

# Future World Europe (ex UK) Equity Index Fund - GBP Currency Hedged



Unit-Linked Life Insurance Reported in GBP (Gross of charges)

## FUND AIM

The investment objective of the fund is to track the performance of the Solactive L&G ESG Europe ex UK Index GBP Hedged (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.

## WHO IS THIS FUND FOR?

- The trustees of UK registered defined benefit or defined contribution occupational pension schemes, which may be classified as either retail clients or professional clients.
- Although investors can take their money out at any time, the recommended minimum holding period is 5 years.
- Please refer to your professional advisor who should be able to advise you on the suitability of this fund for your scheme.

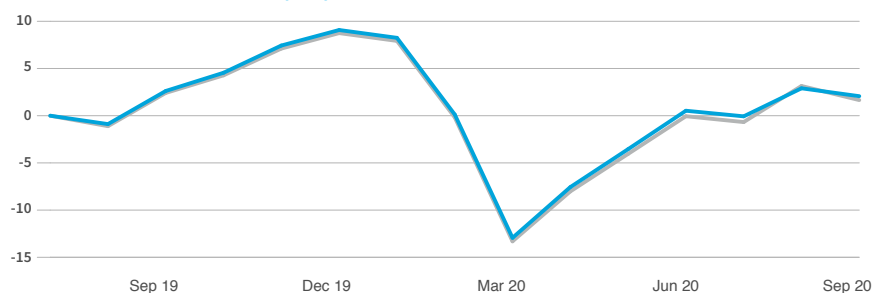
## FUTURE WORLD PHILOSOPHY

- The Future World philosophy encapsulates how we identify long-term themes and opportunities, while managing the risks of a changing world
- We use our scale and influence within the market to propel positive change on environmental, social and governance (ESG) issues, at the same time as seeking to achieve financial success
- The Future World funds are for clients who want to express a conviction on ESG themes, across a broad array of asset classes and strategies

## FUND FACTS

Fund size <b>£51.8m</b>	Base currency <b>GBP</b>	Benchmark <b>Solactive L&amp;G ESG Europe ex UK Index GBP Hdg</b>
Launch date <b>Jul 2019</b>	Domicile <b>United Kingdom</b>	

## PERFORMANCE (%)



	YTD	3m	6m	1y	3y	Launch
■ Fund	-6.42	1.54	17.26	-0.51	-	1.64
■ Benchmark	-6.52	1.71	17.27	-0.72	-	1.29
Relative	+0.10	-0.17	-0.01	+0.21	-	+0.35

## CALENDAR YEAR PERFORMANCE (%)

	2019	2018	2017	2016	2015
Fund	-	-	-	-	-
Benchmark	-	-	-	-	-
Relative	-	-	-	-	-

All performance periods over a year will be annualised. Performance based on weekly mid-market prices before the deduction of fees. Withholding tax rates applied to the index by the index provider are generally higher than those the fund. **Past performance is not a guide to the future.**

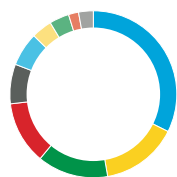
## FUND CHARACTERISTICS

- The fund employs an index tracking strategy, aiming to replicate the performance of its benchmark. The index aims to provide market capitalisation weighted exposure to developed world equity markets (excluding the UK) while reflecting an awareness about significant environmental, social and corporate governance (ESG) issues through exposure to four underlying alternatively weighted indices. As part of LGIM's commitment to address climate change, companies that fail to meet LGIM's minimum standards in low carbon transition and corporate governance standards may be excluded from the fund, as a result the fund may not hold all of the constituents of the index.
- We follow a pragmatic approach to managing index funds, either investing directly in the securities of that index, or indirectly through other LGIM funds. The fund may also hold index and single stock futures for efficient portfolio management. Currency hedging is achieved by selling forward for approximately one month the relevant currency exposure of the fund.

Further ESG information on page 3

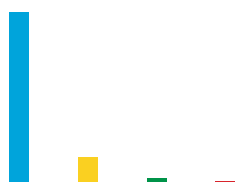
## PORTFOLIO BREAKDOWN

All data source LGIM unless otherwise stated. Totals may not sum due to rounding. In order to minimise transaction costs, the Fund will not always own all the assets that constitute the index and on occasion it will own assets that are not in the index.



