



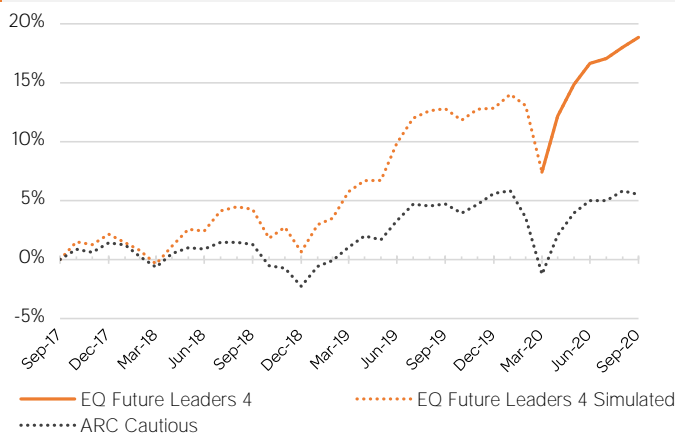
# Future Leaders 4 - Cautious Model Portfolio Factsheet

30 Sep 2020

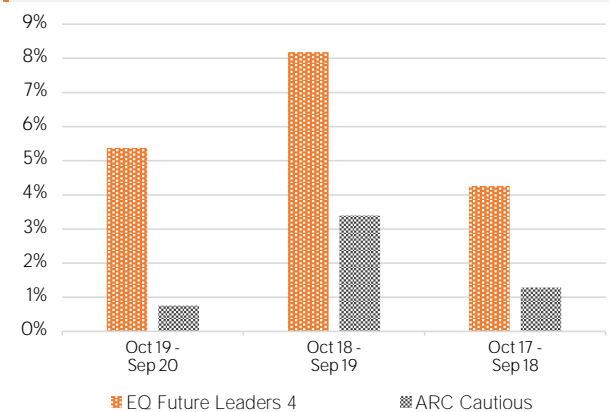
*This strategy selects passively managed funds that invest in well-run businesses, showing leadership within their sector in managing relevant environmental, social and governance (ESG) risks, and that avoid the most controversial sectors (armaments, tobacco, gambling). This is complemented by the addition of sustainable thematic funds targeting specific positive impacts.*

This portfolio maintains a bias towards lower volatility investments with equity holdings limited to 50%. It focuses on capital protection with a moderate participation in equity market growth, and aims to reduce investment risk by diversifying across regions and asset classes. We benchmark this portfolio against the Asset Risk Consultants (ARC) Cautious Benchmark.

3Y simulated performance with actual inception as at 29/02/2020



Discrete performance



Performance includes the Ongoing Charges Figure (OCF), the transactional and incidental costs for the underlying funds and EQ discretionary management fee.

Cumulative performance	3M	6M	1Y	3Y	Since Inception 02/2020
EQ Future Leaders 4	1.89%	10.64%	5.37%	18.85%	5.12%
ARC Cautious	0.50%	6.86%	0.76%	5.52%	1.88%

Discrete performance	Oct 19 - Sep 20	Oct 18 - Sep 19	Oct 17 - Sep 18
EQ Future Leaders 4	5.37%	8.18%	4.26%
ARC Cautious	0.76%	3.40%	1.29%

Volatility	1Y	3Y	Since Inception 02/2020
EQ Future Leaders 4	7.72%	5.71%	-
ARC Cautious	6.98%	4.71%	-

Underlying fund charges & yield	
Ongoing charges	0.20%
12 month indicative yield	1.31%

## Portfolio manager



**Damien Lardoux, CFA**

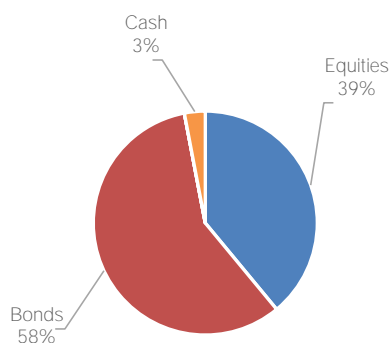
Damien manages our Positive Impact and Future Leaders portfolios, and is actively involved in our fund and asset allocation research. Before joining EQ, he was responsible for asset allocation, security selection and portfolio construction at Bank of America Merrill Lynch. Damien has an MSc in Management from Reims Management School and an MSc in Wealth and Asset Management from ESCP-EAP Paris Business School. He is a CFA charter holder.

