



# Future Leaders Offshore GBP - Balanced Model Portfolio Factsheet

31 Jul 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 has a range of investments with different risks, where equity holdings are limited to 70%. It aims to reduce investment risk by diversifying across regions and asset classes, and achieve a balance of capital protection and participation in equity market growth. We benchmark this portfolio against the Managed Portfolio Indices (MPI) Medium Risk Benchmark in Sterling.

Past performance since inception: 30/04/2020 to 31/07/2020

Discrete performance

Cumulative data not available  
(inception within a year)

Discrete data not available  
(inception within a year)

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	5Y	Since incep.	Discrete performance	Aug19 - Jul 20	Aug18 - Jul 19	Aug17 - Jul 18	Aug16 - Jul 17	Aug15 - Jul 16
EQ FL Offshore GBP 6	-	-	-	-	-	-	EQ FL Offshore GBP 6	-	-	-	-	-
MPI Medium Risk GBP	-	-	-	-	-	-	MPI Medium Risk GBP	-	-	-	-	-

Volatility	1Y	3Y	5Y	Since incep.	Underlying fund charges & yield
EQ FL Offshore GBP 6	-	-	-	-	Ongoing charges 0.21%
MPI Medium Risk GBP	-	-	-	-	12 month indicative yield 0.77%

## Portfolio manager



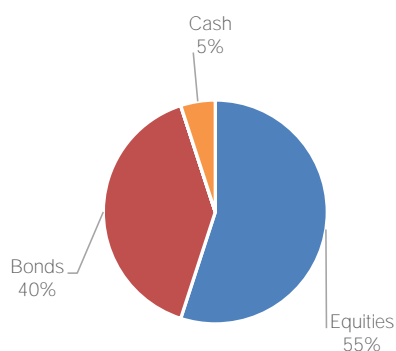
**Damien Lardoux, CFA**

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.

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. MPI 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 MPI's estimates which are subject to revision. Data sources: EQ, Morningstar.

Past performance 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



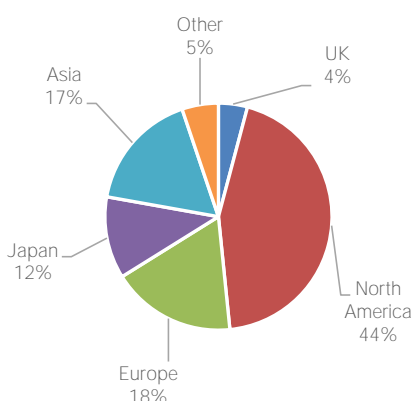
## Asset class outlook

**Equities:** Equities were being driven by positive developments in the global economy until facing material weakness as the coronavirus spread globally. The path of future growth is currently highly uncertain and dependent on two factors: i) the public health response to the virus and the consequent impact on growth; and ii) the monetary and fiscal response to the virus and how much of the negative growth impact they are able to offset. We think uncertainties are rising, not falling and so have slightly reduced our exposure while increasing defensiveness within them.

**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 extent of damage caused by COVID19 economic shut-downs is still unknown but the innovation and growth of tech-enabled businesses in the US makes the market more attractive than others on a relative basis. We temper our enthusiasm given a recent increase in trade rhetoric against China.

**Europe:** The scale of Europe's fiscal and monetary response to the COVID19 crisis is significantly smaller than in the US and elsewhere. This may limit the degree to which economic damage can be averted. The bias to industrial activity in the economy and within equity markets mean both will be sensitive to global manufacturing activity and less to how severely consumers are locked down.

**Japan:** Although the Tokyo Olympics have been postponed, Japan has launched a fiscal and monetary stimulus programme that will help to limit the damage. Similar to Europe, Japan is more sensitive to industrial activity and so could start to recover before social distancing measures return to normal.

**Asia:** in China, the country is back to operating at around 60% of its capacity. Although most lockdowns have been removed, there are lasting impacts on consumer behaviour and the country's export companies are facing a massive drop in demand as the rest of the world is in lockdown. The market could perform very strongly when easing measures are introduced in the West.

