



# EQ Climate Action Balanced Plus

Model Portfolio Factsheet

FOR FINANCIAL ADVISERS & CLIENTS

Jul 2024

*Invest to support the transition 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	31/07/2024
Launch Date	28/02/2022
Portfolio Yield (indicative)	0.72%
EQ Management Charge	0.32%
Underlying fund MIFID II Charges <sup>2</sup>	
Ongoing	0.39%
Transactional	0.06%
Incidental	0.00%
Total	0.45%

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



BEST AVAILABILITY OF SUSTAINABLE INVESTMENT STRATEGIES  
**WINNER**

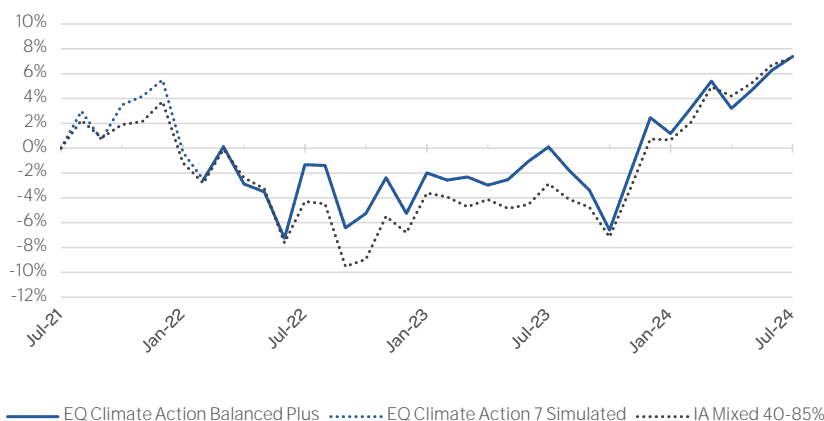
## Platform Availability

7IM, abrdn Wrap, AJ Bell, Aviva, Fundment, Hubwise, Morningstar, Novia, Nucleus, Parmenion, P1, Quilter, Scottish Widows and Transact.

## Portfolio Objective

The Climate Action portfolios are managed with a dual mandate: to achieve long-term capital growth by investing in companies that show climate change leadership. This is achieved through investing in active & passive funds focusing on three lenses: companies providing climate solutions, companies that show low carbon footprints in their sector, and climate improvers aiming to decarbonise on a science-based pathway. Engagement supports companies on this path. This Balanced Plus portfolio is diversified across a mix of equities, fixed income, infrastructure and cash.

## Portfolio Performance<sup>1</sup>



Cumulative Performance (%)	3M	6M	1Y	3Y	Since Inception 02/2022
EQ Climate Action Balanced Plus	4.04	6.11	7.26	7.37	10.19
IA Mixed 40-85%	2.97	6.59	10.49	7.30	10.41

Discrete Performance (%)	Aug 23 Jul 24	Aug 22 Jul 23	Aug 21 Jul 22	Aug 20 Jul 21	Aug 19 Jul 20
EQ Climate Action Balanced Plus	7.26	1.46	-1.34	-	-
IA Mixed 40-85%	10.49	1.48	-4.30	18.00	-2.86

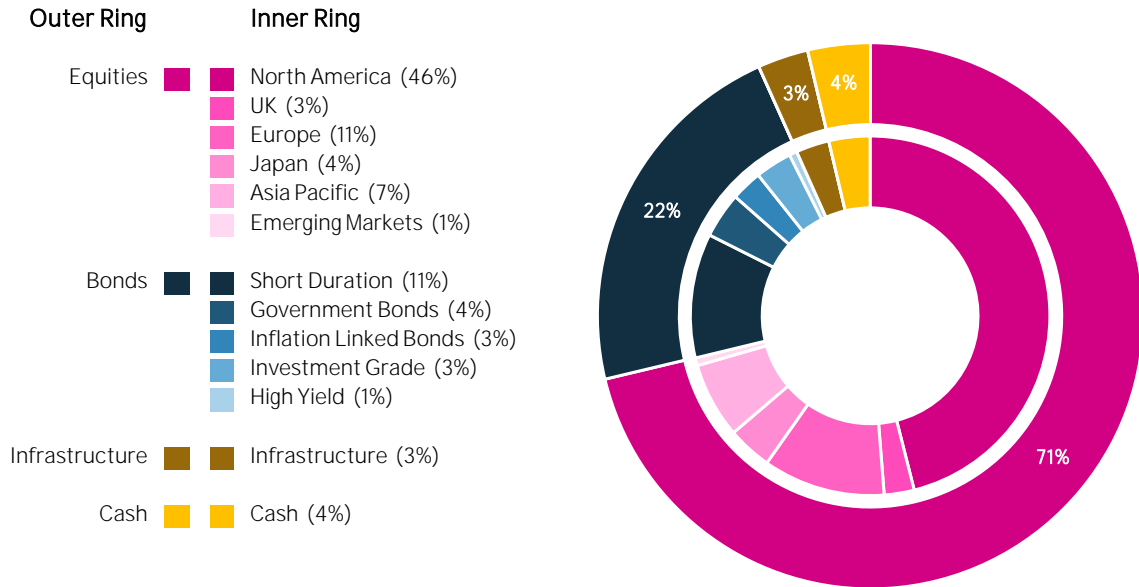
Volatility (%)	1Y	3Y	Since Inception 02/2022
EQ Climate Action Balanced Plus	9.19	9.69	9.55
IA Mixed 40-85%	7.23	8.26	10.05