Simulated model performance is shown in sterling, net of underlying fund charges and an EQ management fee of 0.25% per annum, but excludes platform and advice fees. Underlying funds and 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; benchmark figures for the current quarter will be based on ARC's estimates which are subject to revision. Data sources: EQ, Morningstar.

All performance presented prior to the portfolio inception date (29 Feb 2020) is simulated performance. The simulated calculations use the same funds and weights as the portfolio since portfolio inception. In the event a fund does not have sufficient track record, a proxy index will be used to calculate performance. The proxy index will be representative of the fund's benchmark with any underlying fund fees deducted on a monthly basis. 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. Actual past performance (29 Feb 2020 onwards) is not a reliable indicator of future performance. The value of investments and income derived from them can go down as well as up and you may get back less than originally invested.



## Asset allocation



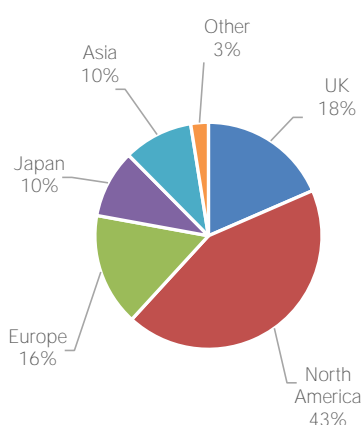
## Asset class outlook

**Equities:** Growth assets generally face a weak fundamental outlook given the risk of high unemployment that could be sustained for a long period of time. Counteracting this is the huge fiscal and monetary stimulus that is supporting the economy and capital markets. As such, we don't want exposure to be too light in aggregate, but within it we continue to be focused on high quality business that stand the best chance of emerging from this crisis in good shape.

**Bonds:** Given the recent sell off in corporate bonds and the corporate bond purchase programmes of various central banks, we are comfortable holding corporate debt alongside government debt. We also see bonds with a shorter time left to maturity as being a good store of value in the short term.

**Cash:** We have tactically increased our cash holdings.

## Equities breakdown



## Equities outlook

**UK:** The government's sizeable majority gives it the ability to implement policy without significant difficulties. However, dealing with COVID19 overshadows pretty much all other agenda items. That means we are heading towards a hard cliff-edge Brexit unless we ask for an extension. On a longer-term view, we think the sector composition of the UK equity market is less attractive than other regions and so we are reducing our holdings here.

**North America:** The innovation and growth of tech-enabled businesses in the US makes the market more attractive than others on a relative basis. However, valuations are far from cheap and the country is still dealing with a high level of COVID infections. The presidential campaign has seen an increase in negative rhetoric against China. Overall, we hold a neutral outlook.

**Europe:** Some countries in Europe are suffering from a second wave of coronavirus infections which could lead to renewed social distancing requirements. However, Europe's fiscal and monetary response is growing, which will be helpful. The bias to industrial activity in the economy and equity markets mean both will be sensitive to global manufacturing activity and less to how severely consumers are locked down.

**Japan:** Similar to Europe, Japan is more sensitive to industrial activity and so could start to recover as global activity picks up. If social distancing measures are reintroduced but more lockdowns are averted, this should be positive for Japanese equities.

**Asia:** Activity is returning to levels close to normal, but the region is dominated by China which faces a difficult external environment. The tech rivalry with the US is China's biggest threat but other western countries are also taking a hard line based on human rights. China's economic strategy is to develop its internal consumer economy. This will be positive for the broader region. Overall, we are close to neutral.

