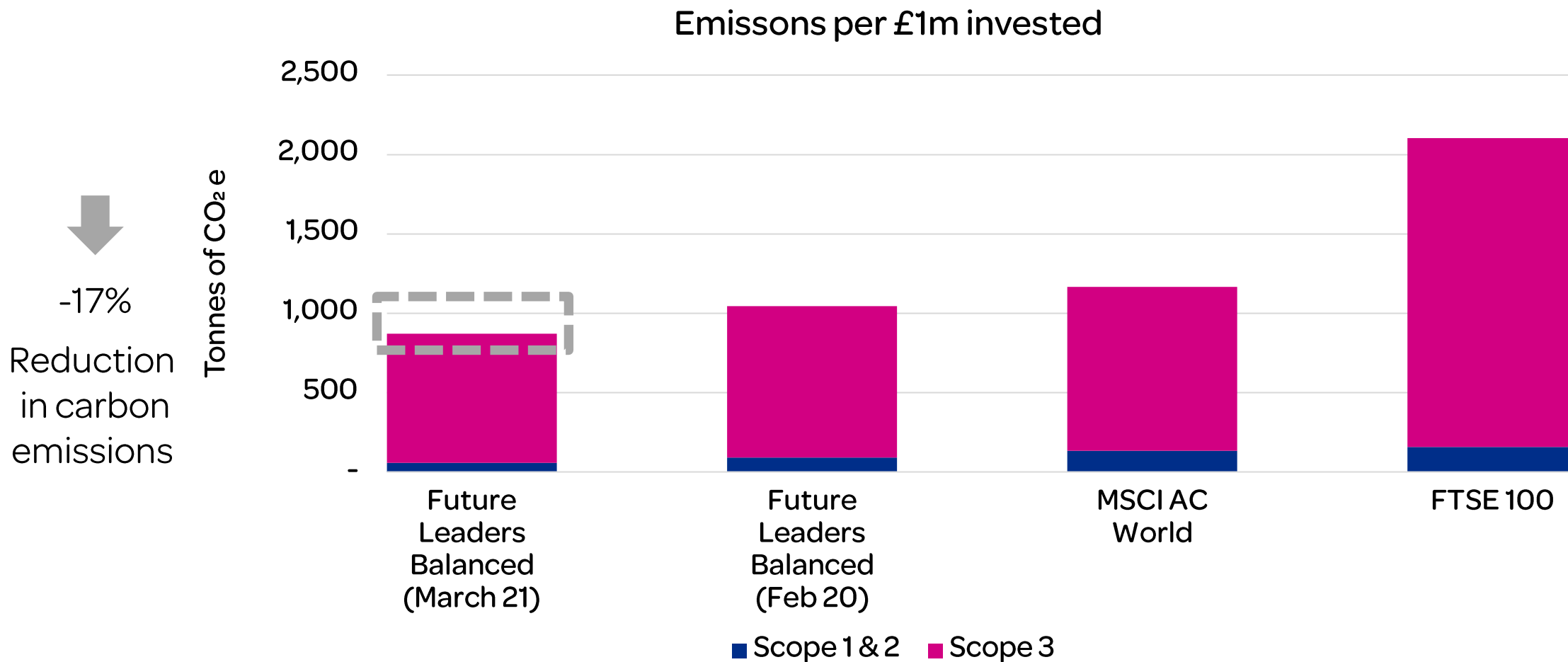
- Reduced sensitivity to long term interest rates
- Increased exposure to inflation linked bonds
- Introduced a new thematic sustainable bond investment

4. Sustainability credentials and improvements

Innovation 1: No fossil fuel exposure

- Strong engagement with index providers throughout the year around remaining fossil fuel exposure
- Amundi and UBS agreed on the addition of a dedicated negative screen as at 1st December 2020
- Implemented within the equity portion: zero fossil fuel extraction exposure