## Top 5 holdings

Top 5 holdings	Asset class	Category	Weighting
Amundi MSCI USA SRI Index	Equities	United States	18.0%
UBS BBgBarc MSCI US Liquid Corporates Sustainable ETF	Bonds	Corporate Investment Grade	15.0%
Invesco UK Gilt 1-5 Year ETF	Bonds	Government	13.0%
iShares Green Bond Index	Bonds	Corporate Investment Grade	10.0%
Amundi MSCI Europe SRI Index	Equities	Europe	9.0%

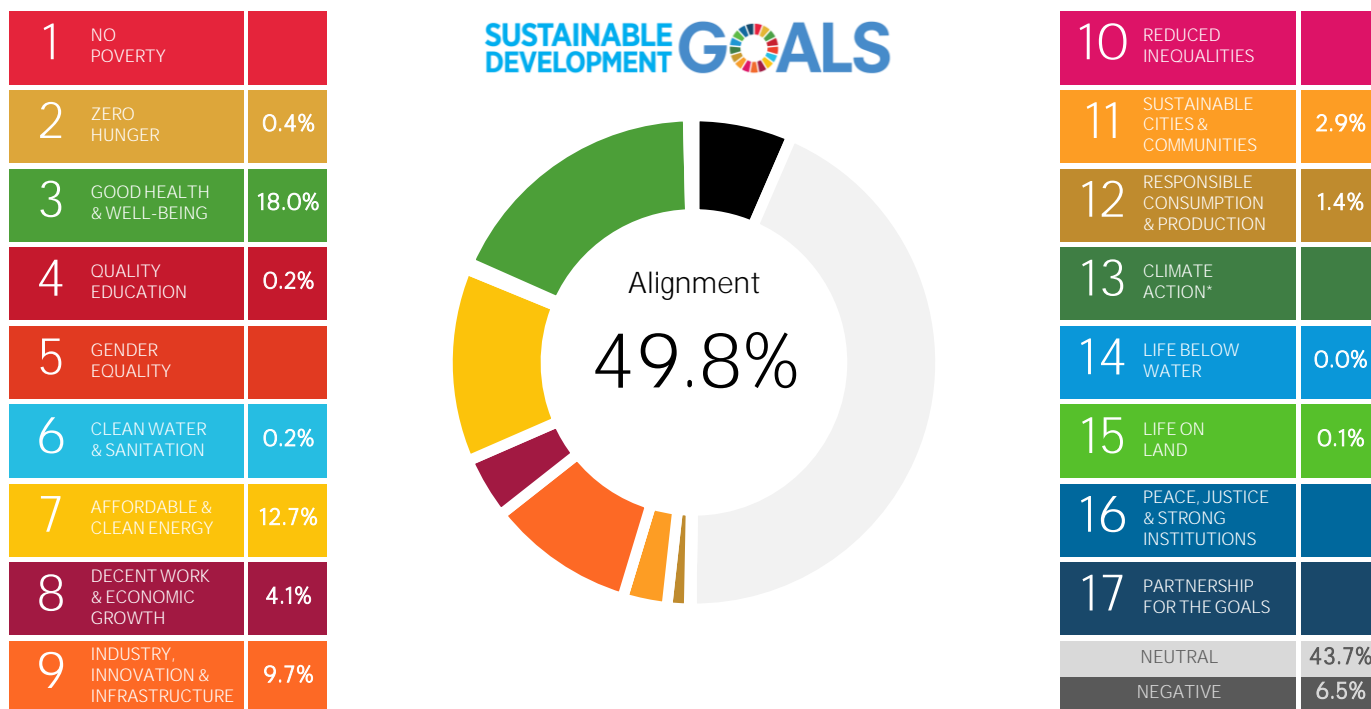
This model portfolio factsheet is for illustrative purposes only. The performance of portfolios linked to this model may differ from the performance of the model itself, due to the variation in timing of the initial and subsequent investments as well as different funds and share classes being used from one platform to another. 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 Novia Global 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.

