



# Earth Portfolios Suite

## Product Profile

Certified



ebi meets high standards of social and environmental impact.

Corporation



Best MPS Technology/Platform  
IFA mps Awards Winner 2022



Best Overall MPS provider  
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facilitate financial  
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improved financial  
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# INTRODUCTION

## PORTFOLIO HIGHLIGHTS:

Globally diversified, market-based portfolio with circa 11,000 holdings\*

Employs a five-factor based approach

Integrates Environmental, Social and Governance (ESG) considerations

Access to restricted (lower-cost) share classes

Passively managed low-cost portfolio

## INVESTMENT OBJECTIVE

The Earth Portfolios Suite is a low-cost, evidence based investment solution that seeks to combine a globally diversified strategy with a factor-tilted approach and ESG integration.

The portfolios aim for factor diversification through exposure to five key factors, which evidence suggests may deliver premiums in excess of the global market. The portfolios are designed for investors seeking to adopt a low-cost, factor-tilted, and globally diversified investment solution.

## INVESTMENT STRATEGY

Our investment strategy combines more than six decades of market data, Nobel Prize-winning academic research and behavioural finance. The approach is quantitative and based on data, such as stock prices and financial information, rather than opinion or speculation. The portfolios gain exposure to Momentum, Value, Size and Minimum Volatility directly, through specific underlying fund strategies. Exposure to the Quality factor is gained through Quality overlays on the security selection by the fund managers.

The Earth Portfolios equity element contains both pure market-cap weighted index trackers and systematic rules-based factor funds. The strategy remains broadly geographic and sector neutral, with only small deviations away from the global equity and fixed-income market averages.

The suite integrates ESG through the implementation of ESG screening across all underlying funds in the portfolios.

The Earth Portfolios employ a tolerance-driven rebalancing strategy.

## BENCHMARK INDEX

The Earth Portfolios are highly diversified, investing across developed and emerging markets for both equities and fixed income.

The portfolios are made up of index-tracking funds and factor funds. The index-tracker funds in the portfolio follow a mixture of Solactive, FTSE, and MSCI indices:

- Solactive Global Bond 1-5 Years ESG Climate  
*ESG-screened Short-dated Global Bonds*
- Solactive Global Bond ESG Climate  
*ESG-screened Global Bonds*
- MSCI World Small Cap Custom ESG  
*ESG-screened Small-cap Global Equities*
- FTSE Emerging All Cap Choice  
*ESG-screened Emerging Market Equities*
- FTSE Developed All Cap Choice  
*ESG-screened Developed Market Equities*

The factor funds do not necessarily track an index, as they are systematic rules-based funds.

This means that a set of rules are applied through a data-driven approach to select securities and gain exposure to the relevant factor.

\* Across all equity and fixed income holdings. Correct as of 18/04/2023

# ESG INVESTING

An early advocate of sustainable investing, ebi integrates ESG considerations across the Earth range. We have worked extensively with best-of-breed managers to bring on board ESG funds that embody our core ethos of factor-based investing while operating with an ESG approach at their heart.

## WHAT IS ESG INVESTING?

### ENVIRONMENTAL

- Air & Water Pollution
- Biodiversity & Deforestation
- Climate Change
- Energy Efficiency
- Waste Management
- Water Scarcity

Producing more output with less natural resources, energy, water, waste and pollution.

### SOCIAL

- Community Relations
- Customer Satisfaction
- Employee Engagement
- Gender & Diversity
- Human Rights
- Labour Standards

Improving relations with key stakeholders: employees, customers, suppliers.

### GOVERNANCE

- Audit Committee Structure
- Board Composition
- Bribery & Corruption
- Executive Compensation
- Lobbying Activities
- Political Contributions

Reducing risk through board oversight and risk controls.

ESG (Environmental, Social & Governance) is a responsible investing strategy that seeks both financial return and positive change. The 3 pillars of ESG investing (Environmental, Social & Governance) combine to define what most people would categorise as good business practice.

