



# EQ Climate Action Balanced Plus

Model Portfolio Factsheet

FOR FINANCIAL ADVISERS & CLIENTS

Jul 2023

*Invest in the path to a Net-Zero economy.*

## Company Description

EQ Investors is an award-winning discretionary fund manager focused on sustainable and impact investing. Proud to be a Certified B Corporation (B Corp), we firmly believe investors can achieve their goals while doing good for people and the planet.

## Key Facts

Factsheet Date	31/07/2023
Launch Date	28/02/2022
Portfolio Yield (indicative)	0.72%
EQ Management Charge	0.32%
Underlying fund MIFID II Charges**	
Ongoing	0.43%
Transactional	0.10%
Incidental	0.00%
Total	0.53%

Source: EQ, Morningstar

## Investment Team



**Damien Lardoux, CFA**  
Portfolio Manager  
Head of Impact Investing



**Tertius Bonnin**  
Assistant Portfolio Manager  
Investment Analyst



**Louisiana Salge**  
Head of Sustainability

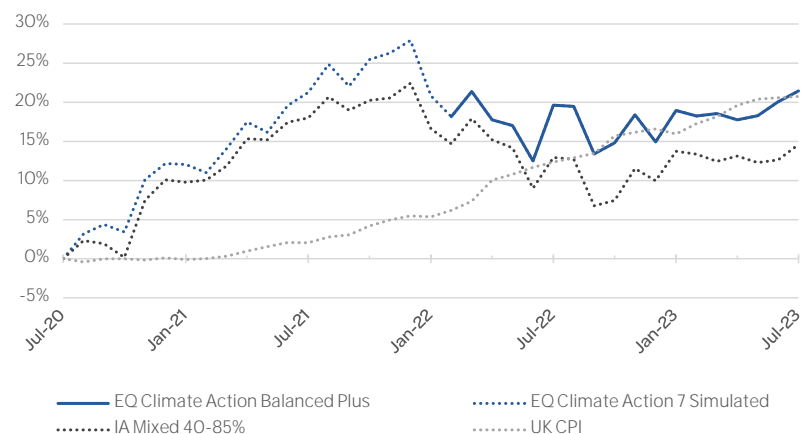
## Awards



## Portfolio Objective

The Climate Action portfolios have been designed with a dual mandate, to maximise financial returns and contribute to a low carbon economy. This strategy selects funds that invest in companies providing environmental solutions and driving transition in the Path to Net Zero, while avoiding controversial sectors. The strategy is comprised of specialist, actively managed and passive tracker funds. This Balanced Plus portfolio is diversified across a mix of equities, fixed income, infrastructure and cash.

## Portfolio Performance\*



Cumulative Performance (%)	3M	6M	1Y	3Y	Since Inception 02/2022
EQ Climate Action Balanced Plus	3.15	2.10	1.52	21.44	2.80
IA Mixed 40-85%	1.30	0.76	1.48	14.60	-0.08
UK CPI	0.97	4.15	7.47	20.74	13.70

Discrete Performance (%)	Aug 22 Jul 23	Aug 21 Jul 22	Aug 20 Jul 21	Aug 19 Jul 20	Aug 18 Jul 19
EQ Climate Action Balanced Plus	1.25	-1.60	20.91	-	-
IA Mixed 40-85%	1.48	-4.30	18.00	-2.86	5.18
UK CPI	7.47	10.10	2.04	1.04	2.06

Volatility (%)	1Y	3Y	Since Inception 02/2022
EQ Climate Action Balanced Plus	8.27	9.60	10.02
IA Mixed 40-85%	8.15	8.72	10.33
UK CPI	2.20	2.08	1.87