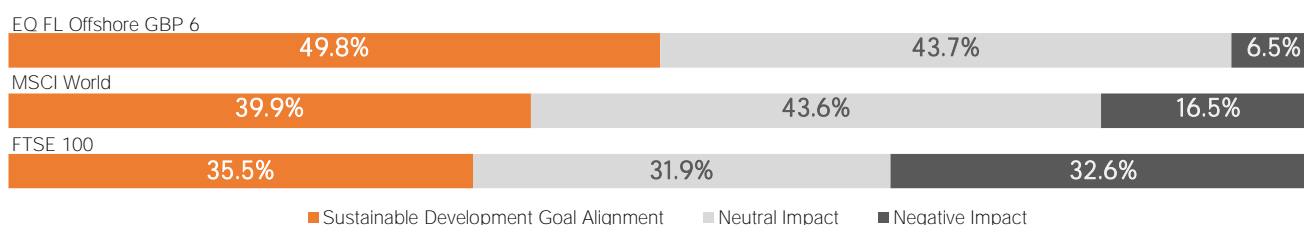
\*The Climate Action goal overlaps with some more specific goals, so we have instead mapped our exposure to these.

## 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.

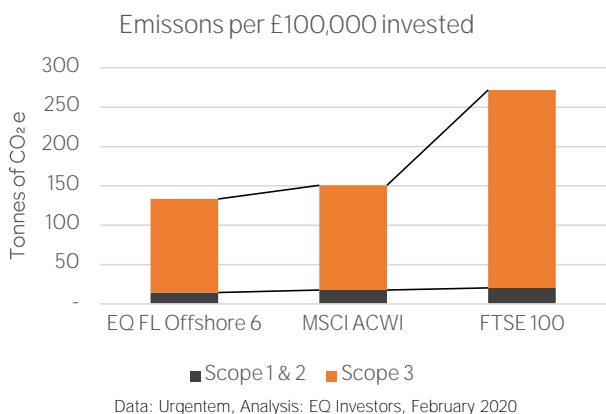
Negative impact relates to companies whose core products or services have a detrimental impact on society or the environment, such as alcohol, armaments, fossil fuels, gambling, mining or tobacco. Neutral impact relates to those companies whose core products or services do not have a clear positive or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



% reduction in carbon emissions vs FTSE 100

# -51.0%

£100,000 GBP invested in the EQ FL Offshore 6 portfolio implied an annual emissions reduction of 139 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:

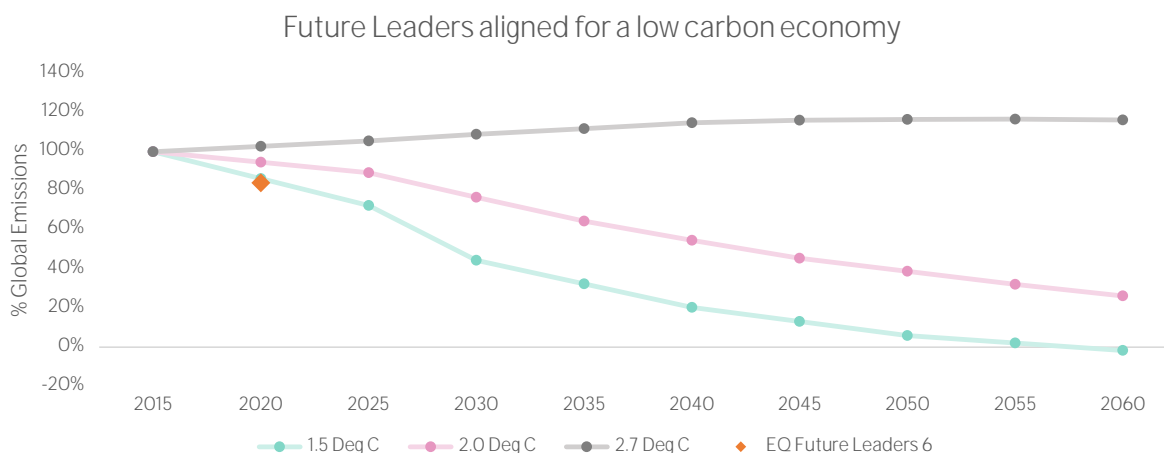
-  30 average passenger cars driven within one year
-  34 UK household's energy use within one year
-  15.6 thousand gallons of gasoline burned

## 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



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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