## Top 5 holdings

Top 5 holdings	Asset class	Category	Weighting
iShares Green Bond Index	Bonds	Corporate Investment Grade	20.0%
UBS BBgBarc MSCI US Liquid Corporates Sustainable ETF	Bonds	Corporate Investment Grade	15.0%
Amundi MSCI USA SRI Index	Equities	United States	13.0%
Invesco UK Gilt 1-5 Year ETF	Bonds	Government	8.5%
iShares \$ TIPS 0-5 Year ETF	Bonds	Inflation Linked	8.5%

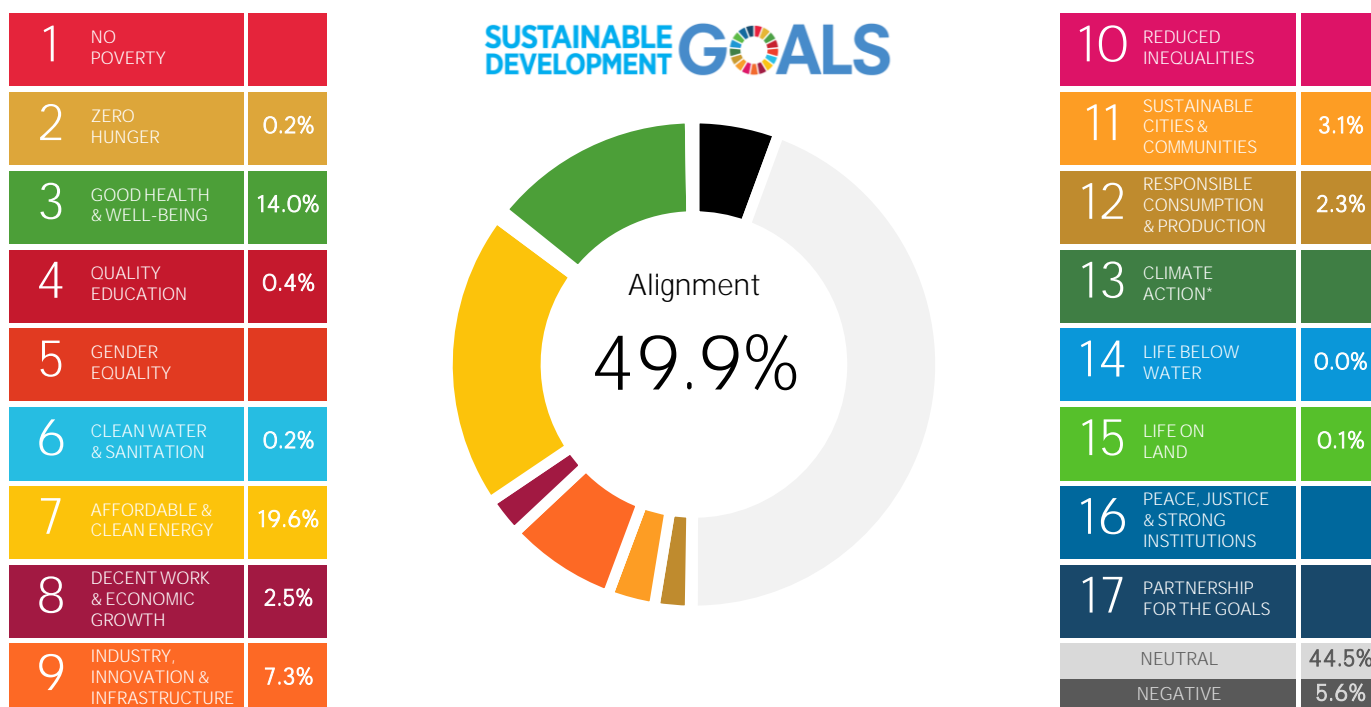
This model portfolio factsheet is for illustrative purposes only. The simulated performance of portfolios linked to this model may differ from the performance of the model itself, due to the variation in timing of the initial and subsequent investments. Percentages may not add up to 100% as they are rounded to the nearest percent. This model portfolio is not suitable for all investors: investments may only be undertaken based on a recommendation from a financial adviser. While the information in this factsheet is believed to be correct, it cannot be guaranteed. No representation or warranty, expressed or implied, is given as to its accuracy or completeness. The Ongoing Charges relates to the MIFID II Ex-Ante Ongoing Charge of the underlying funds for re-occurring fees during the fiscal year. The charge includes adviser, administration, custodian, legal and any other fees that will typically not vary from year to year. It will not include any one-off charges (e.g. Entry, Exit or switching charges), Incidental Costs (e.g. performance fees) or Transaction Costs (the costs of buying or selling assets for the fund). The Ongoing Cost is a forward looking estimate, based on the last financial year's information and may vary from year to year. For newly launched funds, which do not have the previous year's information to calculate the Ongoing Cost, the figure is estimated. The Ongoing Cost used for this portfolio is based on the share classes available on the Pershing platform, charges may vary across platforms based on share classes available. EQ Investors Limited ("EQ"), its partners and employees accept no liability for the consequences of you or your advisers acting upon the information contained herein. This factsheet constitutes neither investment advice, nor an offer to sell, nor is it a solicitation of an offer to purchase any security or any other investment or product. This factsheet may not be reproduced or distributed in any format without EQ's prior written consent.

