ebi Model Portfolio Service:

An Introduction

Certified B Corporation

ebi meets high standards of social and environmental impact.

Best MPS Technology/Platform
IFA mps Awards Winner 2022

Best Overall MPS provider
IFA mps Awards Winner 2022

Find out more at **ebi.co.uk**

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evidence based investing

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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About ebi

ebi is an award-winning discretionary investment manager built on the principles of evidence based investing, diversification and passive portfolio management.

It's vision is for investors to be able to make the right financial decisions for their future; achieved through providing cutting edge technology and low-cost innovative portfolios to advisers.

ebi offers a wide variety of portfolios for investors to choose from. It also has expertise in launching ESG portfolios with global fund managers.

Jargon Buster "What is ESG?"

ESG stands for Environmental Social and Governance, and refers to the three key factors when measuring the sustainability impact of an investment in a business or company. ESG criteria are used to screen investments for inclusion or exclusion within a portfolio[1].

1 Market Business News, ESG definition [online]

Investment Philosophy

Evidence based investing is an approach based on research and observing markets.

The approach uses decades of independent, peer-reviewed research and analysis. This evidence is then used to make considered investment decisions.

Evidence based investing is a passive investment strategy. Active funds managers look to 'beat the market' by predicting which companies will be successful in the future; our approach is in direct contrast to an active investment strategy.

Markets are hard to beat in the long term, this is why an evidence based philosophy sits at the heart of ebi.

ebi

IFA magazine

MPS Award Winners

We are extremely proud to have won two industry awards for our Managed Portfolio Service.

*We won **Best Overall MPS provider** and the **Best MPS Technology/Platform** at the IFA MPS Awards.*

Best MPS Technology/Platform
IFA mps Awards Winner 2022

Best Overall MPS provider
IFA mps Awards Winner 2022

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*These awards demonstrate the dedication and commitment our team have in providing the **very best in service, technology and innovation** for our advisers and their clients.*

Cornerstones of Evidence Based Investing

1 Capitalism works

Capitalist societies consist of asset-owning companies and individuals who put capital and labour to efficient use, with the aim of generating maximum wealth for those who take on the risk of the enterprise. Profits from this enterprise are ultimately expected to flow through to owners.

2 Risk and reward go hand in hand

A basic assumption in investing is that higher levels of return require an investor to assume a higher level of risk. Correspondingly, low levels of returns are often associated with low levels of risk. Risk can never be completely eliminated from portfolios, but investors can reduce risk by holding a diversified portfolio of equities and bonds.

3 Diversification is the only free lunch in investing[1]

Diversification mitigates market uncertainty. It mixes a wide variety of investments, covering multiple asset classes, with no bias to a specific industry or segment.

Put simply, by diversifying you can reduce risk without compromising on returns in the long term. ebi's portfolios are diversified across approximately 65 developed and emerging market countries, as well as approximately 14,000 individual equities and bonds[2].

4 Identify and minimise costs of all kinds

ebi focuses on minimising costs in their widest sense; avoiding the cost of underperformance by an active manager, using low-cost passive strategies, negotiating service provider discounts, and managing investments efficiently via our Managed Portfolio Service (MPS).

While investment costs might seem relatively small, they all add up. The power of compounding means that you don't just lose the amount you pay in fees, you also lose the growth that money might have made for years to come.

Jargon Buster "What are 'equities' and 'bonds'?"

Equities represent the value shareholders hold within a privately owned company. Equity is the value a shareholder would receive when a company pays off its debt and liquidates its assets.

A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments.

The key feature of bonds is their low risk and relatively low returns in comparison to equities, and are used to dilute the volatility of a portfolio. Investors choose a blend of equities and bonds to meet their attitude to risk.

1 Harry Markowitz, 1952. Nobel Prize laureate
2 Correct as of 29.11.2022 and subject to change.

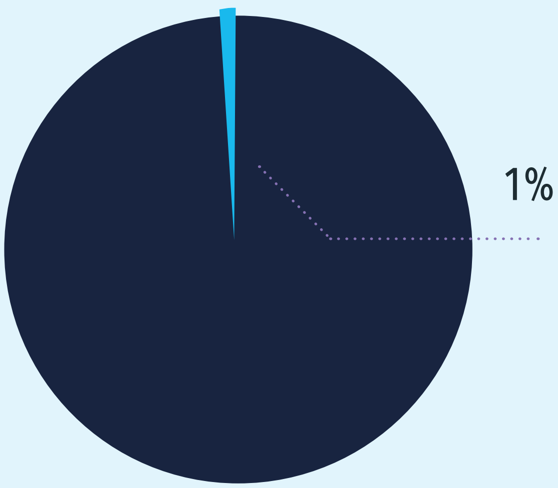
Difference between Active & Passive Investing

An evidence based approach uses passive investment management, mimicking an index of market returns. Passive investing seeks to minimise costs by limiting the number of trades performed. This is known as strategic asset allocation, where investors set target allocations for various asset classes based on criteria such as the investor's risk tolerance and investment objectives.

