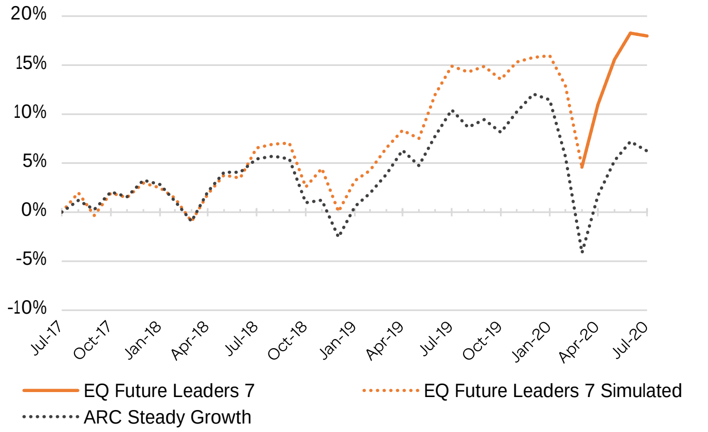
Future Leaders 7 - Balanced Plus Model Portfolio Factsheet

31 Jul 2020

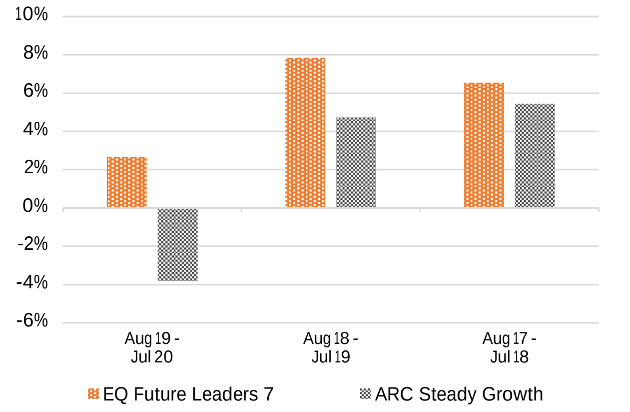
This strategy selects passively managed funds that invest in well-run businesses, showing leadership within their sector in managing relevant environmental, social and governance (ESG) risks, and that avoid the most controversial sectors (armaments, tobacco, gambling). This is complemented by the addition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

This portfolio has a range of investments with different risks, where equity holdings are limited to 80%. 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 Asset Risk Consultants (ARC) Steady Growth Benchmark.

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



Discrete performance



Cumulative performance	3M	6M	1Y	3Y	Since Inception 02/2020
EQ Future Leaders 7	6.34%	1.72%	2.67%	17.98%	4.47%
ARC Steady Growth	4.50%	-4.69%	-3.81%	6.23%	0.51%

Discrete performance	Aug 19 - Jul 20	Aug 18 - Jul 19	Aug 17 - Jul 18
EQ Future Leaders 7	2.67%	7.84%	6.55%
ARC Steady Growth	-3.81%	4.74%	5.44%

Volatility	1Y	3Y	Since Inception 02/2020
EQ Future Leaders 7	11.67%	9.13%	-
ARC Steady Growth	13.90%	9.75%	-

Underlying fund charges & yield	
Ongoing charges	0.23%
12 month indicative yield	1.07%

Portfolio manager

Damien Lardoux, CFA

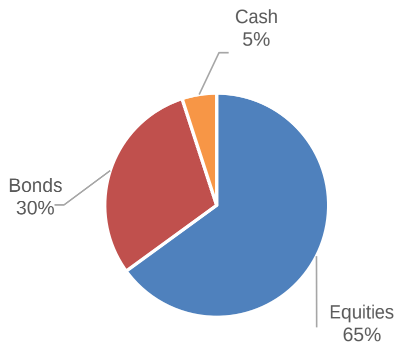
Damien manages our Positive Impact and Future Leaders portfolios, and is actively involved in our fund and asset allocation research. Before joining EQ, he was responsible for asset allocation, security selection and portfolio construction at Bank of America Merrill Lynch. Damien has an MSc in Management 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 0.59% (including VAT) per annum, but excludes platform and advice fees. Underlying 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.

