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Corporation

Summer 2021 Newsletter

An update from EQ, including topics such as protecting your loved ones and estate planning, and how we continue to engage with asset managers to push for change on sustainability issues, plus a word from our new executive team.

Looking forward

Sophie, Mark, & Nath
Joint CEOs

It's been over a year since the pandemic started and it's no understatement that it's been a difficult time for us all. Lives and livelihoods have both been lost. It's taught us to not take the basics for granted and to appreciate the smaller things in life.

Thankfully, as we emerge out of lockdowns, the light at the end of the tunnel seems to be getting that little bit brighter. The vaccination program and the loosening of lockdown restrictions are helping the economy recover quicker than expected – confidence is returning. The Bank of England is forecasting a stronger economic recovery than previously thought and signalled it will not raise interest rates in the near term.

2020 saw almost all global economies' GDP fall off a cliff-edge, yet stock markets around the world painted a different picture. Apart from the initial short, sharp drop, market indices globally have recovered their losses and continued to grow.

Since the onset of the pandemic, our aim has been to provide information and reassurance in whatever dose is required. We hope we have achieved this, and always welcome your feedback on what you want from EQ. As we look ahead, we hope you will continue to share your financial concerns with us, so that we can help. Our overarching goal is to ensure you are financially prepared for all events



in life; be it your child's education, your own retirement, or unforeseen health problems.

The coronavirus pandemic has in its way offered a unique opportunity to build back greener, by forcing policymakers to think about how to build sustainability and 'green' spending into creating a competitive post-Covid economy. In his article (p6) Kasim Zafar, our Chief Investment Strategist, presents his case for why investment decisions must support broader economic, environmental, and social outcomes and how we are incorporating sustainability practices across our portfolios.

Despite the impact of the pandemic, as a business we have never been stronger. We've operated throughout the lockdowns and invested into the company, without any of the EQ team being furloughed. This has enabled The EQ Foundation to increase donations to several charities (p10).

If this crisis has taught us anything, it is to be ready for contingencies, instability and change. Life, the economy, and markets are full of unpredictability – sometimes more than we'd like. The last twelve months have been unlike any we have known, and we thank you for your ongoing support. If you have any questions or further feedback, please don't hesitate to reach out to us:

enquiries@eqinvestors.co.uk

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EQ in the news

CITY A.M. Vaccines, central banks and a value revival: What's driving investment decisions in 2021?



Going Green with Your Pension



The best global clean energy ETFs for UK investors



Raconteur distributed in The Times: Activist investors



Former PM Tulloch on how Foundation Scotland switched to an impact portfolio

better business
act

EQ is pleased to announce it has joined the Better Business Act coalition.

Launched on 31st March, the coalition sees hundreds of businesses call for an amendment to Section 172 of the Companies Act to require every single company in the UK, whether big or small, to take ownership of its social and environmental impact.

Behind the Better Business Act (BBA) is a broad – and growing – coalition of businesses. Household names like Waitrose, Danone, Ben & Jerry's, Innocent, BrewDog, Cook and Abel & Cole, as well as hundreds of others, of all shapes and sizes, across the UK.

And it is not just businesses who are behind the BBA: a range of thought leaders and academics including Paul Polman, Social Value UK and the Institute of Directors are vocal supporters.

In a year when the eyes of the world are on us as we host the G7 and COP26 summits, this revised act would be both a strong symbol of positive change and a powerful mechanism through which it can be achieved.

 **investors**

EQ double award success

Ben Faulkner, Communications Director



We are celebrating after scooping two prestigious awards following a successful 2020.

EQ's Chair John Spiers was presented with a well-deserved 'Lifetime Achievement Award' at the online City of London Wealth Management Awards, organised by Goodacre UK.



Now in their 14th year, the awards celebrate the outstanding achievements of both the companies and the individuals working in the wealth management sector.

John was recognised for his contribution to the wealth management industry and his philanthropic efforts.



EQ then picked-up the 'Best adviser firm for ESG' award at the Professional Adviser Awards 2021. This award recognises a financial advice firm that has gone above and beyond in its efforts to meet its clients' ethical, social and governance investment needs.



The Professional Adviser Awards are extremely well contested by everyone in the industry, so we are thrilled to have won.

To know more about how you can tailor your investments to align with the UN's Sustainable Development Goals, please speak to your EQ Financial Adviser.

Case study: protecting your loved ones

Dale Scorer, Financial Planner



Financial planning is about giving ourselves the best chance of achieving our financial goals, and at the same time preparing for any unexpected bad times.