Reduced carbon footprint



Source: Urgentem, 2021

Innovation 2: Impact Bonds

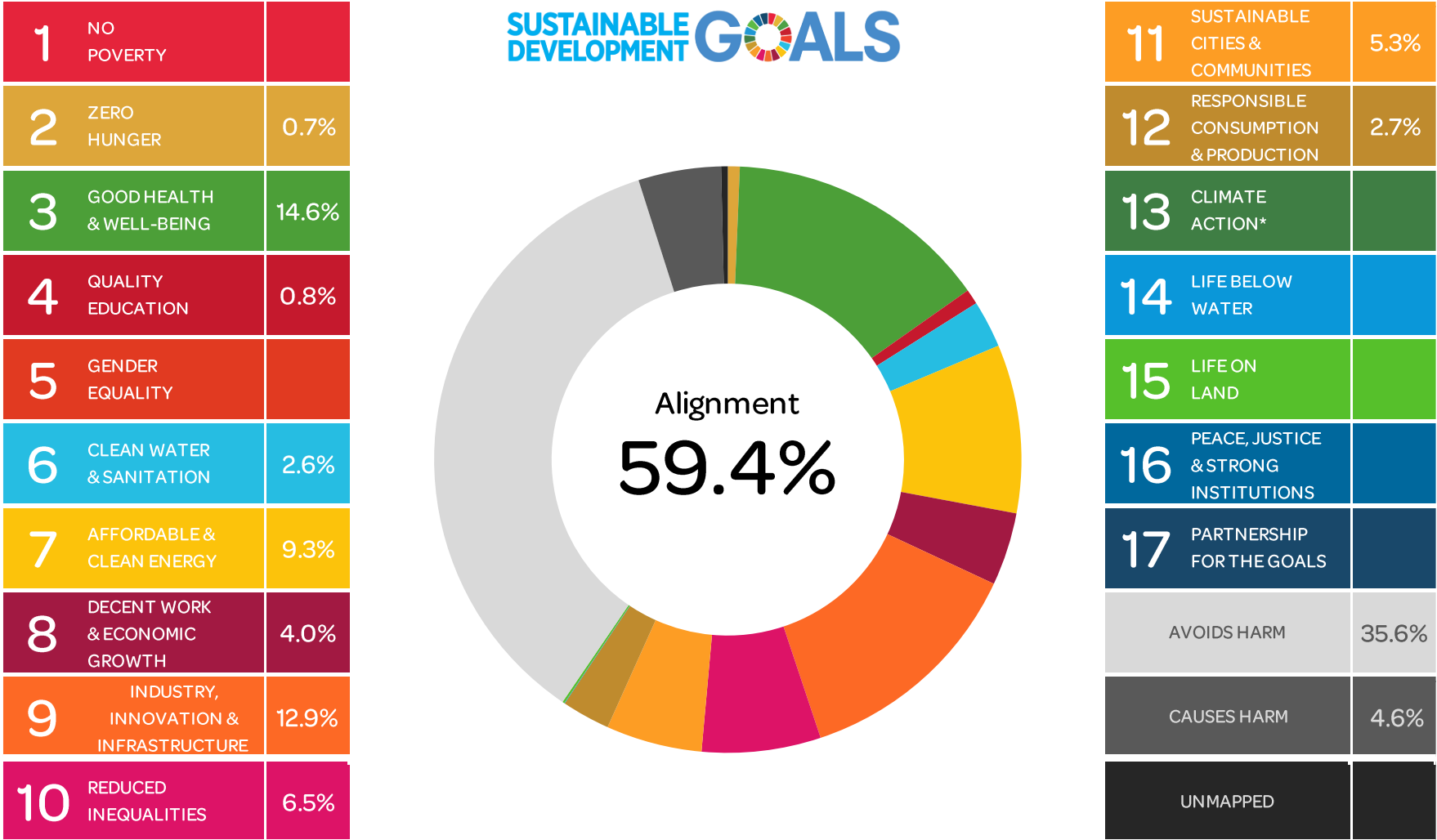
- Unscreened government bonds don't hold the strongest sustainability credentials
- Supranational development bank bonds provide funding to sustainable development projects
- Implemented a switch from *Invesco UK gilt 0-5 year UCITS* to *UBS Sustainable Development Bank Bonds ETF*

Innovation 3: UN Goal Alignment

- We launched the portfolios with two main UN Goal overweights to healthcare (SDG 3) and clean energy (SDG 7)
- Additional UN Goal-aligned satellite themes can improve the diversity of UN Goals targeted by the portfolio
- Implemented this through new funds in clean water, decarbonisation, development bank bonds.