IMPACT CHAMPION DISCRETIONARY FUND MANAGER 2018 IMPACT AWARDS

Asset allocation



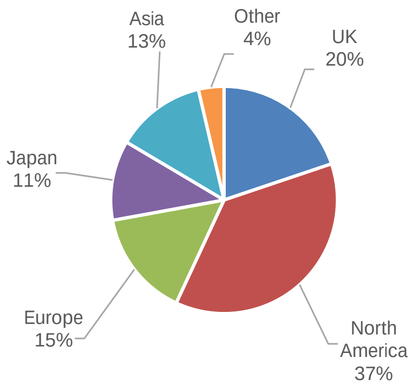
Asset class outlook

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 for some risk profiles.

Equities breakdown



Equities outlook

UK: The government's sizeable majority gives it the ablity 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	Asset class	Category	Weighting
Amundi MSCI USA SRI Index	Equities	United States	16.5%
UBS BBgBarc MSCI US Liquid Corporates Sustainable ETF	Bonds	Corporate Investment Grade	12.5%
UBS MSCI UK IMI SRI ETF	Equities	UK	11.0%
UBS MSCI Pacific SRI ETF	Equities	Asia	10.5%
Invesco UK Gilt 1-5 Year ETF	Bonds	Government	9.5%

IMPACT CHAMPION DISCRETIONARY FUND MANAGER 2018 IMPACT AWARDS

What are the UN Sustainable Development Goals?

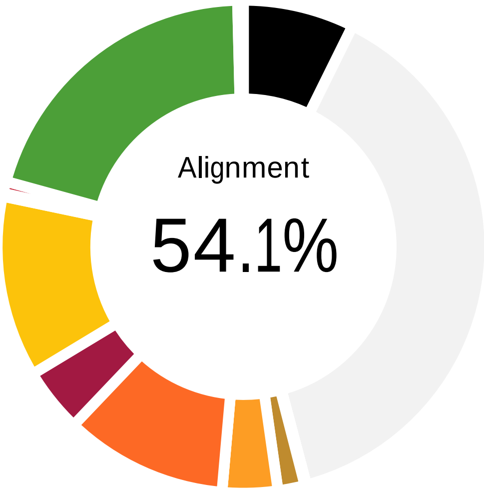
Launched following the 2015 UN Summit in Paris, the 17 Sustainable Development Goals address the issues the UN sees as most challenging to our world. The UN Sustainable Development Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while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

1	NO POVERTY	
2	ZERO HUNGER	0.4%
3	GOOD HEALTH & WELL-BEING	20.3%
4	QUALITY EDUCATION	0.8%
5	GENDER EQUALITY	
6	CLEAN WATER & SANITATION	0.2%
7	AFFORDABLE & CLEAN ENERGY	11.9%
8	DECENT WORK & ECONOMIC GROWTH	4.2%
9	INDUSTRY, INNOVATION & INFRASTRUCTURE	10.7%

SUSTAINABLE DEVELOPMENT GOALS



10	REDUCED INEQUALITIES	
11	SUSTAINABLE CITIES & COMMUNITIES	3.6%
12	RESPONSIBLE CONSUMPTION & PRODUCTION	1.8%
13	CLIMATE ACTION*	
14	LIFE BELOW WATER	0.0%
15	LIFE ON LAND	0.1%
16	PEACE, JUSTICE & STRONG INSTITUTIONS	
17	PARTNERSHIP FOR THE GOALS	
	NEUTRAL	38.6%
	NEGATIVE	7.3%