There are many areas of protection to think about and we can help answer questions on these and plan what cover is right for you, your family and your business.

Protection planning usually involves looking at several areas that are relevant to your life and circumstances, including:

- You can guarantee lump sum cash payments for your loved ones should the worst happen. Income Protection gives peace of mind that your income doesn't need to stop working just because you have.
- You're more likely to fall ill or be injured than to die, so we can arrange cover to pay out under these circumstances. Do you know how much cover you need? It really depends on your circumstances – we can help you work it out.
- What will happen to your business if you fell ill or died? Relevant Life Cover offers tax efficient life cover for business owners. When was the last time you reviewed yours? Why not let us help you with that?

The importance of income protection

The following case study is sadly based on real life events. It shows how important it is to be prepared for the unexpected.

James worked as a cameraman with an annual income of £30,000. Shortly after his 40th birthday he was taken ill at work, and scans found a blood clot which had moved to his brain. While surgery was able to disperse the clot, James unfortunately suffered some damage to his motor cortex and is now confined to a wheelchair.

His reduced mobility meant that he could no longer work and the studio he worked for had to let him go. Meanwhile his doctors advised him that, provided he maintains a healthy diet, he could still expect to live well into his 90s like his parents.

Unable to earn money, James quickly ran through his emergency funds. However, having previously taken out an income protection policy, he rang the claims line shortly after leaving hospital. After three months off work, his plan started paying out £1,250 per month (50% of his previous income).

With this level of cover in place, James can afford to keep paying his bills and his mortgage for as long as he is unable to work. It goes without saying that, if James had not taken out this protection policy, he could have lost his home and struggled to make ends meet when disaster struck.

How EQ can help



Download our free guide or speak with your EQ planner.

Estate planning: nominating a 'digital executor'



Jeannie Boyle, Executive Director

There is nothing more important in your life than your loved ones. Looking after them when you are gone is a top priority for many, which is why estate planning is so crucial.

Estate planning helps safeguard your wishes so that your estate is taken care of by those you trust, and as you intended.

- It can help to protect your family and any other beneficiaries from the impact of inheritance tax.
- It ensures that when the person looking after your estate applies for probate, they'll know what your wishes were.
- There are a range of options including Wills, lasting powers of attorney (LPAs), trusts and living Wills.

Please contact your EQ financial planner if you'd like to discuss your plan.

Why you should appoint a 'digital executor' as part of your plan

The pandemic has shone a light on the need for us all to prepare for the unexpected. One of the ways we can do that is by locating and reviewing our estate documents and securing them in the safest place possible.

Getting your important documents in order now can make things much easier for your family members and executors further down the line.

Appointing a 'digital executor' is a straightforward step you can take to make sure they have access to all your important documents when they need to.

You can nominate a digital executor via the EQ Vault, which you can access through the EQ client portal.

The EQ Vault

The EQ Vault is a secure, efficient and quick way for you to manage all your important documents online.

It is highly secure and unique to you:

- All the information you upload is encrypted and only accessible by you.
- EQ cannot see anything you upload unless you choose to share it with us.
- We recommend you nominate at least one digital executor and let them know.

For more information on using the EQ Vault, download our guide:



Thinking and investing sustainably

Kasim Zafar, Chief Investment Strategist



At the heart of our approach as a business is a commitment to sustainability. We believe this to be right as a principle *and* as a driver of long term investment returns.

Our firmwide investment philosophy sees sustainable business practices as competitive advantages and value drivers. In this article I'll explain how this has led us to introduce minimum sustainability standards for all the asset managers we work with – including the funds in our Best Ideas portfolios, which I have managed since 2013.

The EQ Best Ideas portfolios aim to identify up and coming investment themes in different regions and profit from the resulting opportunities. These themes naturally change over time.

In the world of yesteryear we saw an evolution in financial markets starting with big pharma, energy and banks that were the dominant businesses as both developed and emerging markets were growing at a substantial pace. Telecoms companies soared as the mobile phone took off. IT companies boomed through mass adoption of personal computers and then everything tech got caught up in the dotcom boom and bust.

Globalisation kicked into overdrive as China acceded to the World Trade Organisation in 2001, sending energy and commodities companies through the roof, while the banking system became

a hotbed of activity until its eventual collapse in the Great Financial Crisis. This gave way to smart phones, e-commerce and the digital economy that is thriving today.

Tomorrow's hot investments will be something different again. The point is that as the world changes your investments should change to reflect tomorrow's (and not yesterday's) themes.