## Platform Availability

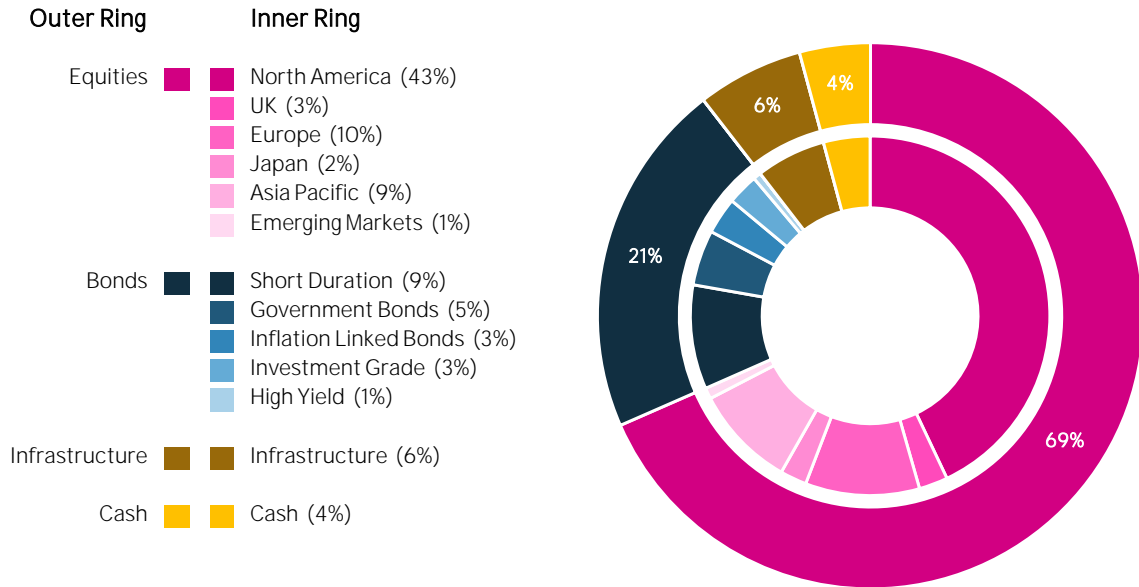
7IM, abrdn Wrap, AJ Bell, Aviva, Fundment, Novia, Nucleus, Parmenion, Quilter and Transact.

Past performance is not a reliable indicator of future performance. All performance is shown in sterling, net of EQ's management fee (0.32%) and underlying fund charges. It does not include platform or adviser fees. Investment Association (IA) is a universe index comprising multi asset funds that has a set equity exposure range. Source: EQ, Morningstar.



## Asset Allocation

The chart below shows the short-term asset allocations of the portfolio. Percentages are subject to rounding.



### Top 5 fund holdings

Top 5 fund holdings	Description	Weighting
Lyxor Net Zero 2050 S&P 500 Climate PAB ETF	North American stocks with a low carbon emissions Paris Aligned overlay.	10.3%
Amundi MSCI USA SRI PAB Index	North American stocks with a sustainable & Paris Aligned overlay.	10.0%
M&G Global Sustainable Paris Aligned	Global companies contributing towards the Paris Climate Agreement	8.3%
EdenTree Green Infrastructure	Listed infrastructure companies with positive environmental outcomes	6.3%
Pimco GIS Climate Bond	Multi-sector green bonds, aiding the transition to a net zero carbon economy.	6.0%

### Top 10 underlying companies

Top 10 underlying companies	Description	Weighting
Microsoft	Provider of cloud infrastructure, enabling decarbonisation of its clients	3.2%
Alphabet	Provides cloud computing and software, and is a low carbon leader	1.5%
Apple	Producer and supplier of consumer electronics, software, and online services	1.0%
Schneider Electric	Provider of sustainable energy and efficiency technology	1.0%
UnitedHealth Group	Healthcare and insurance provider, and a low carbon industry leader	0.9%
Tesla	Manufacturer of electric vehicles, battery storage systems & clean energy	0.9%
Adobe	Multinational multimedia and creativity software company	0.8%
Visa	Retail electronic payments network, and a low carbon industry leader	0.7%
Taiwan Semiconductor Manufacturing	Leader in semiconductors manufacturing, key enabler to climate transition	0.7%
Novo Nordisk	Pharmaceutical breakthroughs against diabetes and chronic diseases	0.6%

The top 10 underlying equity holdings represent the top 10 equity exposures held in an aggregated list of each funds' underlying holdings in the portfolio. Multiple issues of a single company are aggregated in this list. Icons represent the overall company alignment to our Climate Buckets. To produce this data, we use a snapshot of the funds held at the last rebalance.



## Optimising Climate Exposure

Alongside investing in Low Carbon Leaders, investment in the climate transition and in climate solutions can be a catalyst for further change by signalling to companies and governments that this is priority for owners of capital.

Companies that provide solutions to climate change are likely to experience a strong increase in revenues by solving unmet needs. In the meantime, companies that are not transitioning quickly enough to a low carbon economy are likely to suffer write-downs, a potential drop in future revenues, and a rise in operating cost as the impact of regulatory instruments such as carbon taxes begin to bite into bottom lines.