## What are the UN Sustainable Development Goals?

Launched following the 2015 UN Summit in Paris, the 17 Sustainable Development Goals address the issues the UN sees as most challenging to our world. The UN Sustainable Development Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet.

All underlying securities in the funds are screened using our proprietary scoring system. This allows to highlight those companies that are aligned with a UN SDGs by providing solutions to a range of social and environmental problems. It also allows to highlight those that are negatively aligned with the SDGs and which we aim to minimise exposure to in the portfolio.

## Portfolio alignment with the UN Sustainable Development Goals



UN Sustainable Development Goals with no figure indicate that the portfolio has a 0% exposure: this is because either the Sustainable Development Goal presents very few investable opportunities, or that companies within the portfolio may give exposure to multiple goals and the more relevant goal has been selected. Percentages may not add up to 100% as they are rounded to the nearest decimal.

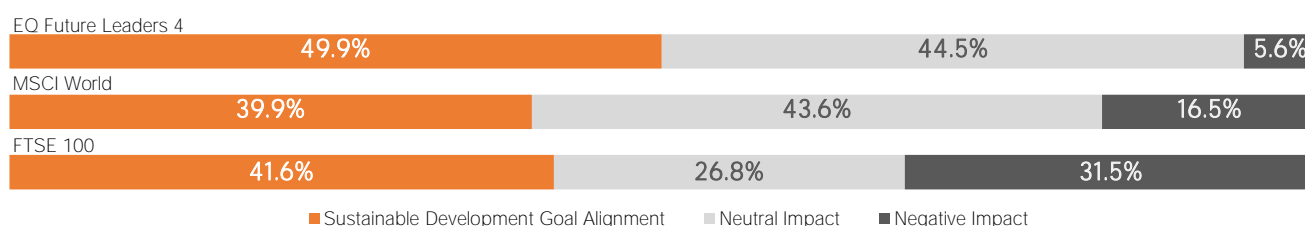
\*The Climate Action goal overlaps with some more specific goals, so we have instead mapped our exposure to these.

## A framework for impact

We have analysed the impact of each company's core products and services and actual alignment with the UN Sustainable Development Goals. In the case of a company aligning with multiple Goals, we have selected the most relevant based on contribution to revenues.