This contrasts with an active management approach where the manager undertakes specific investments with the goal of out-performing a target return, or 'beating the market'. This is known as tactical asset allocation.

From time to time, ebi may look to incorporate new funds to gain exposure to a new factor, but all in all these activities lead to very little trading.

ebi's opinion: *In the majority of cases, research demonstrates a passive investment strategy* ***will outperform an active approach*** *in the long term.*



Active fund managers that beat the market over the long term [1]

Research shows that only about 1% of active fund managers beat the market over a ten year period. It also takes 22 years of data to be 90% certain that these managers are genuinely skilful, not just lucky.

1 D. Blake, T. Caulfield, C. Ioannidis, I. Tonks, New Evidence and Mutual Fund Performance: A Comparison Of Alternative Bootstrap Methods. Journal Of Financial and Quantitative Analysis. June 2017.

ebi's portfolios

ebi has created a range of **low-cost, diversified, passively managed** portfolios.

These portfolios allow investors to express their financial aspirations and values through their investments.

Ask your adviser for further details.

Glossary

Name	Definition
Asset	An item or group of items owned by an individual or company that can be valued in monetary terms. Real estate, equipment, inventory, cash accounts, and investments are examples of assets [1].
Asset Allocation	The process of determining what percentage of assets should be dedicated to specific asset classes. Also the end result of the process[2].
Asset Class	A group of assets with similar risk and expected return characteristics. Cash, debt instruments, real estate, and equities are examples of asset classes[2].
Capital	All durable resources owned by a business that can be used to generate revenue are defined as capital. This includes tangible items such as buildings, equipment, land, machinery, stocks, cash, and intangible items such as patents and trademarks. Capital can also refer to a business' wealth defined by subtracting total liabilities from its total assets[1].
Discretionary Investment Manager	A Discretionary Investment Manager builds and manages portfolios on behalf on financial advice firms and their clients. 'Discretionary' refers to the fact they are authorised to make the 'buy' or 'sell' decisions.
Diversification	Dividing investment funds among a variety of investments with different risk-return characteristics to minimise portfolio risk[2].
Equities	Similar to shares or stocks, equities are units of ownership in multiple companies[1].
Factor	A numerical characteristic or set of characteristics common across a broad set of securities[2].
Index (and Index Fund)	Index refers to a benchmark used to measure the health and performance of the securities market. The S&P 500 is an example of an index. Index Fund refers to an investment vehicle through which a pool of investors' money can be used to purchase stocks and other securities that reflect a certain Index[1].
Managed Portfolio Service	A Managed Portfolio Service (MPS) is a centrally run set of portfolios, or mandates. Each mandate covers a different risk profile (for example, cautious) and holds an identical set of investments for all its investors. The mandates are managed by a central team who make all the investment decisions, what to buy, sell or hold in order to meet the return objectives according to the level of risk appropriate for that mandate[3].
Mutual Fund	A mutual fund is a vehicle for easily investing in the stock market. The mutual fund pools investors' money. A professional fund manager is retained to manage the portfolio, making purchasing decisions based on the type of fund, such as a growth stock mutual fund. It is one of the most popular vehicles for investing because it doesn't require a lot of money to get involved[1].
Portfolio	Refers to a collection of investments, such as stocks, bonds, securities, commodities, currencies, real estate, etc., mixed between low-risk and high-risk, owned by an investor and designed to maximize short-term and long-term returns[1].
Securities	Securities are fungible and tradable financial instruments used to raise capital in public and private markets. There are primarily three types of securities: equity - which provides ownership rights to holders; debt - essentially loans repaid with periodic payments; and hybrids - which combine aspects of debt and equity[4].
Stocks	A stock is a security resulting in ownership of a company. It's also referred to as equity. When an investor purchases stock in a company, he or she gains equity in that company and is entitled to a percentage of the company's profits. These investors are called stockholders or shareholders[1].

1 Lefton, H. (2020). Similarweb Blog. Stock Market Terms: The Ultimate Glossary of Investor Terms [online]
2 A. L. Berkin & L. E. Swedroe, Your Complete Guide to Factor- Based Investing, 2016
3 J Bellamy [online]
4 W. Kenton, Investopedia, 2021, [online]

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The price of shares and investments and the income derived from them can go down as well as up, and investors may not get back the amount they invested.

Past performance is not necessarily a guide to future performance.

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