## ESG AND THE EARTH PORTFOLIO SUITE

Following the addition of ESG-screened bond funds into our Earth range in 2022, all funds in the Earth range implement ESG screening, with all underlying fund managers adopting exclusions covering a range of areas including fossil fuel participation, and carbon intensity. Further detailed information on the range of screens applied in the Earth portfolio range can be found in the Earth ESG screening grid available from ebi on request.

2019

### EARTH PORTFOLIOS SUITE LAUNCHED

An early advocate of ESG investing, ebi sought out fund managers willing to seed an innovative passive ESG portfolio. The goal was to disrupt the marketplace with its Earth Portfolios Suite; globally diversified, factor based funds, with an ESG overlay. When launched, 46% of the equities within Earth were ESG screened.

2021

### 100% ESG SCREENING ON EQUITIES

Strong fund manager relationships enabled ebi to seed a number of new funds, improving the sustainable credentials of its Earth Portfolios Suite. 2021 saw all the equities within Earth 100% ESG screened.

2022

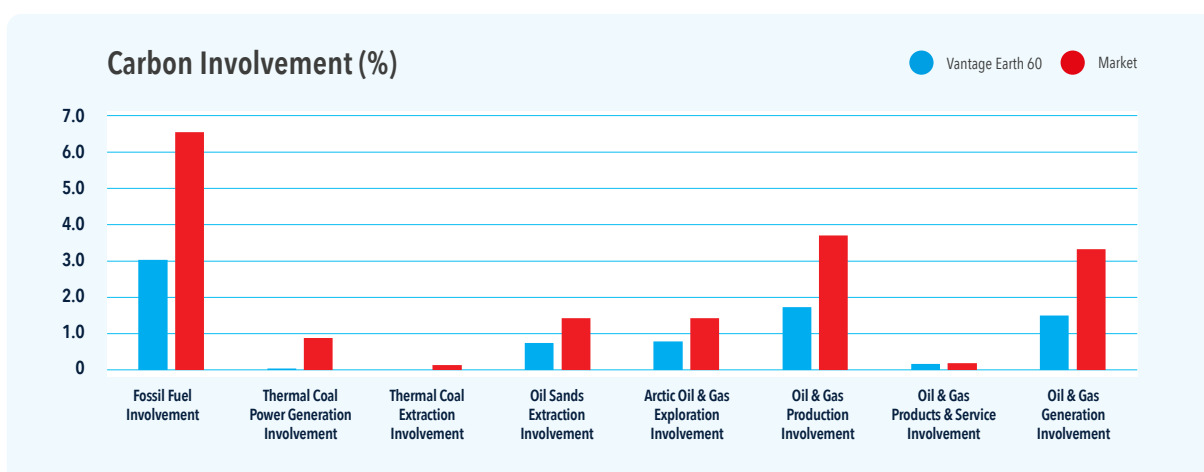
### ESG SCREENING ON BOND FUNDS

Continuing to push the boundaries of its sustainable offering, ebi worked closely with fund managers to build two new ESG bond funds providing a unique offering of 100% ESG screened portfolios within its MPS.