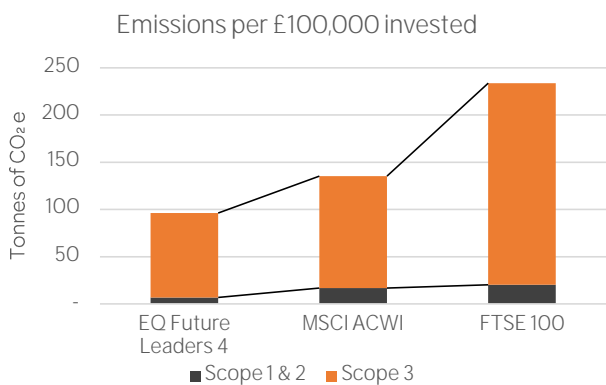
Negative impact relates to companies whose core products or services have a detrimental impact on society or the environment, such as alcohol, armaments, fossil fuels, gambling, mining or tobacco. Neutral impact relates to those companies whose core products or services do not have a clear positive or negative impact on society or the environment.

## Portfolio impact comparison to MSCI World & FTSE 100



To produce this data we looked at all of the funds held within the portfolio with weightings as of the last rebalance. In regards to the fund's holding data, we are referring to the data used in the last annual Impact Report. The above data may slightly differ depending on the platform being used.

## Carbon Footprint






Data: Urgentem, Analysis: EQ Investors, data as at the last rebalance

% reduction in carbon emissions vs FTSE 100

**-58.8%**

£100,000 GBP invested in the EQ Future Leaders 4 portfolio implied an annual emissions reduction of 138 tons of carbon dioxide equivalent, compared to investing the same amount into the FTSE 100 market index. This difference in reduction is equivalent to the annual emissions of:

-  30 average passenger cars driven within one year
-  34 UK household's energy use within one year
-  15.5 thousand gallons of gasoline burned

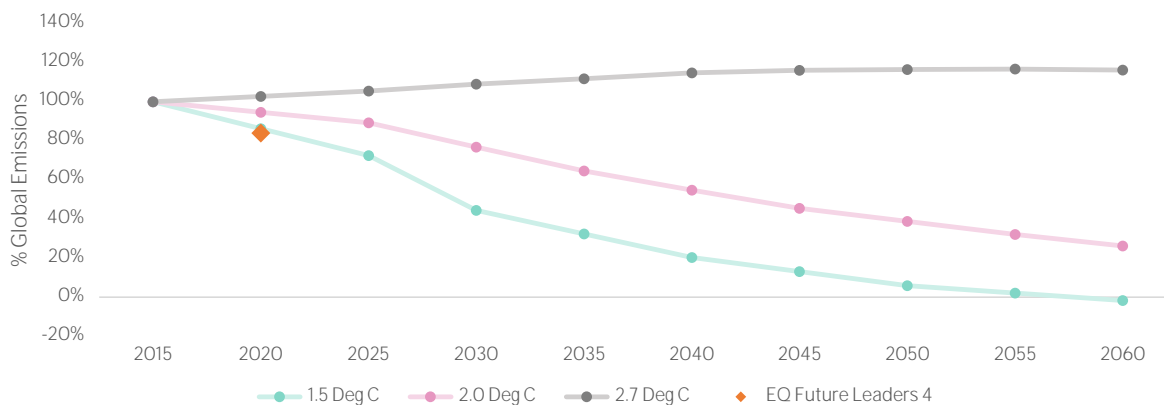
## Climate change scenarios

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.

The chart below shows three different scenarios for carbon emissions, corresponding to a 1.5°C, 2.0°C and 2.7°C rise in global temperatures by 2060. Climate scientists and global leaders have agreed that limiting temperature rise to 1.5°C is the most desirable and yet realistic scenario. Our analysis shows that the Future Leaders portfolio is aligned to this scenario. Further details on methodology can be provided on request.

## Portfolio Scenario Analysis

### Future Leaders aligned for a low carbon economy



Data and Analysis: Urgentem, February 2020

To produce this data we looked at all of the equity funds held within the portfolio with weightings as of the February 2020 rebalance. The above data may slightly differ depending on the platform being used.

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 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)\*\*

\*For more information, please visit <https://www.tcfhub.org/Downloads/pdfs/EQ9%20-%20Carbon%20footprinting%20-%20metrics.pdf>

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

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