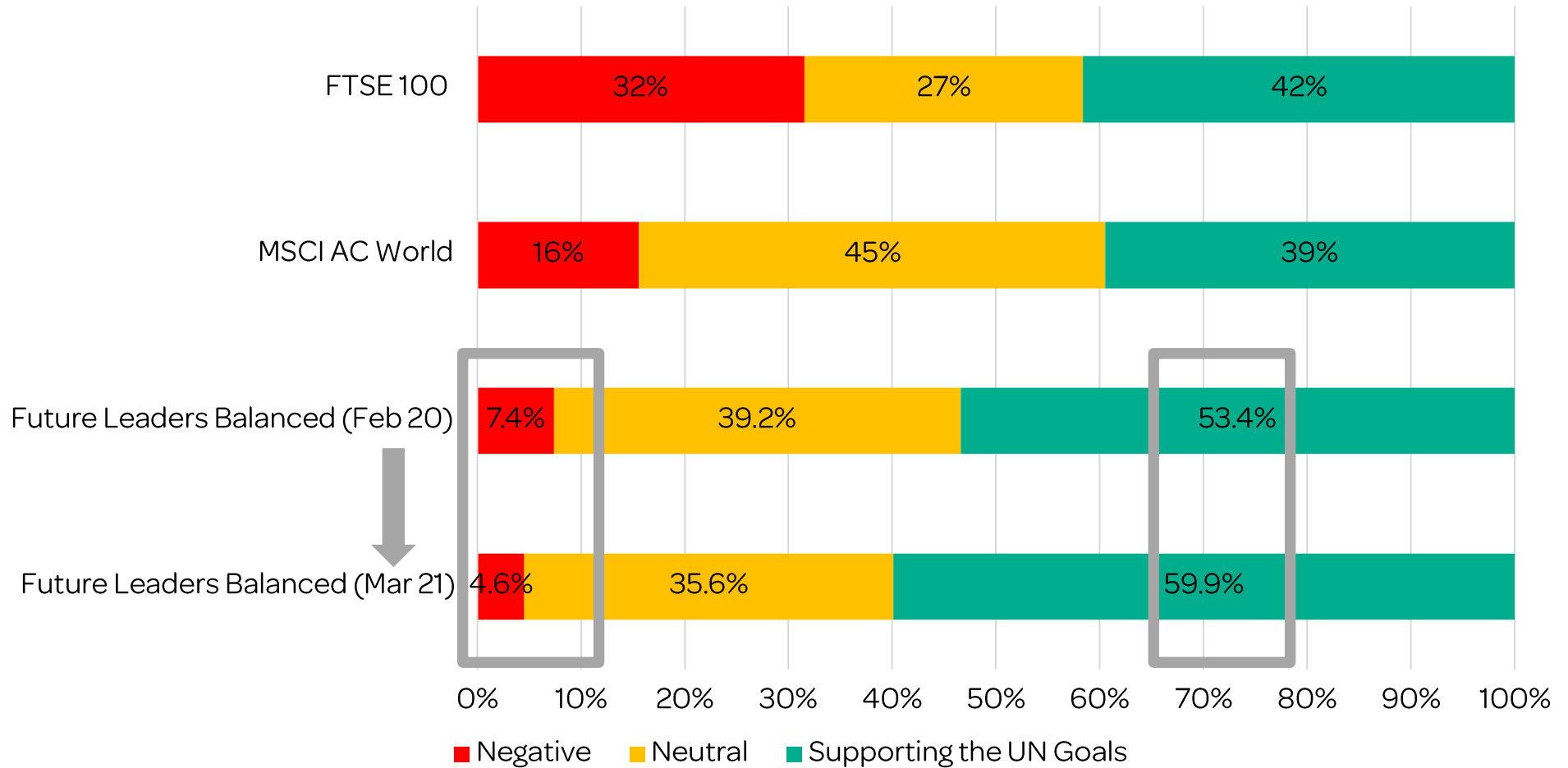
Current UN Goal Alignment

EQ Future Leaders Balanced model portfolio