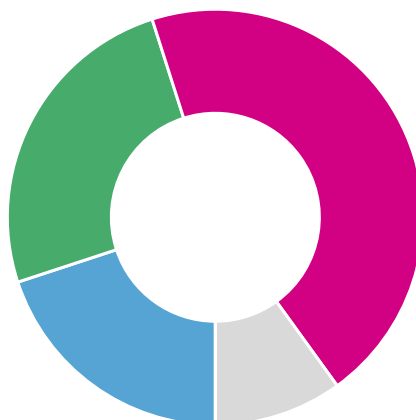
### Low Carbon 25%

Leaders in carbon efficiency, with emissions at least 33% lower than their industry peers.

### Transition 20%

Companies on a credible, science-based path to decarbonising their business models.

## Climate Exposures



### Climate Solutions 45%

Companies whose products & services provide solutions to decarbonisation and where financing is targeted at green projects.

### Laggards 10%

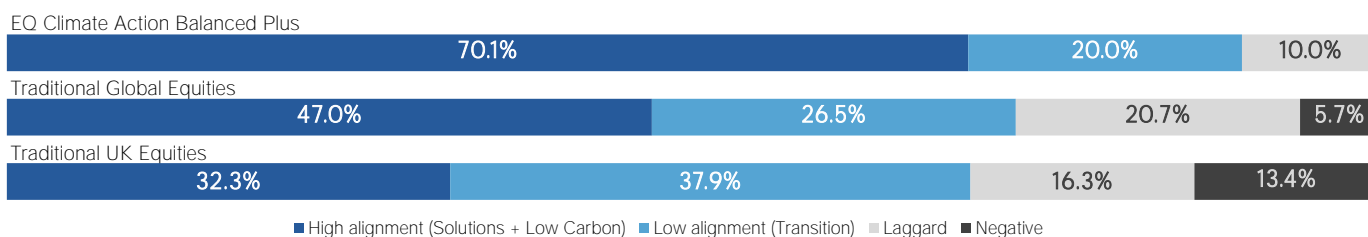
Either companies whose operations or whose products & services are not aligned to a net zero scenario. These companies have been chosen with a view to engage for change.

### Negative 0%

Companies actively involved in controversial business activities such as fossil fuel extraction or thermal coal.

Climate exposures reference the equity portion of the portfolio only. Percentages may not add up to 100% as they are rounded to the nearest decimal. All percentages are rescaled to exclude any unmapped exposures.

## Portfolio climate comparison to Global Equities & UK Equities

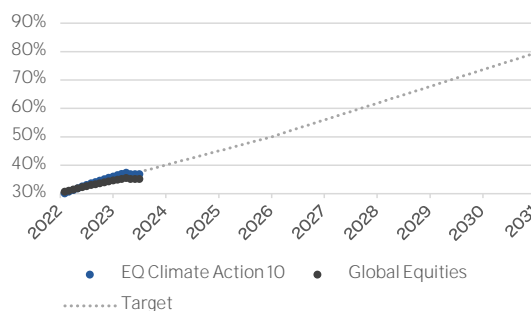


## Science Based Targets (SBTs)

Launched in 2015, the Science Based Targets initiative (SBTi) has been the gold standard for Net Zero emissions targets and is backed by four prestigious global bodies\*.

The initiative intends to increase corporate ambition on climate action by mobilising companies to set greenhouse gas emission reduction targets consistent with the level of decarbonisation required by science to limit warming to less than 1.5°C / 2°C compared to preindustrial temperatures.

The chart alongside shows the EQ Climate Action Balanced portfolio's company alignment to the SBTs. At EQ our Climate Action portfolios are committed to becoming 50% aligned by 2025 and 80% by 2030.

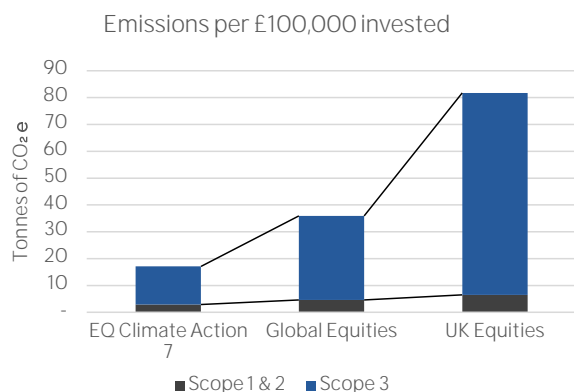


\* Carbon Disclosure Project (CDP), UN Global Compact (UNGC), World Resource Institute (WRI) and World Wide Fund for Nature (WWF).

