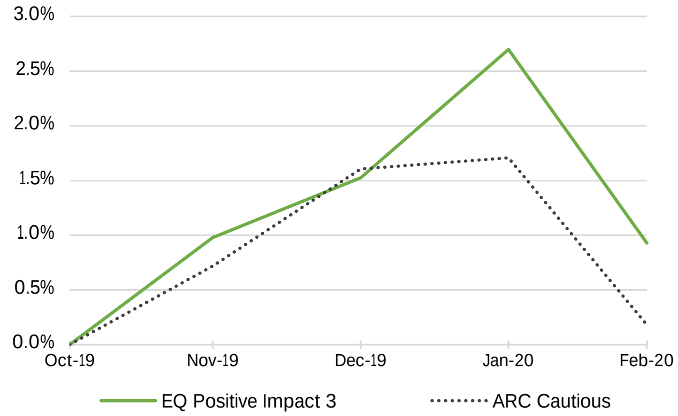
Positive Impact 3 - Defensive Model Portfolio Factsheet

29 Feb 2020

This strategy selects funds that invest in companies helping to tackle social and environmental problems, while avoiding sectors such as tobacco, armaments, pornography or gambling.

This portfolio maintains a bias towards lower volatility investments with equity holdings limited to 40%. 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.

Past performance since inception: 31/10/2019 to 29/02/2020



Discrete performance

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.
EQ Positive Impact 3	-0.05%	-	-	-	-	0.93%
ARC Cautious	-0.53%	-0.41%	4.21%	5.81%	12.18%	0.18%

Discrete performance	Mar 19 - Feb 20	Mar 18 - Feb 19	Mar 17 - Feb 18	Mar 16 - Feb 17	Mar 15 - Feb 16
EQ Positive Impact 3	-	-	-	-	-
ARC Cautious	4.21%	-0.35%	1.89%	7.71%	-1.56%

Volatility	1Y	3Y	5Y	Since incep.
EQ Positive Impact 3	-	-	-	-
ARC Cautious	3.21%	3.08%	3.08%	3.76%

Underlying fund charges & yield	
Ongoing charges	0.55%
12 month indicative yield	1.93%

Portfolio manager

Damien Lardoux, CFA

Damien manages our Positive Impact 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 0.42% (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.

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.

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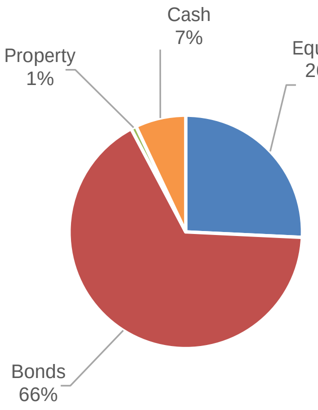
Asset allocation



Asset class outlook

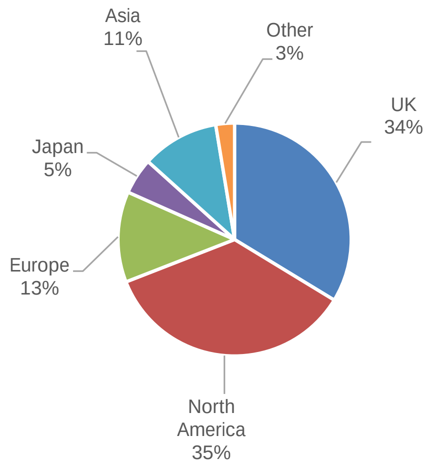
Equities: Equities were being driven by positive developments in the global economy until facing material weakness as the coronavirus spread globally. The path of future growth is currently highly uncertain and dependent on two factors: i) the public health response to the virus in western markets and 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 maintain our neutral exposure to equities and proceed with caution.

Bonds: With the aggregate market showing signs of being in the late stages of the business cycle, we have increased our exposure to corporate bonds with a short time to maturity.

Property: We currently see limited value in this asset class so our exposure is restricted to listed real estate investment companies.

Cash: In the absence of suitable alternatives investments, cash is used for risk management purposes. Our view on cash is slightly positive as we expect elevated levels of volatility in equities.

Equities breakdown



Equities outlook

UK: Britain has escaped political quagmire in Westminster but the future remains uncertain. Although the end of the year is a hard cliff-edge risk, its sizeable majority gives the government the ability to better navigate such risks, albeit this says nothing of their skill in making the right judgements. UK equity valuations are attractive versus other developed markets.

North America: The US economy was slowing due to the US-China trade war. The truce reached saw sentiment bounce. This could reverse, so we remain cautious as its another hit to consumer facing sectors that were starting to show some weakness.

Europe: European business activity was showing tentative signs of recovery but the impact of the coronavirus could see this quashed and create Europe's second double dip recession in a decade.

Japan: Similar to the US & Europe, indicators of economic activity in Japan had been picking up towards the end of 2019, driven largely by the trade truce. But, slower economic activity in the wake of the coronavirus could recover in the short term if it is brought under control. Particularly worrisome is the risk to the Tokyo Olympics which are due to take place in July.