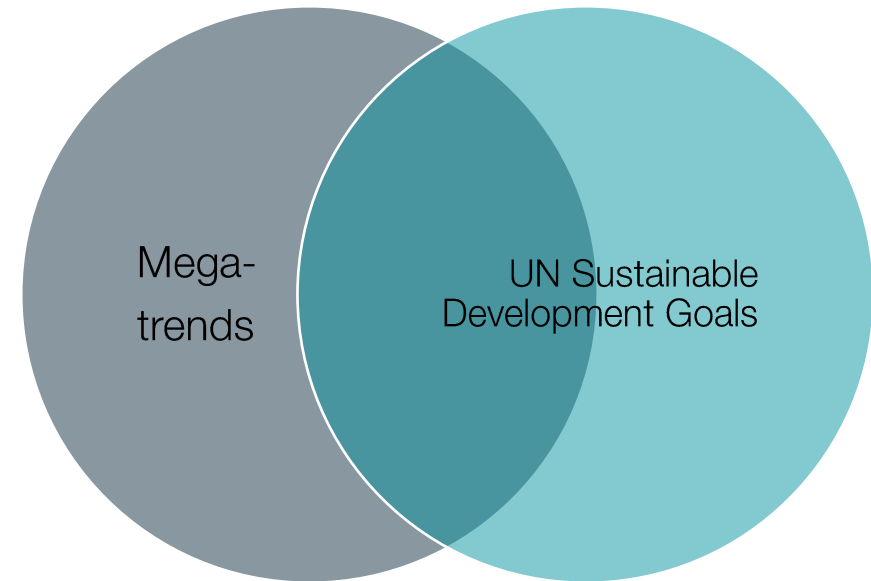
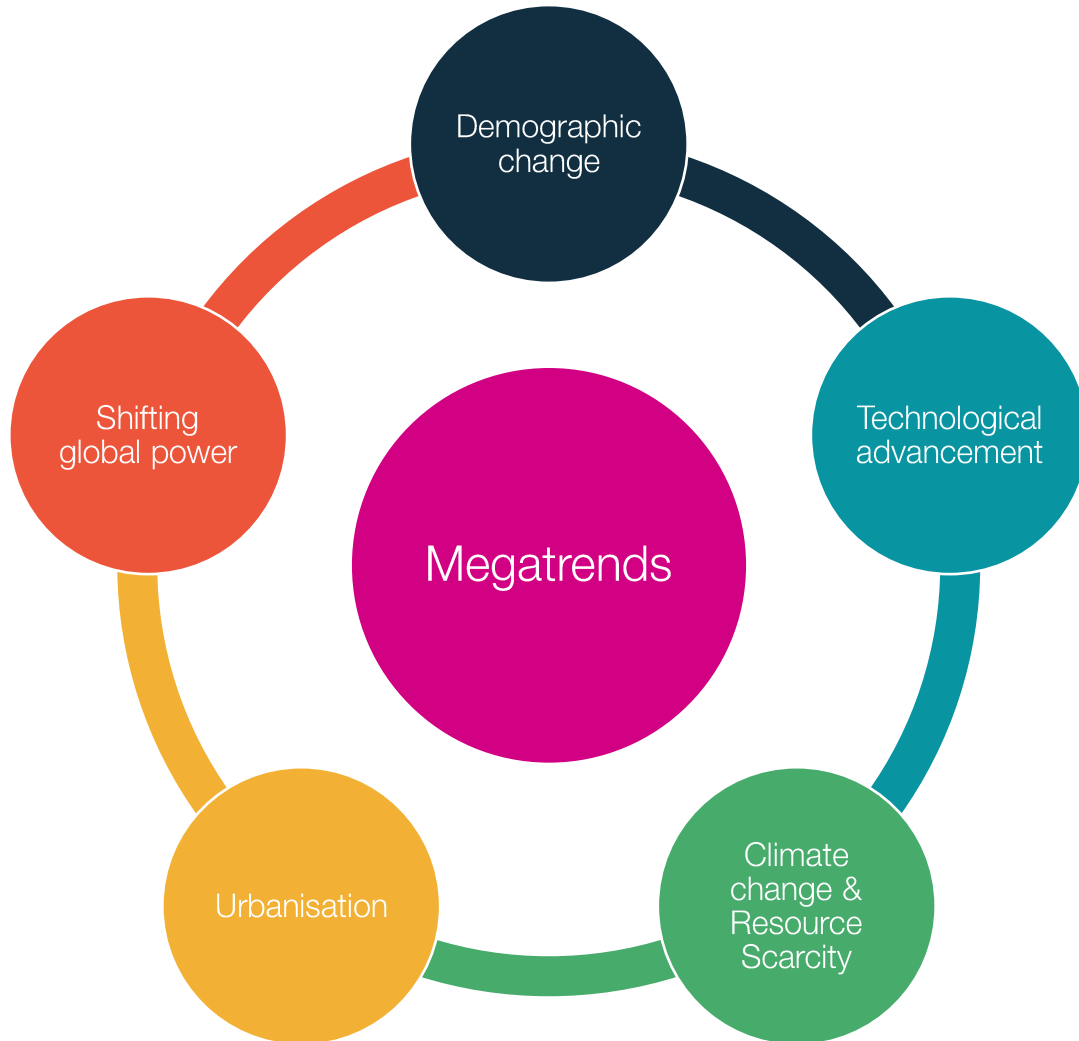
Improved UN Goal Alignment