# ESG INVESTING

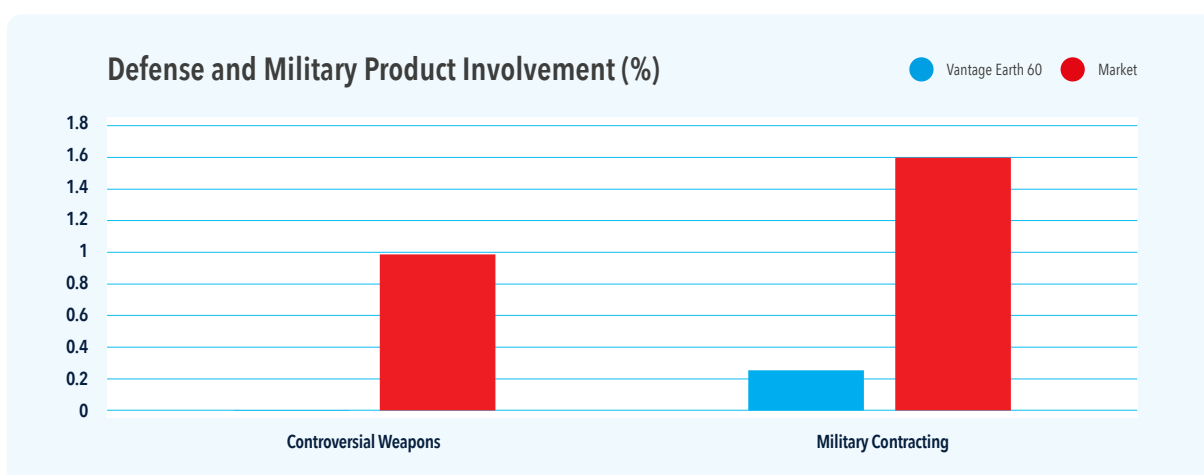
Alongside ebi being a signatory of the United Nations Global Compact (UNGC), all underlying funds in the Earth suite apply filters to screen companies to ensure alignment with the UNGC.

The screening in place in the Earth portfolios leads to lower exposures in terms of Carbon Involvement and non-ESG Product Involvement compared to the wider market\*. Looking at Earth 60 as an example, as can be seen from the chart below, as at 31/05/2023 Earth 60 had Fossil Fuel Involvement of 3.0% in comparison to the wider market which had Fossil Fuel Involvement of 6.6%.



Similarly, Earth 60 has lower non-ESG Product Involvement than the wider market, including in the areas of Defense and Military.

As can be seen from the chart below, as at 31/05/23 Earth 60 had 0.0% exposure to Controversial Weapons compared to 1.0% for the wider market, and a 0.3% exposure to Military Contracting compared to a 1.6% exposure for the wider market.



\* Market: Weighted combination of Morningstar Global Markets and Bloomberg Global Aggregate Bond.  
 For example for Earth 60 - Market: 60% Morningstar Global Markets, 40% Bloomberg Global Aggregate Bond.  
 Source for data and charts: Morningstar Direct as at 31/05/2023.

# ASSET ALLOCATIONS

The Earth suite is available in a number of different risk profiles suitable for investors with varying levels of risk appetite. The strategy aims to balance both risk and reward by assigning each portfolio's asset classes according to the risk profile required. We include both equities and fixed income as asset classes in our Earth portfolios.

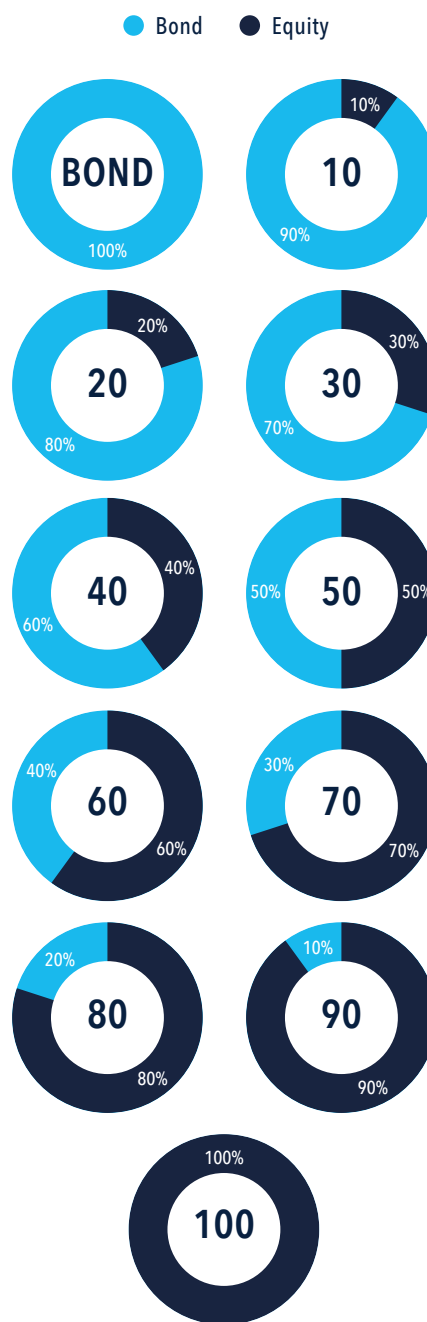
The Earth Bond portfolio includes two fixed-income funds that are weighted towards a shorter duration than the global market. This allows the fixed-income element of the portfolio to pose less overall risk than the market, providing investors with a suitable buffer against any potential equity downturns.