Asia: A significant shock to economic activity has been caused by the Chinese government's response to the outbreak of the coronavirus. By some measures, the country is operating at 60% capacity which is a major shock to the world's second largest economy. The recent trend is positive as many restrictions are relaxed in order to get China back online.

Top 10 holdings	Asset class	Category	Weighting
EdenTree Amity Short Dated Bond	Bonds	Short Dated	16.5%
Threadneedle UK Social Bond	Bonds	Investment Grade	16.5%
EdenTree Amity Sterling Bond	Bonds	Investment Grade	10.0%
Rathbone Ethical Bond	Bonds	Investment Grade	10.0%
Royal London Sustainable Managed Income	Bonds	Investment Grade	5.0%
Allianz Green Bond	Bonds	Investment Grade	4.5%
Investec UK Sustainable Equity	Equities	UK	4.0%
Liontrust SF Corporate Bond	Bonds	Investment Grade	4.0%
Royal London Sustainable Leaders	Equities	UK	4.0%
Fidelity Sustainable Water & Waste	Equities	Thematic	3.0%

IMPACT CHAMPION DISCRETIONARY FUND MANAGER 2018 IMPACT AWARDS

What are the UN Sustainable Development Goals?

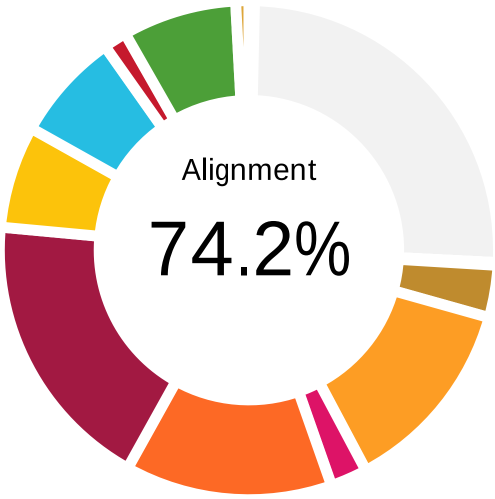
Launched following the 2015 UN Summit in Paris, the 17 Sustainable Development Goals address the issues the UN sees as most challenging to our world. The UN Sustainable Development Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while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

Funds in the portfolio are screened using our proprietary scoring system, which focuses on companies providing solutions to a range of social and environmental problems while screening out companies responsible for creating these problems. Further detail is outlined in our annual Impact Report. To download a copy, please visit https://eqinvestors.co.uk/blog/celebrating-five-years-positive-impact/

Portfolio alignment with the UN Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

1	NO POVERTY	
2	ZERO HUNGER	0.9%
3	GOOD HEALTH & WELL-BEING	7.4%
4	QUALITY EDUCATION	1.5%
5	GENDER EQUALITY	
6	CLEAN WATER & SANITATION	7.1%
7	AFFORDABLE & CLEAN ENERGY	6.6%
8	DECENT WORK & ECONOMIC GROWTH	18.4%
9	INDUSTRY, INNOVATION & INFRASTRUCTURE	13.4%
10	REDUCED INEQUALITIES	2.4%
11	SUSTAINABLE CITIES & COMMUNITIES	12.9%
12	RESPONSIBLE CONSUMPTION & PRODUCTION	3.4%
13	CLIMATE ACTION*	
14	LIFE BELOW WATER	0.2%
15	LIFE ON LAND	0.0%
16	PEACE, JUSTICE & STRONG INSTITUTIONS	
17	PARTNERSHIP FOR THE GOALS	
	NEUTRAL	25.4%
	NEGATIVE	0.4%



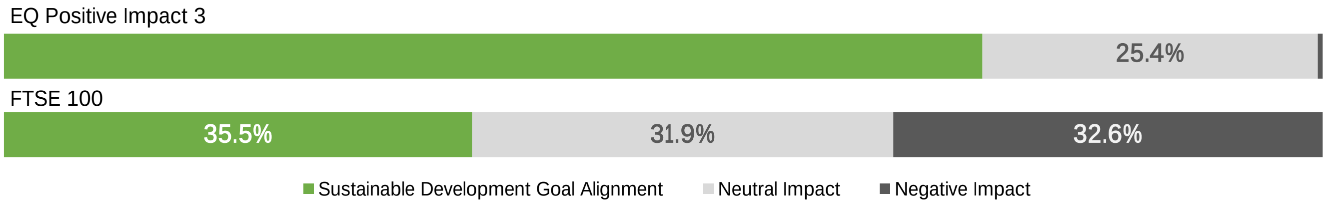
UN Sustainable Development Goals with no figure indicate that the portfolio has a 0% exposure; this is because either the Sustainable Development Goal presents very few investable opportunities, or that companies within the portfolio may give exposure to multiple goals and the more relevant goal has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

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