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

	Description	Weighting
Amundi MSCI USA SRI PAB Index	North American stocks with a sustainable & Paris Aligned overlay.	18.8%
Storebrand Global ESG Plus	Global stocks with an ESG overlay and tilt towards low carbon companies.	10.5%
AB Global Low Carbon Equity	Significantly lower carbon exposure than global equity markets.	10.5%
M&G Global Sustainable Paris Aligned	Global companies contributing towards the Paris Climate Agreement	10.5%
Pimco GIS Climate Bond	Multi-sector green bonds, aiding the transition to a net zero carbon economy.	6.0%

### Top 10 underlying companies

	Description	Weighting
Microsoft	💡 Provider of cloud infrastructure, enabling decarbonisation of its clients	3.5%
NVIDIA	🌍 Leader in GPU design and chip systems, primarily for data centre servers	2.0%
Alphabet	🌍 Provides cloud computing and software, and is a low carbon leader	1.5%
Adobe	🔄 Multinational multimedia and creativity software company	1.3%
Novo Nordisk	🌍 Pharmaceutical breakthroughs against diabetes and chronic diseases	1.0%
Schneider Electric	💡 Provider of sustainable energy and efficiency technology	1.0%
Visa	🌍 Retail electronic payments network, and a low carbon industry leader	0.9%
UnitedHealth Group	🌍 Healthcare and insurance provider, and a low carbon industry leader	0.9%
Home Depot	🌍 Home improvement retailer with low carbon operations and building materials	0.8%
Texas Instruments	💡 Innovator in semiconductors, making electronics more affordable	0.8%

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.

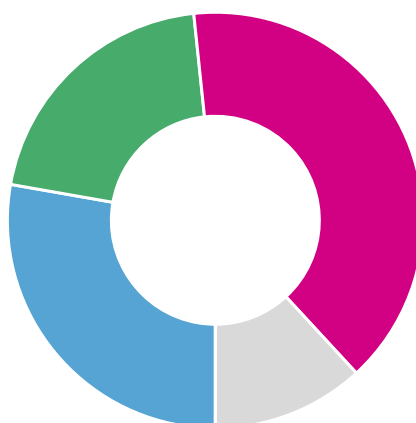
### Low Carbon 21%

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

### Transition 28%

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

## Climate Exposures



### Climate Solutions 40%

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

### Laggards 12%

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.

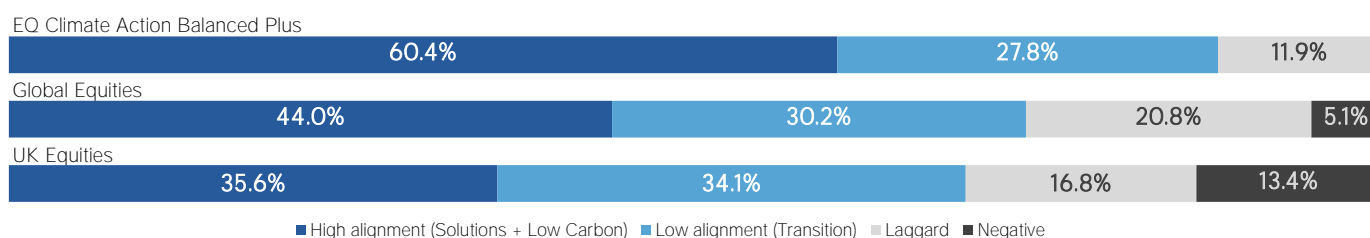
### Negative 0%

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

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

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



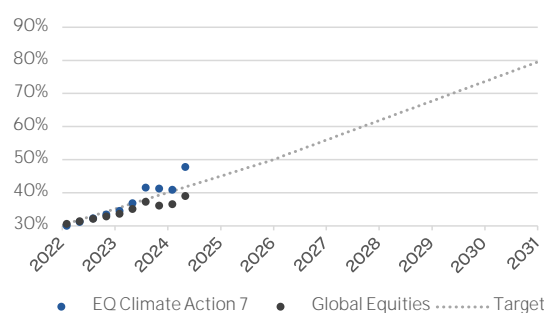
To calculate the alignment for 'Global Equities' and 'UK Equities', we use data from ETFs tracking the performance of MSCI ACWI and FTSE 100, respectively.