To produce this data, we use a snapshot of the funds held at the last rebalance. Underlying fund holdings are updated on an annual basis in July. New funds added to the portfolio use the latest holding data available at the time. Percentages may not add up to 100% as they are rounded to the nearest decimal. Portfolio data may differ depending on the platform used.



## Carbon Footprint



Data source: MSCI, Analysis: EQ Investors, data as at the last rebalance.

% difference in carbon emissions vs UK Equities

**-79.1%**

£100,000 GBP invested in the EQ Climate Action Balanced Plus portfolio implied a difference in annual emissions of 65 tons of carbon dioxide equivalent, compared to investing the same amount into UK Equities.

The difference is equivalent to the annual emissions of:

- 14 passenger cars driven;
- 16 UK household's energy used; or
- 7.3 thousand gallons of gasoline burned.

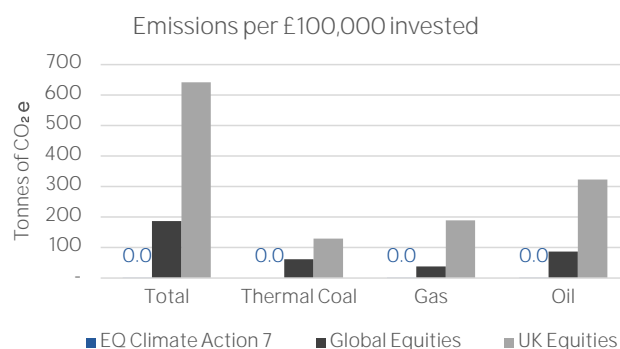
## Climate Change Scenarios

Climate change's current path is still uncertain, and depends on how fast the global economy responds to the challenge to cut global carbon emissions - which are the main driver of global climate change. It is therefore relevant to understand whether the companies within a portfolio are aligned to a desirable emission reduction pathway for us. Climate scientists and global leaders have agreed that limiting global temperature rise to 1.5°C is the most desirable and yet realistic scenario.

## Potential Emissions from Fossil Fuel Reserves

Currently, only 20% of the Earth's existing fossil fuel reserves can be burned while limiting global warming to the 1.5 degrees target by 2050, making the rest un-usable. To compare fuel reserves, we express potential emissions to greenhouse gas emissions as tons of CO<sub>2</sub>.

Certain fuels such as thermal coal, oil sands, shale oil/gas have a higher carbon content than other types. In addition to carbon intensity, extraction can be costly and climate unfriendly because of geological, technical and environmental challenges.



Data source: MSCI, Analysis: EQ Investors, data as at the last rebalance.

To calculate the alignment for 'Global Equities' and 'UK Equities', we use data from ETFs tracking the performance of MSCI ACWI and FTSE 100, respectively.

We use an industry standard methodology, which lets us associate the tonnes of CO<sub>2</sub> equivalent emitted per 1m GBP invested, scaled down to 100,000 GBP invested. We use the "Financed carbon emissions method", using Enterprise Value including Cash (EVIC) as recommended in the PCAF carbon accounting standard<sup>1</sup>. We only focus on the equity portion of the portfolio to enable comparability with a standard market index, and include direct and indirect carbon emissions from the businesses (Scope 1, 2 and 3 as defined by the greenhouse gas protocol)<sup>2</sup>.

<sup>1</sup> For more information, please visit <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>.

<sup>2</sup> For more information, please visit <https://ghgprotocol.org/calculation-tools>

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\*The value of investments and income derived from them may fluctuate and investors may not get back the amount originally invested. The performance of portfolios linked to this model may differ from the model itself, due to the variation in timing of the initial and subsequent investments. This portfolio is not suitable for all investors: investments may only be undertaken based on a recommendation from a financial adviser.

\*\*The MIFID II Ex-Ante charges are forward looking estimates based on the previous fiscal year's information and may vary year to year. 'Ongoing Costs' include adviser, administration, custodian, legal and other fees that typically do not vary year to year. 'Transaction Costs' include the costs of buying or selling assets for the fund. 'Incidental Costs' include performance fees. For newly launched funds that do not have historical data available, the Ex-Ante figure is estimated. The fund charges shown are based on the share classes available on the Pershing platform: charges may vary across platforms based on share class availability.