The Earth 100 portfolio is a 100% equity portfolio that includes equity funds broadly aligned with sector and geographic allocations of the global equity market, with deviations due to factor and ESG-tilts. The combination of these funds provides broad diversification within a simple structure.

The portfolios between Earth Bond and Earth 100 provide varying levels of equity and fixed-income funds to suit different objectives and risk profiles. The number represents the target percentage of equities held within the portfolio.

*For an explanation of equities and bonds, please see Page 3 of the ebi Model Portfolio Service brochure.*

## EARTH PORTFOLIOS BOND/EQUITY ALLOCATIONS



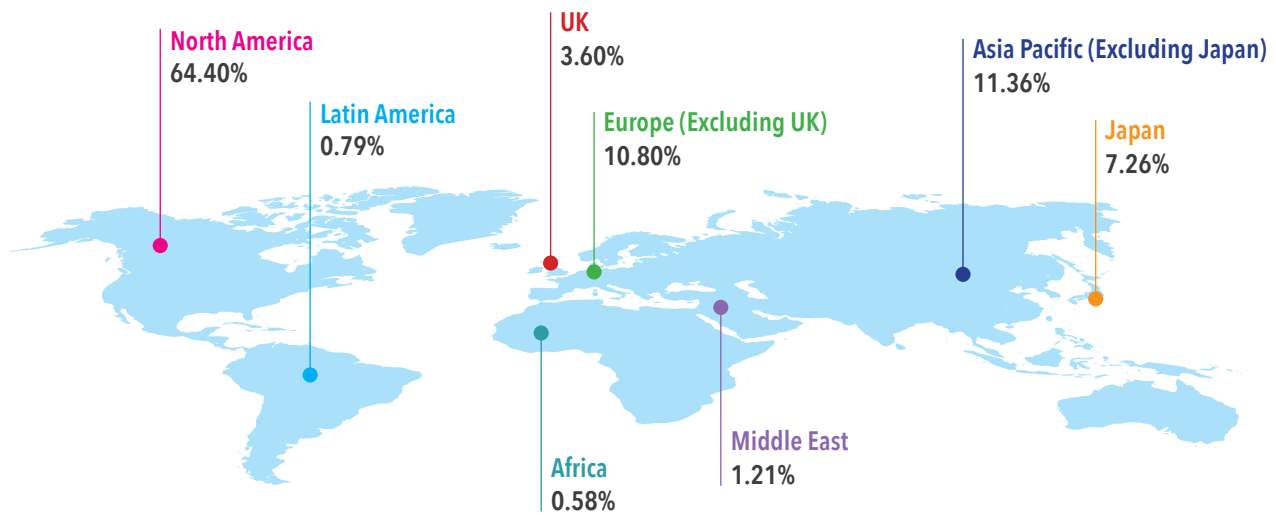
A diagram showing the target asset allocations of portfolios within the Earth suite.

# REGIONAL ALLOCATIONS

The globally diversified Earth suite aims to broadly replicate the geographical allocation of the global market index, mitigating country-specific risk and contributing to less volatile returns over the long term.

