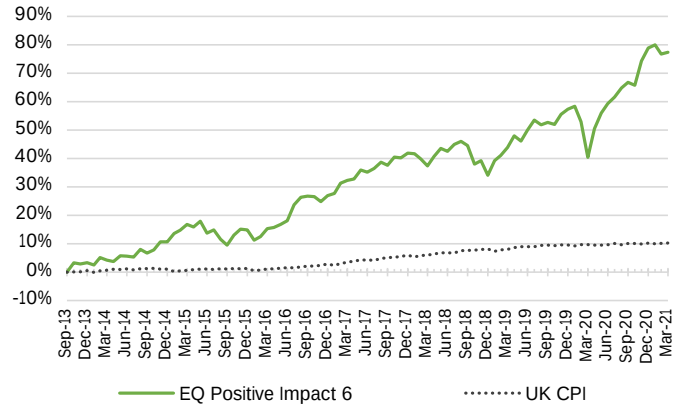
Positive Impact 6 - Balanced Model Portfolio Factsheet

31 Mar 2021

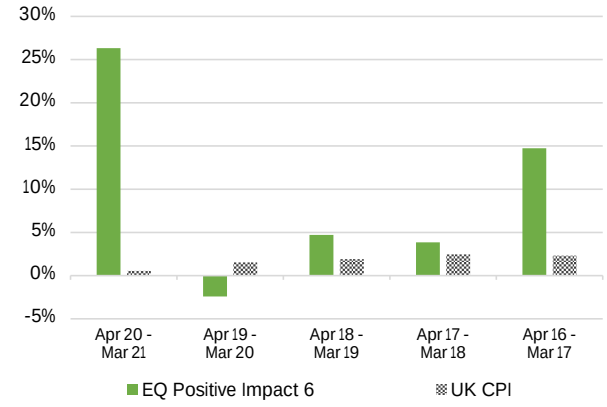
This strategy selects funds that invest in companies helping to tackle social and environmental problems, while avoiding sectors such as tobacco, armaments, pornography or gambling.

This portfolio 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 UK Consumer Price Index (UK CPI).

Past performance since inception: 30/09/2013 to 31/03/2021



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	5Y	Since incep.
EQ Positive Impact 6	-0.85%	6.35%	26.32%	29.09%	53.83%	77.36%
UK CPI	0.05%	0.15%	0.54%	4.02%	9.05%	10.25%

Discrete performance	Apr 20 - Mar 21	Apr 19 - Mar 20	Apr 18 - Mar 19	Apr 17 - Mar 18	Apr 16 - Mar 17
EQ Positive Impact 6	26.32%	-2.41%	4.72%	3.85%	14.74%
UK CPI	0.54%	1.52%	1.91%	2.46%	2.32%

Volatility	1Y	3Y	5Y	Since incep.
EQ Positive Impact 6	8.53%	9.70%	8.13%	7.61%
UK CPI	0.88%	1.01%	1.02%	1.08%

Underlying fund charges & yield	
Ongoing charges	0.60%
12 month indicative yield	1.09%

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 0.33% 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. UK Consumer Price Index (CPI) is the commonly accepted measure of domestic inflation, following average month on month changes in the prices of goods and services purchased by UK households. Due to significant lag on CPI valuation, the previous month's CPI figure is carried over to the latest month. 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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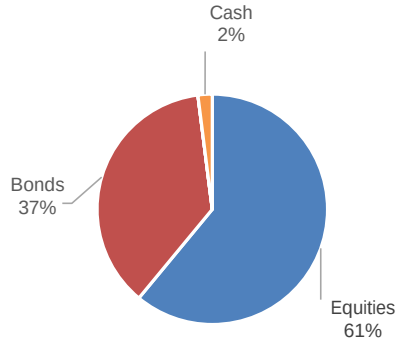
TOP DFM

Asset allocation



Asset class outlook

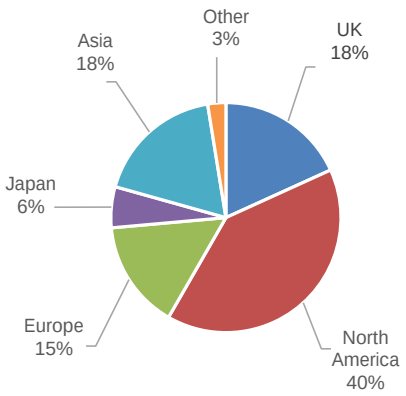
Equities: We share in the optimism that vaccination programmes will lead us out of lockdown and back towards normality. Powerful monetary and fiscal measures should support markets, but we maintain some caution given the risk of long term economic scarring. Markets have come a long way since November but on balance we increase our exposure to growth assets slightly. Within growth assets, we reduce exposure to defensive sectors in favour of more cyclical sectors.