The investment world of tomorrow will be dominated by companies involved in digitalisation, robotics and artificial intelligence. These themes will drive innovation in fields as disparate as biotechnology and insurance. Technology is no longer a single sector – it applies to every industry. Similarly, the implications of climate change will eventually transcend all industries as companies of all shapes and sizes face up to their responsibilities as corporate citizens.

Sustainability is about much more than global warming. It is about accountability to a broader suite of stakeholders than just a company's shareholders. Companies have responsibilities up and down their supply chains to ensure good environmental, labour and governance practices. It is thrilling to see so many companies willingly

Our Minimum Sustainability Standards

In order to qualify for ongoing inclusion in our portfolios we expect all EQ fund managers to:

1 Exclude the following industries from their funds entirely due to the risks of harm they present to society and the environment:

- ✗ Armaments
- ✗ Gambling
- ✗ Pornography
- ✗ Thermal coal
- ✗ Tobacco

2 Systematically integrate Environmental, Social and Governance (ESG) data into their investment processes and decision making.

3 Integrate carbon risk and climate transition risk into their investment processes and decision making.

We are applying these standards through a process of engagement with asset managers that began in 2020 and will continue throughout 2021.

pick up the baton and make self-improvements. On page 2 you can read about the Better Business Act, a campaign and coalition aiming to make social and environmental responsibility a legal obligation for all UK companies.

“Seismic” is the only word to describe things happening in some of the worst offending industries, such as fossil fuels. In May 2021, a court in the Netherlands made a landmark ruling that the oil giant Shell must reduce its CO₂ emissions by 45% by 2030 (compared to 2019 levels), not 20% as pledged by the company. The world is changing, in some big ways. Just like technology, sustainability will transcend all industries.

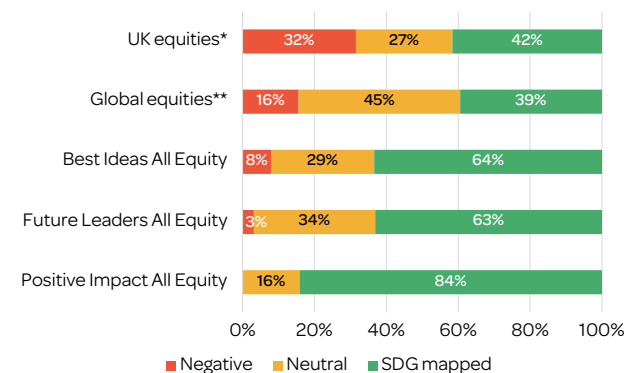
In recognition of this, back in 2018 we began to wonder what it would take for the Best Ideas portfolios to adapt to this future world. In 2019 we began speaking with providers of sustainability data to try and quantify the good, the bad and the ugly parts of our underlying managers’ portfolios. We also spoke to our fund managers to see what they could see happening and how they were approaching tomorrow’s world. As our Best Ideas manager picks, it should be no surprise that most of them were fully in tune with the changing world and in many cases were already positioned to benefit.

By the end of 2020 we were ready to make some bold commitments. Our research demonstrated that integrating sustainability considerations into decision making served not only to reduce downside risks but also led to improved investment returns. Moreover, to exclude the worst offenders

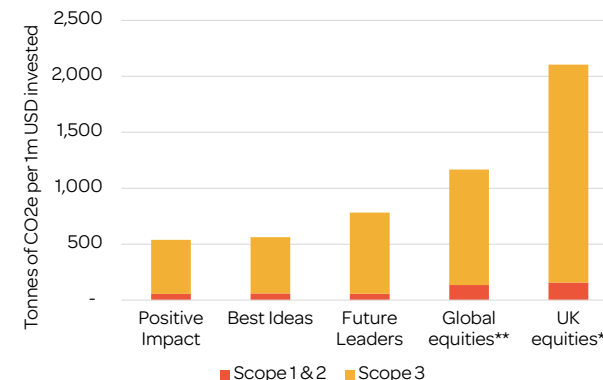
(tobacco, gambling, pornography, armaments and thermal coal) removed less than 2% of companies (by size) from the global equity universe.

Through a series of engagements with our existing fund managers we realised many already saw the value of sustainability considerations in their investment decision making process. Some approach it from the perspective of risk mitigation (such as avoiding regulatory or legal risks) while others had already gone a step beyond this, seeing social and environmental challenges as potential investment opportunities and seeking out companies involved in these areas.