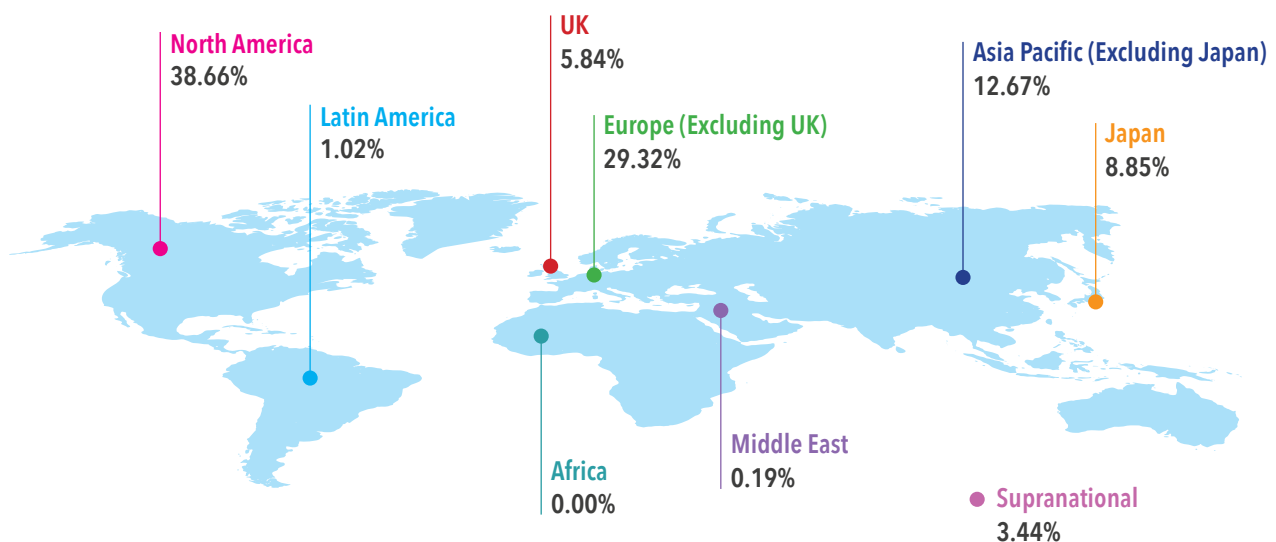
## EQUITY EXPOSURE

A map showing the regional allocation of the Earth equity portfolio. (Data as of 30/04/2023)



## FIXED-INCOME EXPOSURE






A map showing the regional allocation of the Earth fixed income portfolio. (Data as of 30/04/2023)



# FACTOR BASED INVESTING

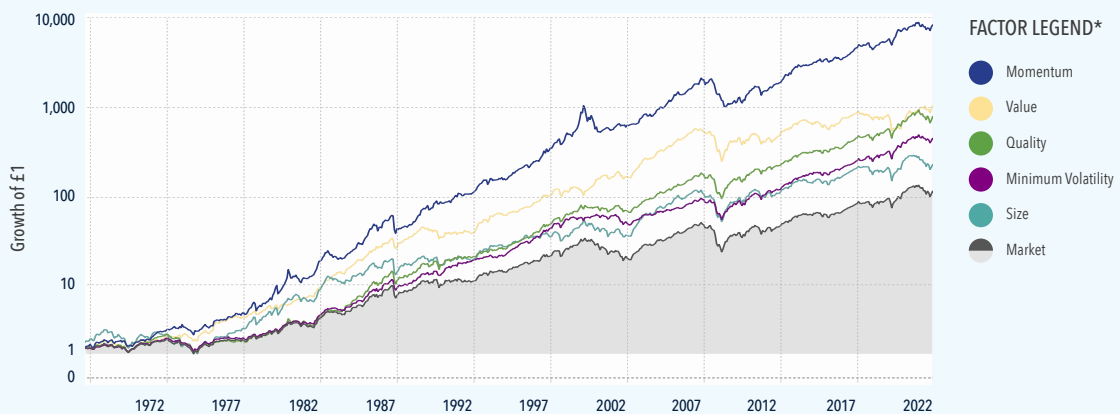
Factor based investing is an investment approach that involves targeting quantifiable characteristics, or 'factors', that can explain differences in stock returns. It involves tilting portfolios towards and away from specific factors, with the aim of generating higher risk-adjusted returns, in excess of benchmarks or pure index/passive portfolios.