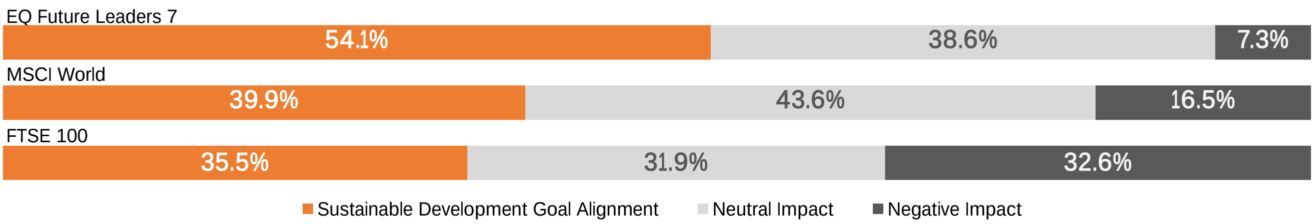
UN Sustainable Development Goals with no figure indicate that the portfolio has a 0% exposure; this is because either the Sustainable Development Goal presents very few investable opportunities, or that companies within the portfolio may give exposure to multiple goals and the more relevant goal has 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.

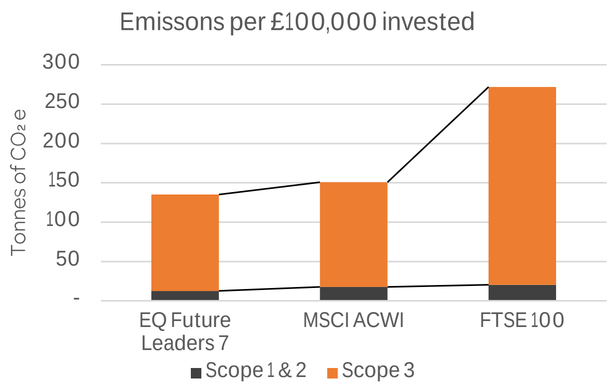
Portfolio impact comparison to MSCI World & FTSE 100



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 refering to the data used in the last annual Impact Report. The above data may slightly differ depending on the platform being used.

IMPACT CHAMPION DISCRETIONARY FUND MANAGER 2018 IMPACT AWARDS

Carbon Footprint



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

% reduction in carbon emissions vs FTSE 100

-50.3%

£100,000 GBP invested in the EQ Future Leaders 7 portfolio implied an annual emissions reduction of 137 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:

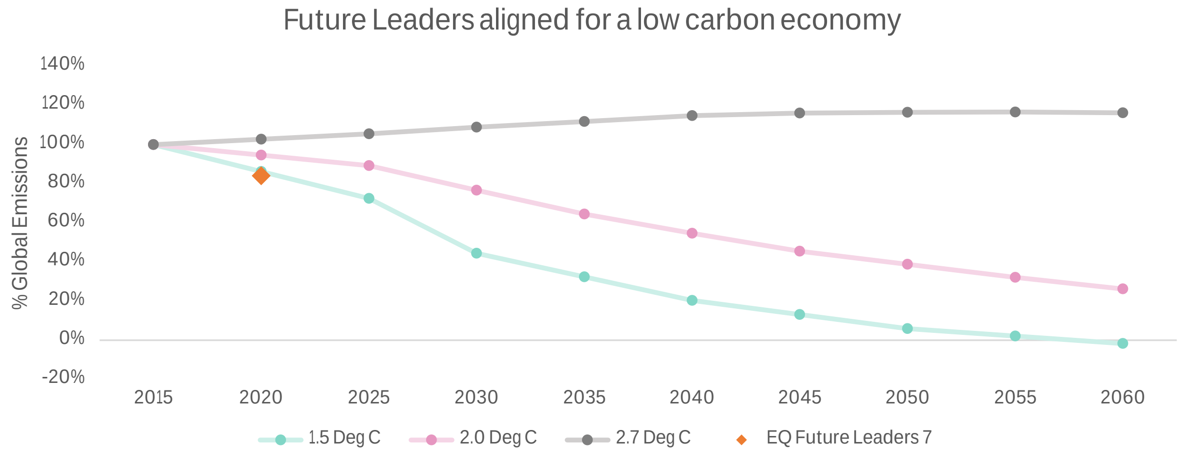
- **30** average passenger cars driven within one year
- **34** UK household's energy use within one year
- **15.4** thousand gallons of gasoline burned

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 CO2 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.tcfdhub.org/Downloads/pdfs/E09%20-%20Carbon%20footprinting%20-%20metrics.pdf
***For more information, please visit https://ghgprotocol.org/calculation-tools

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