-2.8%
Reduced
exposure
to companies
working against
the UN Goals

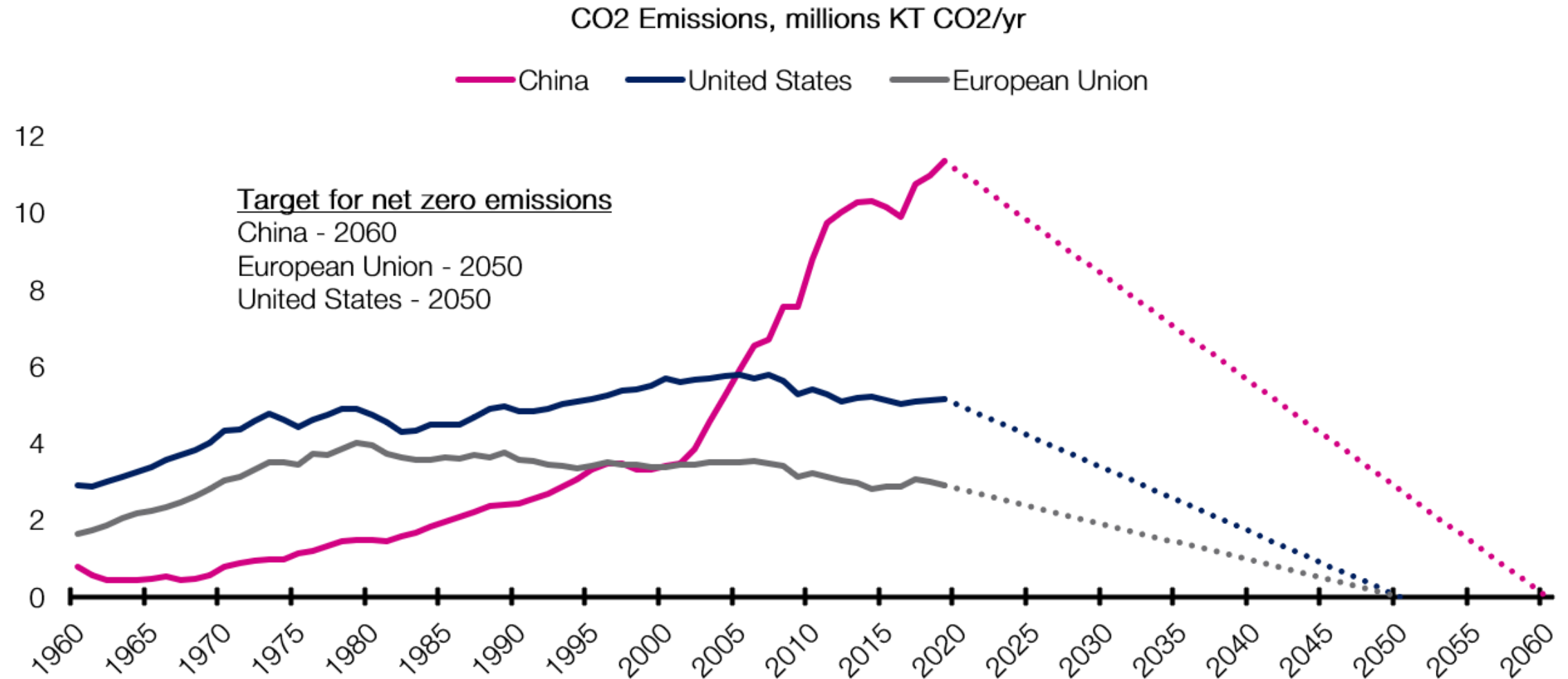


5. New Themes: Decarbonisation & Clean Water

Global megatrends

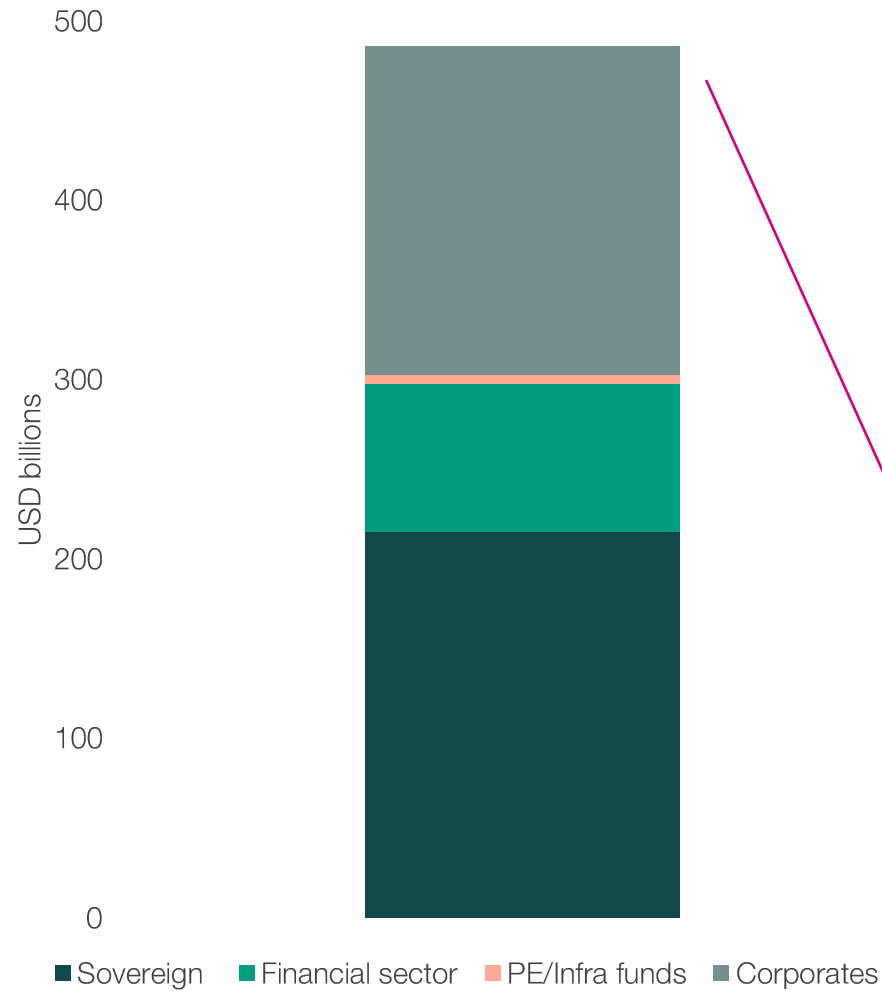


Scale of the challenge