## THE 5 FACTORS IN EBI'S EARTH PORTFOLIOS SUITE

<p><b>MOMENTUM</b> </p> <p>The tendency of stocks that have performed well continuing to perform strongly into the future, at least for a short time.</p>	<p><b>MINIMUM VOLATILITY</b> </p> <p>Stocks that exhibit lower volatility have returns above that which would be implied by the efficient market theory.</p>	<p><b>QUALITY</b> </p> <p>Profitable firms generate higher returns than unprofitable firms, despite having significantly higher valuation ratios.</p>
<p><b>SIZE</b> </p> <p>Companies with a lower market capitalisation exhibit a return premium over companies with a large market capitalisation.</p>	<p><b>VALUE</b> </p> <p>Stocks priced closer to their book value have higher expected returns than stocks priced far above their book value.</p>	

### LONG-RUN FACTOR PREMIUMS<sup>1</sup>

A graph showing long-run equity factor premiums (1967-2022)



(Data as of 31/12/2022)

Annualised Geometric Mean since inception | Showing Cumulative Log Returns.  
Past performance is not necessarily a guide to future performance.

\*(Annualised Total Return)

An annualised return is the geometric average amount of money earned by an investment each year over a given time period expressed in a percentage. An investment that grew from £100 to £140 over 4 years would have earned 8.78% on average per year.

<sup>1</sup> Kenneth R French Data Library Tuck University, Hou, Kewei, Chen Xue, and Lu Zhang, Monthly Returns



# REBALANCING STRATEGY

## FUND ALLOCATIONS

The Earth suite uses strategic asset allocation to set target weightings for the funds used in each portfolio. The funds employed in the portfolio adhere to market geographic and sector allocations, and the aggregate exposure of the portfolio broadly mirrors that of the global market.

The factors adopted in the portfolio have periods of outperformance and underperformance, however, evidence shows that these factor tilts, in combination with a passively managed and strategically maintained portfolio, have on average delivered<sup>1</sup> a return greater than the market in the long run<sup>2</sup>.

## TOLERANCE-BASED REBALANCING

Both the risk profile and diversification of the Earth portfolios are managed through a tolerance-based rebalancing process. The asset class composition is rebalanced if the pre-determined tolerance limit is breached.

The rebalance would bring the fund weightings back closer to the target weight of the portfolio.

Rebalancing is designed to control the risk characteristics of the portfolio. The composition of each portfolio is looked at daily through an in-house program and algorithm which makes this determination.

Tolerance-based rebalancing also reduces unnecessary trading costs and helps reduce time out of the market.



<sup>1</sup> Past performance is not necessarily a guide to future performance.

<sup>2</sup> Strategic asset allocation: A timeless solution, Vanguard. 11.07.2022 [\[Online\]](#)

# RISK & REWARD PROFILE

Investors can choose a portfolio that is suitable for their risk appetite and desired return. Risk and reward go hand in hand and the value of the investment may go down as well as up.