Demonstrating just how much the theme of sustainability transcends industries, we mapped the Best Ideas portfolios to the UN Sustainable Development Goals and measured their carbon emissions, as we have done in the past for our Positive Impact strategy:



*UK equities represented by iShares FTSE 100 UCITS ETF. **Global equities represented by SPDR MSCI ACWI UCITS ETF. Holdings data: Morningstar. Analysis: EQ Investors, December 2020.



Carbon data: Urgentem, 2020.

As you can see in the charts, the Best Ideas portfolios already had strong sustainability credentials at the end of 2020.

By early 2021, through our engagements focused on ensuring best practice across our list of fund managers we could see a roadmap to the point where all managers on our Buy List would either have fully integrated Environmental, Social and Governance (ESG) factors into their decision making process, or else we could see potential alternatives that are delivering similar or even superior returns. We anticipate reaching that point by the end of this year, or early in 2022.

Tomorrow’s world isn’t built by reminiscing yesterday’s achievements. Growth, development and innovation require hard work and thinking differently. We’re doing both to build better investments for tomorrow.

Using engagement to create positive change

Louisiana Salge, Senior Sustainability Specialist



One way of creating improved sustainability standards in investee companies is to engage with company management on identified weaknesses. This can be done by individual investors or through investor coalitions that push for change around specific issues.

We focus our engagement efforts on improving the social, environmental and governance (ESG) issues that are most material to the businesses we invest in and those that can sometimes be overlooked by others.

Over the course of the last year we have been working as part of a ShareAction coalition called the 'Healthy Markets initiative' which is focused on food standards, nutrition, and obesity. These case studies highlight two recent engagements:

Case Study: Tesco has become a market leader, increasing healthier food options

The investor coalition filed what was thought to be the first nutrition-based shareholder resolution in February calling on the retailer to cut its reliance on junk food for sales growth.

Tesco responded in March by committing to a 'major new programme of reformulation' to improve the health profile of its products by 2025.

But questions remained: the target only included Tesco-branded stores in the UK. This

left out other stores owned by Tesco (through Booker), such as Budgens and Londis-branded convenience stores. It also excluded its international operations.

With this in mind we kept the pressure on, and on 5th May Tesco responded to this investor pressure. It has now expanded this commitment to its entire retail group. The company has announced it will commit to similar measures across its central European operations – and formulate specific targets by the end of 2022.

Case Study: Unilever, a work in progress

We submitted a question at Unilever's 2021 AGM – held behind closed doors. Our question focused on whether Unilever is willing to commit to a long-term business strategy to ensure most of its sales come from healthy food and drink products, and whether intermediate targets can be put in place.

Unilever's response was rather disappointing – referring to previous 'Future Foods' commitments by the company which are still vague, and importantly not linked to sales.

Going forward, we will use this opportunity to engage with our selected fund managers with exposure to the business to help build momentum in engaging on this issue.

We will also participate in collaborative engagements with the company directly. An update on the outcomes will be published in our annual impact report (due in October) alongside our other engagement themes.

Building an impact portfolio for a Scottish charity

Daniel Bland, Head of Sustainable Investment Management



Focusing on sustainable funds might sound like the obvious approach for any charity when it comes to managing its investment portfolio. But often that's not the case.



Foundation Scotland

Late last year, we were approached by Foundation Scotland. As Scotland's community foundation, they help people and organisations to fund good causes, strengthening Scotland's communities and creating a lasting impact.

Investment approach

Foundation Scotland were looking for a global equity strategy to maximise social and environmental impact, without compromising prospective financial returns. With a long-term horizon, performance will be judged over five years and longer.

To maximise the impact, the investment strategy

is highly aligned with the UN Sustainable Development Goals – the goals are designed as a blueprint to achieve a better and more sustainable future for all. Themes that Foundation Scotland has focused on include poverty alleviation, good health, and wellbeing.

Stepping up reporting

As a community foundation a key goal is to make giving more impactful, effective, and efficient. The Foundation offers a fantastic service for donors, and we worked hard to integrate our portal with their own donor reporting. The aim was to reduce time spent by Foundation Scotland on administrative work and create a helpful tool for donor engagement. We provide real-time access for donors to view all their investments, in addition to seeing the impact performance.

EQ's charity investment practice

Some charity trustees have historically – and understandably – focused on making the best financial return, without taking into consideration all the potential unintended consequences of their investments. However, it is increasingly prudent for trustees to consider the factors affecting the longer-term financial sustainability of their investments.

