ALQUITY GLOBAL IMPACT FUND:

DELIVERING RETURNS AND IMPACT WITHOUT THE BLAH BLAH BLAH

COP 26 has just added to the momentum for investors to seek out sustainability focused funds that promise "guilt-free" investments and deliver both returns while fighting climate change. In 2022 we also have the prospect of the **EU Taxonomy** and **SFDR** reporting regimes coming into force pushing asset managers to launch new impact funds at an alarming rate to meet the expected demand.

Unfortunately for asset owners, these funds come with **a lot of "blah blah blah" around the big themes that will dominate** and the "aspirational companies" that will be the leaders in this new, more environmentally friendly world. It does make you wonder whether companies like Orsted, Vestas and Tesla need to have any marketing budgets at all, as they appear so often in asset manager pitchbooks. At the same time, there is a lot of concern around an "**ESG bubble**" as the same stocks find a wall of money heading towards them in a volatile economic climate where the risk of interest rate rises can seriously hamper these typically high growth companies.

So, what should investors look for when trying to select funds that can meet both their impact and returns objectives? In a core asset class like global equities, it helps for funds to have **clear differentiating characteristics**. These should include:

1. A **clear and objective approach to ESG** that is not reliant on a particular provider or prevailing perspective.

2. A focus on **delivering quantifiable impact** but without a subjectively driven focus on a very small number of high-profile companies.

3. The **flexibility** to respond to changing economic and market circumstances that maintains the desired **impact** but **without increased risk and volatility**.

A good example of the type of fund investors should consider is the **Alquity Global Impact Fund**. Run by a team of quantitative analytics professionals, led by Marnie Uy, previously Global Head of Quantitative Analytics at Aberdeen Standard overseeing over $100bn of assets, the fund takes an uncompromising approach to ESG and targets clear impact outcomes within a clear and managed risk framework.

The key features of the Alquity Global Impact fund include:

ESG Data Engineering

The fund is not reliant on a single ESG provider but collates ESG data from a variety of sources, to filter out those companies that are consistently delivering the highest quality ESG behaviour. Not only that, but the data on company controversies is also assessed to ensure any contingent ESG risks are accounted for

Macroeconomic and Equity Alpha Generation

Detailed macroeconomic data is reviewed to adjust country allocations to take advantage of cyclical tailwinds. Likewise, individual equity analysis identifies the stocks with the strongest returns potential. These factors help drive portfolio construction and contribute to additional returns generation

SDG Contributing Companies

The fund targets intentional SDG Impact outcomes. As part of this a minimum of 20% of the portfolio is invested in companies where more than 50% of their sales come from products that contribute directly to the UN Sustainable Development Goals (SDGs). There is no focus on sector or company, with any stocks selected because they also meet the macroeconomic, equity and ESG criteria

The resultant portfolio of between 75-125 stocks is reviewed frequently as **market and economic circumstances evolve**. The question is how has this approach fared since the fund's launch in early 2021. Since inception on 16th March 2021, the fund's I (Institutional) share class has delivered +7.9% versus -4.8% for the ACWI Sustainable Impact Index (GBP I share class as at 31 December 2021). During March and April 2021 the portfolio composition changed to **less well known ESG names** that still delivered impact. Over that two month period, the fund performed in line with the broad ACWI index and **outperformed the ACWI Sustainable Impact Index by 900 bps** (9%). At the same time the **impact metrics actually improved**.

So, whilst in 2021 you may not have been able to have your cake and eat it, at least in 2022 you can certainly have your impact and deliver returns from it!

Suresh Mistry

Head of ESG and Impact Reporting

For more information on Alquity, please contact:

UNITED KINGDOM
Alex Boggis
+44 7702 257 866
alex.boggis@alquity.com

MIDDLE EAST & ASIA
Suresh Mistry
+44 7973 309687
suresh.mistry@alquity.com

NORTH AMERICA
Renee Arnold
+1 215 350 9063
renee.arnold@alquity.com

EUROPE
Marc Rugel
+33 644 3265 04
marc.rugel@alquity.com

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