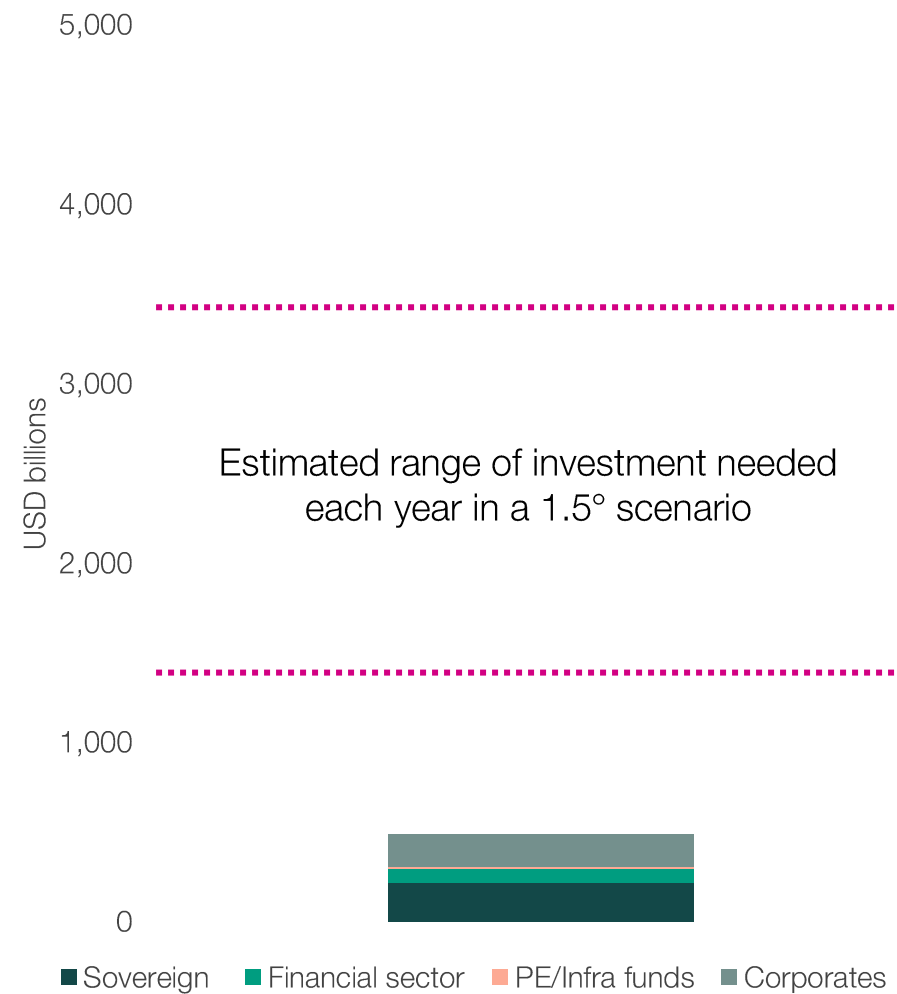


Funding gap

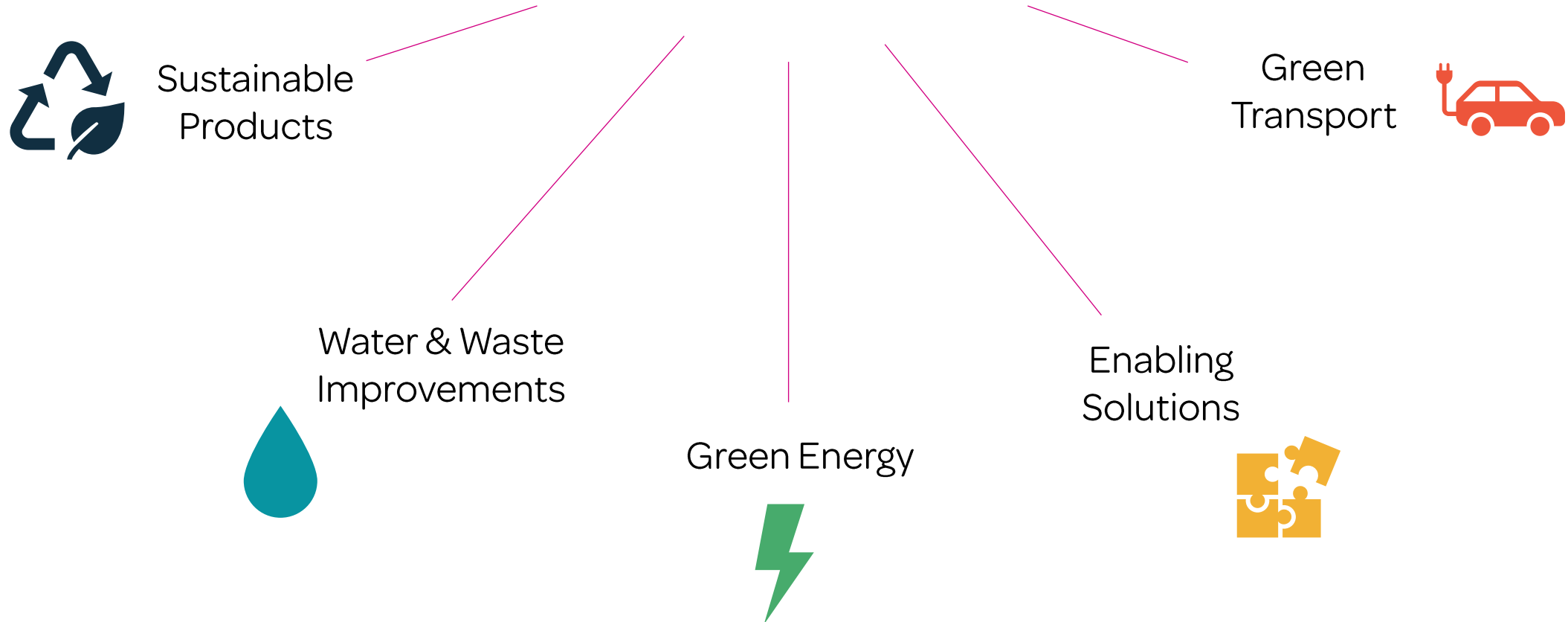
Current sources of climate finance



Compared to what is required



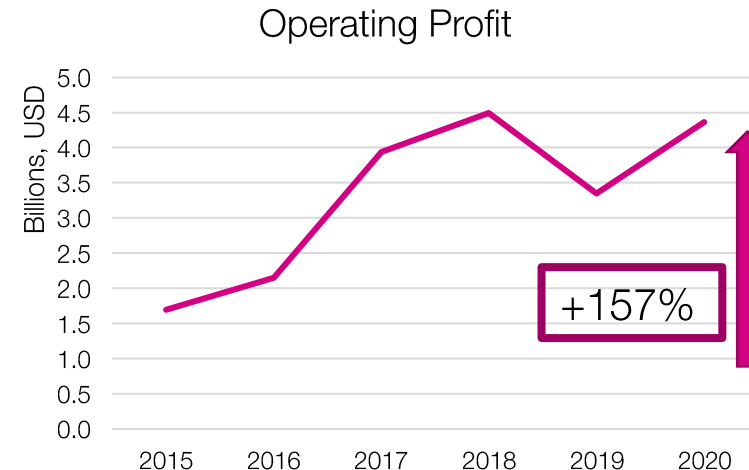
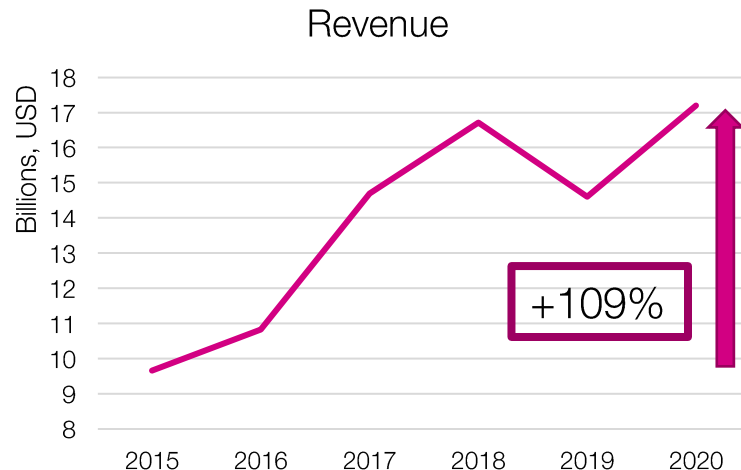
Decarbonisation