Bonds: While holding ourselves back from a more overtly bullish outlook, we maintain a neutral exposure to the defensive qualities of bonds. Given the corporate bond purchase programmes of various central banks, we are comfortable holding corporate debt alongside government debt. That said, we are growing wary of rising risks to bonds from higher inflation. Hence we prefer inflation linked bonds and those with a shorter time left to maturity as a good store of value.

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

Cash: We maintain cash levels at neutral.

Equities breakdown



Equities outlook

North America: Positive sentiment given a new US administration and highly efficacious coronavirus vaccines is compounded by supportive monetary and fiscal policy. Unemployment levels are very high, but survey data suggests companies are intent on hiring. This will take time to work through, with monetary policy likely to remain supportive for a while. Valuations are far from cheap, so we maintain neutral.

UK: Brexit is done and Britain is now free to forge an independent path. But first we need to get our domestic economy back up and running before planning global conquests. The good news is UK companies enjoy a high proportion of foreign earnings and valuations have been depressed, so we tactically upgrade our outlook for the UK. On a longer-term view, we think the sector composition of the UK equity market is less attractive than other regions.

Europe: European equities are more heavily geared towards industrial and manufacturing activity than they are to discretionary consumer spending. So, while European vaccination programmes are ramping up and the economic recovery continues apace in Asia, European equity markets should be ok. There is still some weakness with European consumers, so for now we maintain a neutral view.

Japan: The Japanese market is highly geared to manufacturing activity around the world. Its market is dominated by industrial companies making machinery and technology companies involved in automation. Given lower market valuations relative to other regions, we see merit in being slightly overweight.

Asia: It is likely China will face a coordinated opposition from Western allies. We see China's growth strategy pivoting toward rural development, infrastructure and fostering a stronger domestic consumer economy. This strategy will benefit trade ties to the rest of Asia, which warrants an upgrade to our outlook.

Top holdings	Asset class	Category	Weighting
Threadneedle UK Social Bond	Bonds	Investment Grade	9.5%
Wellington Global Impact Bond	Bonds	Corporate Investment Grade	8.5%
Baillie Gifford Positive Change	Equities	Global	8.0%
Janus Henderson Global Sustainability	Equities	Thematic	8.0%
EdenTree Responsible & Sustainable Sterling Bond	Bonds	Investment Grade	6.0%
Ninety One UK Sustainable Equity	Equities	UK	6.0%
Rathbone Ethical Bond	Bonds	Investment Grade	6.0%
BMO Responsible Global Equity	Equities	Global	5.3%
Federated Hermes Impact Opportunities	Equities	Thematic	5.3%
Ninety One Global Environment	Equities	Global	5.0%

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. 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 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.

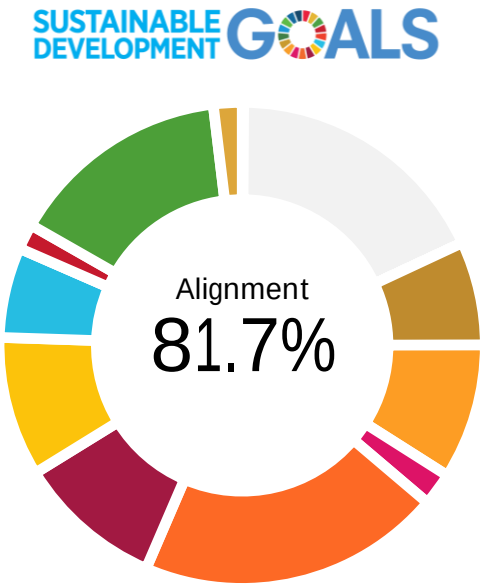
What are the UN Sustainable Development Goals?

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.

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/advisers/blog/positive-impact-report-2020/

Portfolio alignment with the UN Sustainable Development Goals

1	NO POVERTY	
2	ZERO HUNGER	1.9%
3	GOOD HEALTH & WELL-BEING	14.8%
4	QUALITY EDUCATION	1.7%
5	GENDER EQUALITY	
6	CLEAN WATER & SANITATION	6.0%
7	AFFORDABLE & CLEAN ENERGY	9.3%
8	DECENT WORK & ECONOMIC GROWTH	9.7%
9	INDUSTRY, INNOVATION & INFRASTRUCTURE	20.2%