## 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.<sup>3</sup>

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 Plus portfolio's company alignment to the SBTs. At EQ our portfolios are committed to becoming 50% aligned by 2025 and 80% by 2030.



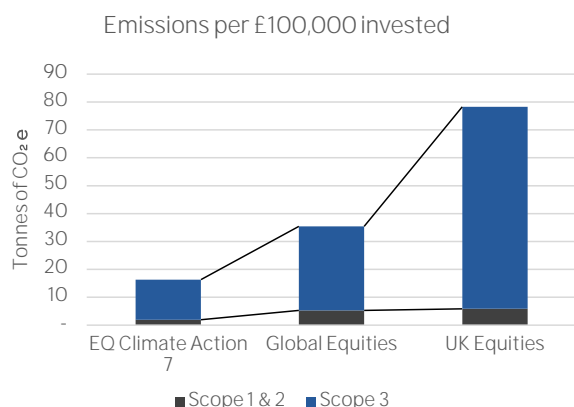
<sup>3</sup> Carbon Disclosure Project (CDP), UN Global Compact (UNGC), World Resource Institute (WRI) and World Wide Fund for Nature (WWF).

To produce this data, we use a snapshot of the funds held at the last rebalance. Underlying fund holdings are updated on a quarterly basis. Percentages may not add up to 100% as they are rounded to the nearest decimal. All holdings are analysed against EQ's proprietary taxonomy of SDG aligned products/services and the list of harmful product/services.



## What's the carbon footprint of your portfolio?

All investments carry a carbon footprint, by investing in businesses that emit greenhouse gases through their activities.



% difference in carbon emissions vs UK Equities

# -79.1%

£100,000 GBP investment in the EQ Climate Action Balanced Plus portfolio has 62 tonnes less associated emissions, compared to investing the same amount in a UK Equities index.

To illustrate the scale of this difference, we have converted it into commonly known equivalents:

- 13 average passenger cars driven within one year;
- 15 UK household's energy use within one year; or
- 7.0 thousand gallons of gasoline burned.

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

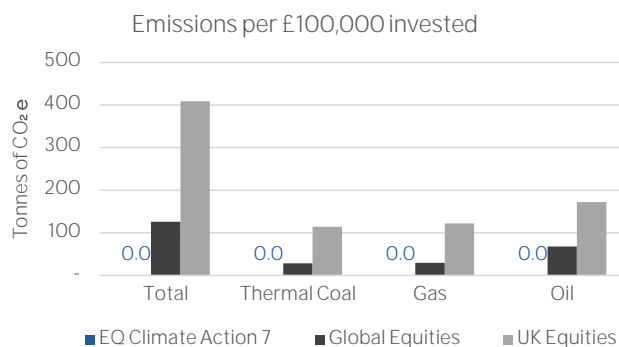
Please note that switching your investments does not directly save emissions in the real world and does not offset your personal carbon footprint.

We use an industry standard methodology, which lets us associate the tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) emitted per 1m GBP invested, and scale it to any amount of shareholding. We use the "Financed carbon emissions method", using Enterprise Value including Cash (EVIC) as recommended in the PCAF carbon accounting standard.<sup>4</sup>

## 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 tonnes 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.

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<sup>1</sup> 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. All performance prior to the portfolio inception date (28 Feb 2022) is simulated. Simulated performance uses the same funds and weights held in the portfolio since inception. If a fund does not have sufficient track record, a proxy index is used to calculate performance. The proxy index is representative of the fund's benchmark with underlying fund fees deducted on a monthly basis. Simulated performance is not actual performance and is made for informational purposes only, where there is insufficient live data to display.

<sup>2</sup> 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.

<sup>4</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). Scope 1 & 2 covers direct emissions and those from purchased energy. We also chose to include Scope 3 emissions, which are all the indirect upstream and downstream emissions of a business, e.g. providers/suppliers or from the use of their products and services. Please note that naturally, the associated Scope 3 emissions may include some double counting when investing in businesses sharing the same supply chains. The underlying Scope 1,2 and 3 carbon emissions data is sourced by MSCI and reflect most recent portfolio holdings and disclosed carbon data.

For a full methodology: Visit: <https://eqinvestors.co.uk/headless/wp-content/uploads/2023/03/CarbonCalculatorMethodV2.pdf>