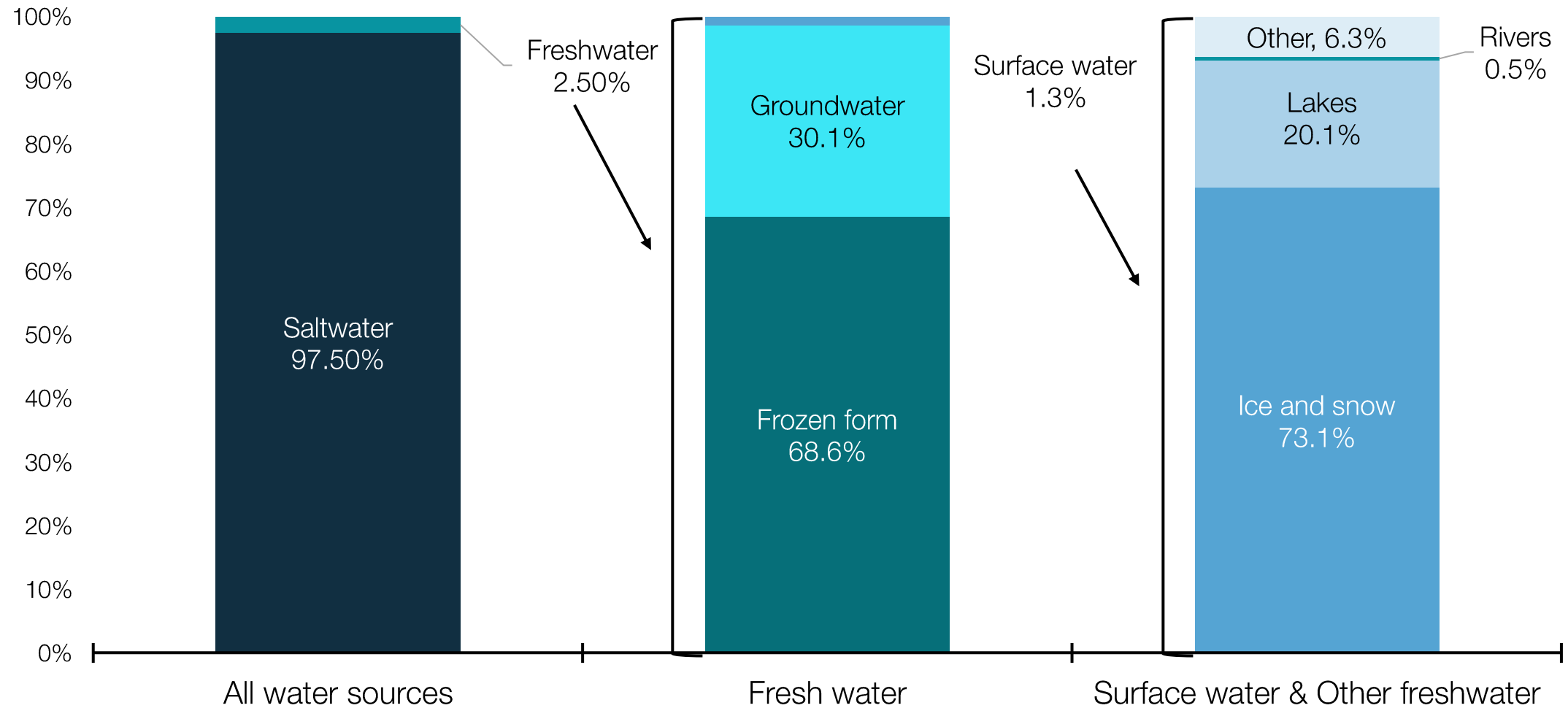
Company example: Applied Materials



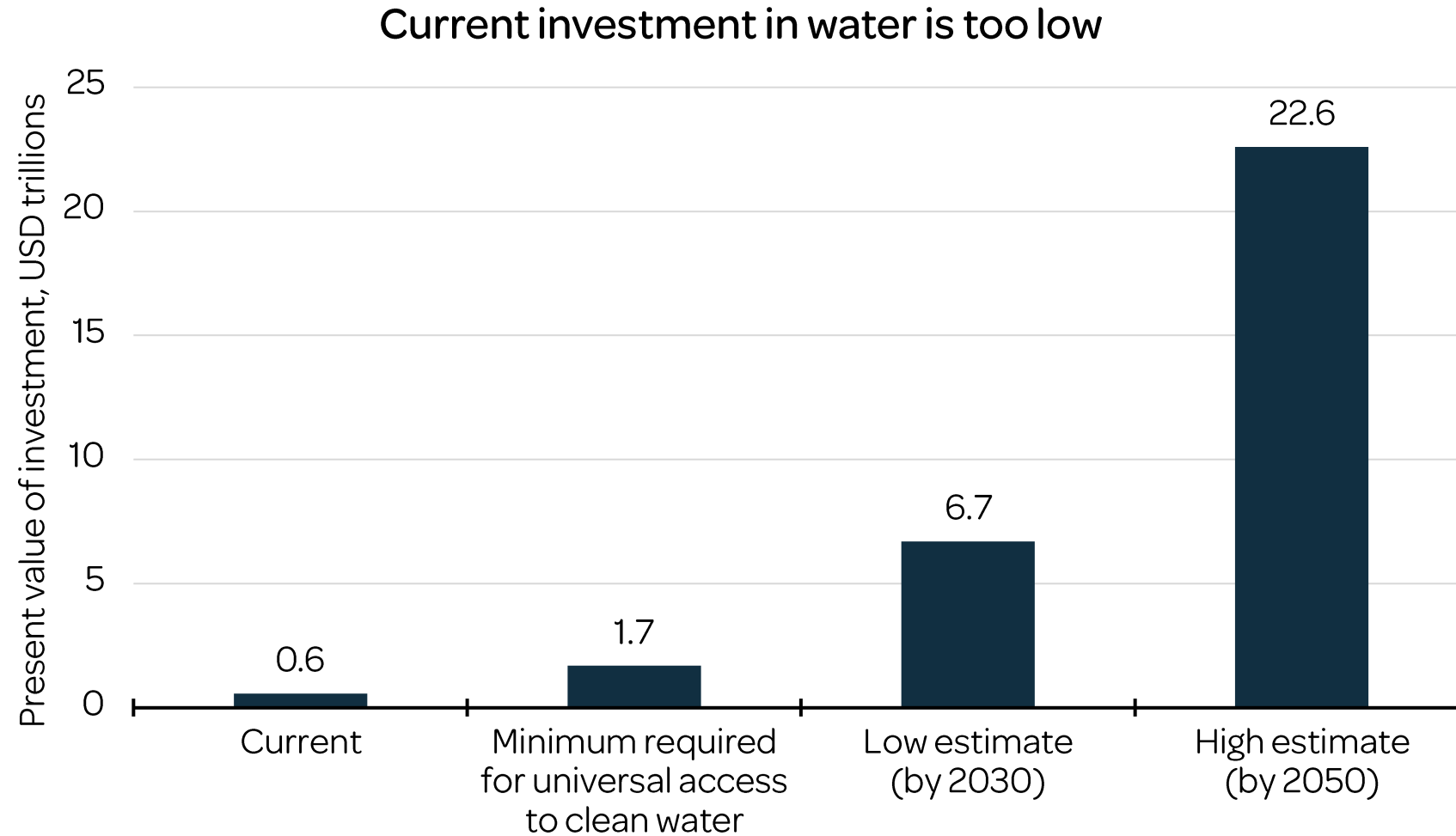
- Leader in materials engineering
- Solutions used in virtually every new chip and advanced display in the world
- Crucial to enabling future innovation and technologies
- Strong growth characteristics