10	REDUCED INEQUALITIES	2.2%
11	SUSTAINABLE CITIES & COMMUNITIES	9.0%
12	RESPONSIBLE CONSUMPTION & PRODUCTION	6.9%
13	CLIMATE ACTION*	
14	LIFE BELOW WATER	
15	LIFE ON LAND	
16	PEACE, JUSTICE & STRONG INSTITUTIONS	
17	PARTNERSHIP FOR THE GOALS	
	NEUTRAL	17.9%
	NEGATIVE	0.1%

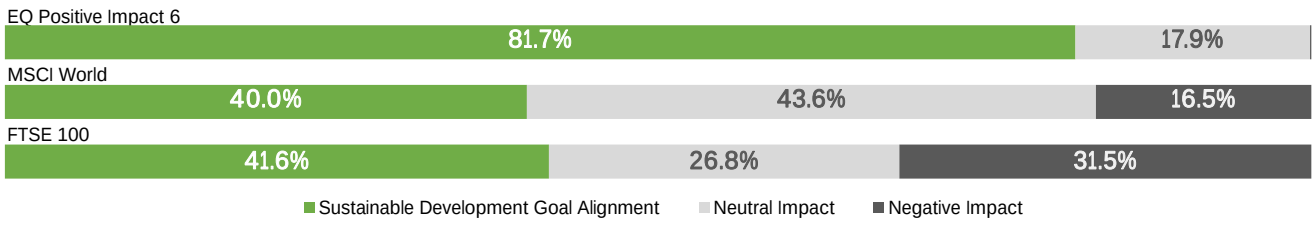
UN Sustainable Development Goals with no figure indicate that the portfolio has a 0% exposure; this is because either the Sustainable Development Goal presents very few investable opportunities, or that companies within the portfolio may give exposure to multiple goals and the more relevant goal has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

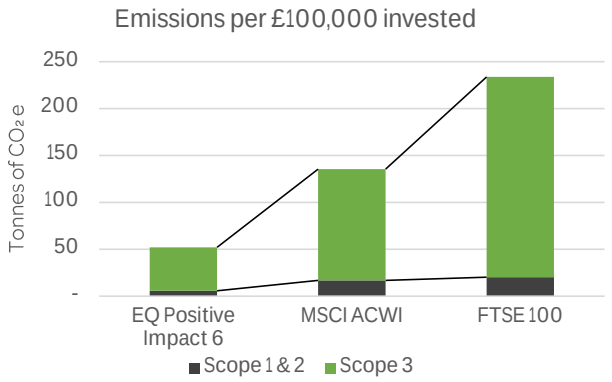
Negative impact relates to companies whose core products or services have a detrimental impact on society or the environment, such as alcohol, armaments, fossil fuels, gambling, mining or tobacco. Neutral impact relates to those companies whose core products or services do not have a clear positive or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

-77.7%

£100,000 GBP invested in the EQ Positive Impact 6 portfolio implied an annual emissions reduction of 182 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:

39 average passenger cars driven within one year;

45 UK household's energy use within one year; or

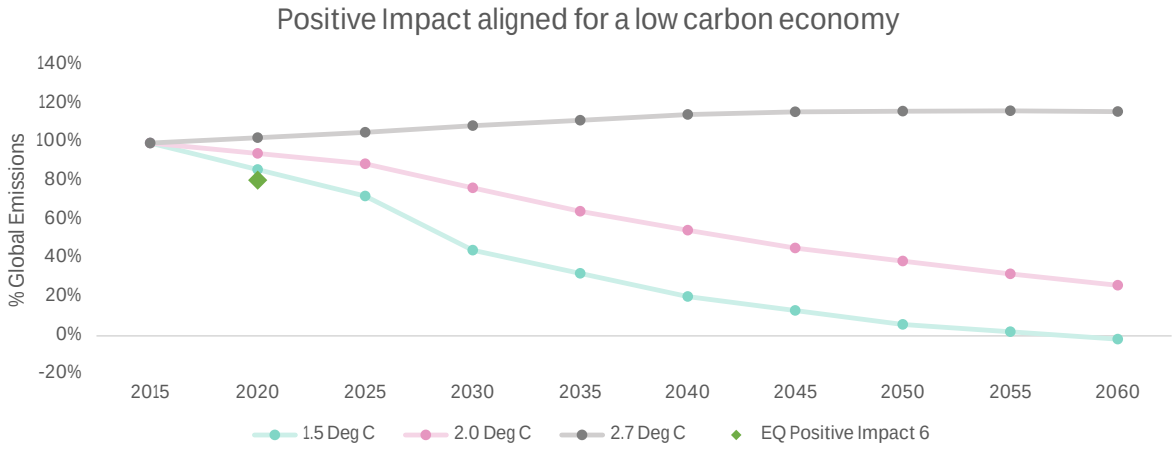
20.4 thousand gallons of gasoline burned.

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 Positive Impact 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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