Evidence suggests that removing certain industries or companies from their investment portfolio doesn't necessarily impact financial return. Indeed, the pursuit of responsible business practices can be positive from a financial as well as a values perspective – as we know from our own Positive Impact approach.

Going forward, we fully expect more charities and foundations to align their investment approach with their charitable objectives – donors are increasingly interested not just in what a charity achieves, but how it behaves along the way.

If you're connected to a charity and want to know more about how you can better align your investment approach, please get in touch:

daniel.bland@eqinvestors.co.uk

020 7488 7185

The EQ Foundation

John Spiers, Chair



The onset of the Covid pandemic in March 2020 presented multiple challenges for most charities. Demand for their services increased while sources of finance melted away. In recognition of these difficulties The EQ Foundation resolved to increase our level of donations, both to causes previously supported and to some others, such as The Big Issue, that appeared to be acutely affected.

We have been hugely impressed with the way that our supported causes have adapted to the new circumstances and delighted that none have been extinguished. In many cases the circumstances have led to innovation in processes and spurred on performance to even greater levels.

We continued to support Advent of Change, who extended their range of merchandise beyond advent calendars into Christmas crackers, candles and year planners. Despite the considerable difficulties caused by John Lewis stores closing in November it set a record for money raised for charities, many of which are among our favourites.

We also continued to support Big Give matched funding campaigns, and these were highly successful. Overall, the activities carried out by the EQ Foundation have resulted in well over £1 million being raised in the past year and we hope to build on that going forwards.

Early Years

There is a mountain of evidence supporting the case that the environment in which babies exist in the first 1,000 days after conception can have a profound impact on their later development. Adverse experiences at this time can lead to irreversible damage.

Early years intervention is a priority area for us, and we were pleased recently to add a relatively new but highly impactful charity to our list.

For Baby's Sake arranges one on one counselling sessions with each parent in troubled families and the evidence of its positive impact is most encouraging.



GivingisGreat.org

We established this online search engine a couple of years ago partly because we were finding it so hard to find effective charities in our preferred areas of focus.

More than 75% of all voluntary donations in the UK are directed at a few thousand charities, most of which are household names. There are tens of thousands more impactful organisations out there below the radar that lack the marketing budgets to become household names.

We have continued to develop the functionality and believe it is now the 'go to' source of information on registered UK charities, used by numerous professional advisers, foundations and members of the public.

As well as holding data on every registered charity it has a growing list of 'rated' organisations that we have examined in detail and, in most cases, donated to ourselves. Helped by the availability of Google non-profit free ads we have expanded the reach to over 3,000 visitors per month.

You can see an analysis of every grant made by The EQ Foundation since inception in 2015 at:

givingisgreat.org/donors

For the price of Amazon Prime, you can help save the Amazon.

Support up to 9 high impact environmental initiatives with a single subscription.

Try it for free

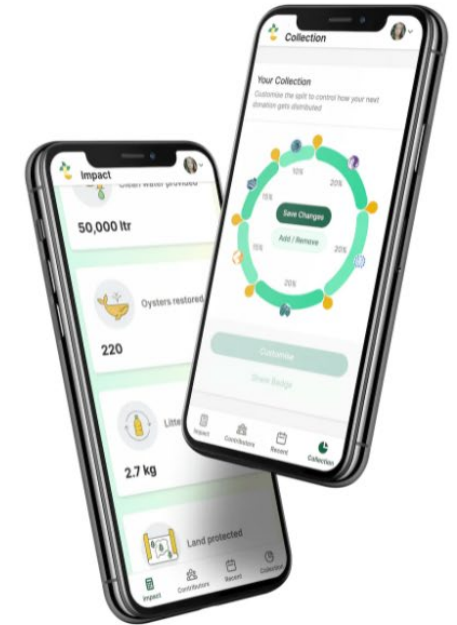
- ✓ First month free
- ✓ £10 welcome credit
- ✓ Cancel anytime

Want to boost your business's impact? [Tythe for Companies](#) →

Tythe.org

We have supported the development of this new platform for charitable giving, the brainchild of Dan Kwiatkowski. **Tythe** has been designed to allow people to make regular small donations to a curated list of high impact charities, have their donations increased by matching and receive insightful reports.

The first 'portfolio' is based on an Environmental theme and includes 9 charities, each of which has



been vetted by **Giving is Great**. It's early days but we are hopeful that **Tythe** will plug a gap and help to make impactful giving more accessible and meaningful.

If you would like help with your own charitable strategy, we would be happy to hear from you:

info@givingisgreat.org



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