Clean water availability



Investment in water is lacking

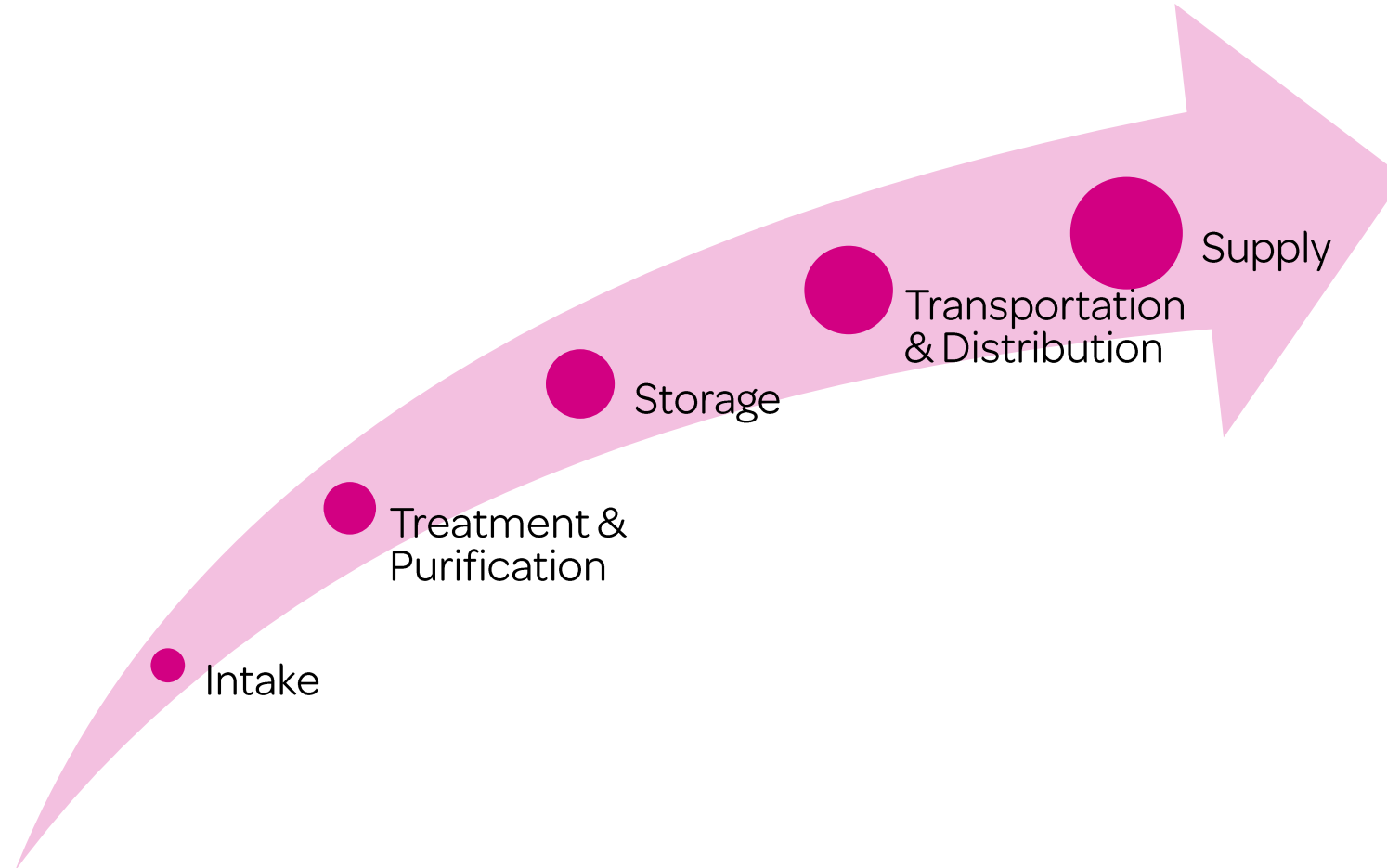


5 reasons why...

1. No substitute for clean water
2. Not just overly-indebted utilities
3. Emerging markets only add to demand
4. Infrastructure investment tailwinds are global
5. Regulation and health standards

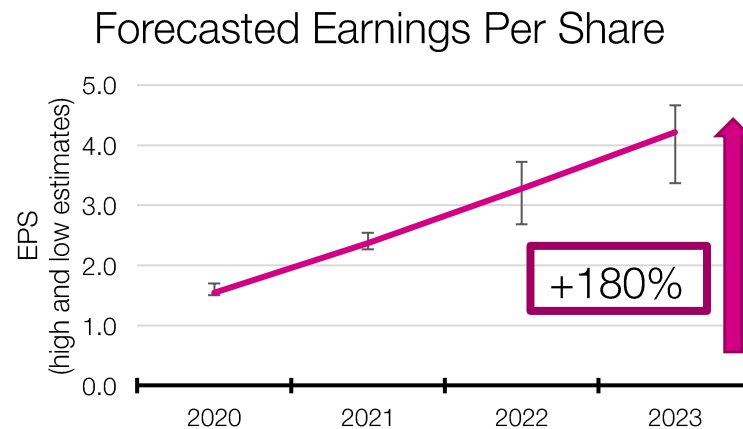
New fund: L&G Clean Water ETF

Investing across the Water value chain...



Company example: Itron

- Provides leak detection technology that combines smart devices and advanced data analytics
- The Department of Water and Sewage in Sao Paulo, Brazil, has deployed Itron Solutions to reduce water loss and improve visibility into its water system.
- Strong revenue and profit growth expected



Q&A

Please use the webinar Q&A tool
to submit questions

For further information

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Important information

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