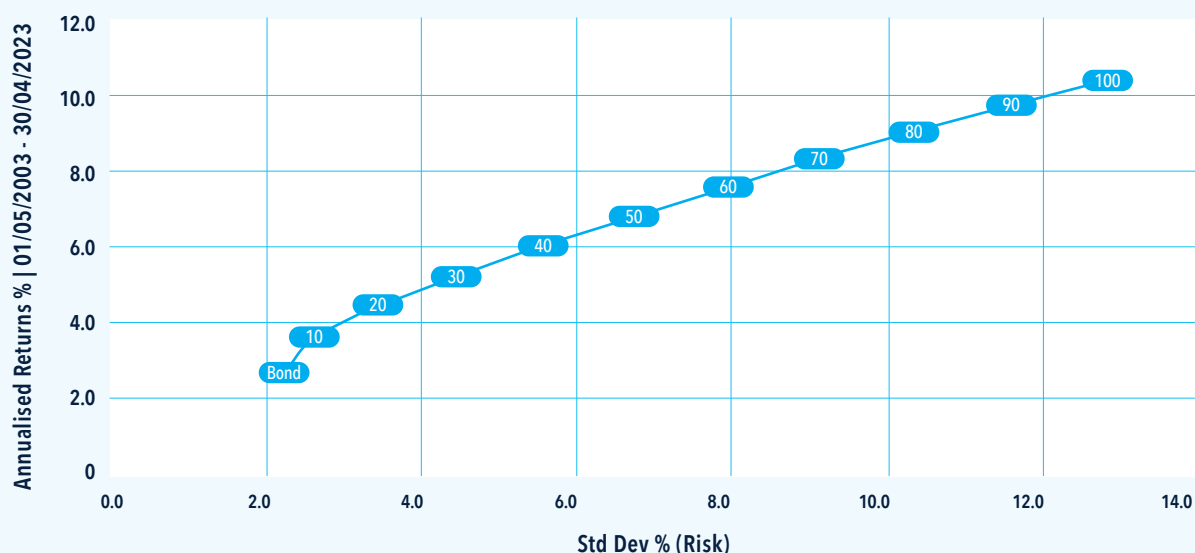
Standard deviation is the measure used to calculate the risk (volatility) of the portfolios and measures how dispersed the returns can be around the average return (simulated performance).

**Disclaimer: (Data as of 01/05/2003 - 30/04/2023) All calculations are based on simulated data created from commercial benchmark indices that the underlying funds replicate, net of their respective ongoing charges fee and ebi's management fee.**

## Simulated Risk & Reward

Portfolio	Annualised Returns % 01/05/03 - 30/04/23	Std Dev % (Risk)
Vantage Earth Bond	2.69	2.27
Vantage Earth 10	3.66	2.65
Vantage Earth 20	4.47	3.46
Vantage Earth 30	5.27	4.48
Vantage Earth 40	6.06	5.60
Vantage Earth 50	6.82	6.77
Vantage Earth 60	7.58	7.97
Vantage Earth 70	8.31	9.18
Vantage Earth 80	9.03	10.41
Vantage Earth 90	9.75	11.65
Vantage Earth 100	10.43	12.91

## Simulated Risk & Reward



*Hypothetical or simulated performance is not indicative of future results.  
Past performance is not necessarily a guide to future performance.*

# FEES & CHARGES

The Earth suite prides itself on being a cost-effective solution within a simple structure. The ongoing charges figure (OCF) are the costs that the investor pays for the management and running costs of the fund, these range from 0.10-0.29%<sup>1</sup>. The OCF is charged by the underlying fund managers.

The discretionary investment manager (DIM) fee remains the same for all portfolios and is charged to the investor by the DIM for the management and professional discretion of the investor's portfolio.

ebi has worked hard with all of its fund managers to gain access to restricted share classes, offering significant discounts typically not available for retail clients to purchase directly.

An overview of the costs can be found below.

Portfolio	ebi OCF <sup>1</sup>	Retail OCF	OCF Savings <sup>2</sup>	DIM Fee
Vantage Earth Bond	0.10%	0.18%	0.08%	0.12%
Vantage Earth 10	0.12%	0.21%	0.09%	0.12%
Vantage Earth 20	0.14%	0.23%	0.09%	0.12%
Vantage Earth 30	0.16%	0.26%	0.10%	0.12%
Vantage Earth 40	0.18%	0.28%	0.10%	0.12%
Vantage Earth 50	0.20%	0.31%	0.11%	0.12%
Vantage Earth 60	0.22%	0.33%	0.11%	0.12%
Vantage Earth 70	0.24%	0.36%	0.12%	0.12%
Vantage Earth 80	0.25%	0.39%	0.14%	0.12%
Vantage Earth 90	0.27%	0.41%	0.14%	0.12%
Vantage Earth 100	0.29%	0.44%	0.15%	0.12%

<sup>1</sup> OCF correct as of 30.04.23

<sup>2</sup> Rounded to two decimal places.

# Key Statistics





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