### SECTOR (%)

Consumer Non-cyclical	32.4
Communications & Tech	14.9
Industrials	13.8
Consumer Cyclical	12.2
Banks (Equity)	7.7
Insurance (Equity)	6.5
Commodities	4.0
Utilities	3.8
Energy	2.0
Other	2.9



### MARKET CAPITALISATION (%)

Large	85.7
Mid	12.4
Small	1.8
Undefined	0.1



■ Top 10 holdings 30.8%  
■ Rest of portfolio 69.2%

No. of holdings in fund 346  
No. of holdings in index 349

### TOP 10 HOLDINGS (%)

Roche	5.5
Nestle	4.4
ASML	4.2
SAP	4.0
Novo Nordisk	2.5
Novartis	2.5
Siemens	2.2
Sanofi	2.0
LVMH	2.0
Allianz	1.7

### COUNTRY (%)

Germany	20.1
Switzerland	19.9
France	18.2
Netherlands	12.5
Sweden	7.9
Denmark	5.3
Spain	4.3
Italy	3.6
Finland	3.0
Other	5.3

Celebrating  
**25+**  
Years

### INDEX FUND MANAGEMENT TEAM

The Index Fund Management team comprises 25 fund managers, supported by two analysts. Management oversight is provided by the Global Head of Index Funds. The team has average industry experience of 15 years, of which seven years has been at LGIM, and is focused on achieving the equally important objectives of close tracking and maximising returns.

## ESG COMMITMENT

From diesel emissions to oil spills, there have been many tangible examples in recent years of how failures in the way companies are run can have a harmful impact on the environment, society and investor returns. We believe responsible investing can mitigate the risk of such outcomes and has the potential to improve returns through the integration of environmental, social and governance (ESG) considerations, active ownership and long-term thematic analysis.



ESG score of fund



ESG score of index

### ESG SCORE

We score companies based on environmental, social and governance factors. We use these scores to design ESG-aware tilted indices which invest more in those companies with higher scores and less in those which score lower, while retaining the investment profile of a mainstream index. The ESG Score is aligned to our engagement and voting activities. As a result, this portfolio has an aggregate ESG Score of **60** versus a mainstream index of **56**.

In the fund, we invested more in **146 companies with higher scores** and less in **205 companies with lower scores**.

## ENVIRONMENTAL PERFORMANCE

Carbon dioxide (CO<sub>2</sub>) is the most significant contributor to greenhouse gas emissions which are driving climate change. Compared to a fund tracking the unadjusted benchmark, the fund will have a different exposure to current and future sources of carbon dioxide emissions.



**↓ 73%** Lower carbon reserves intensity than the unadjusted benchmark



Equivalent to **2,383 barrels of oil**

### CARBON RESERVES

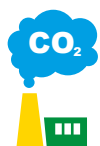
Carbon reserves are fossil fuels (coal, oil and gas) which, if burnt, will become the carbon emissions of the future. To meet global climate change targets, the unabated use of fossil fuels is expected to decline over time.

The figures below are a measure of the size of carbon reserves held by the fund's underlying companies.

<b>366</b>	<b>1,379</b>	<b>Tonnes of CO<sub>2</sub>e<sup>i</sup> per \$1 million of market capitalisation</b>
Fund	Benchmark	

The fund has **73%** lower carbon reserves intensity<sup>ii</sup> compared to a fund tracking the unadjusted benchmark.

The difference in carbon reserves intensity means that for every \$1 million invested in the fund, the exposure to fossil fuels through the underlying companies is reduced by an amount equivalent to **2,383 barrels of oil<sup>iii</sup>**, compared to having invested in the unadjusted benchmark.



**↓ 49%** Lower carbon emissions intensity than the unadjusted benchmark

### CARBON EMISSIONS

Following the global Paris Agreement on climate change, companies in all sectors are expected to reduce their emissions to prepare and adapt for a low-carbon economy.

<b>84</b>	<b>166</b>	<b>Tonnes of CO<sub>2</sub>e per \$1 million of sales</b>
Fund	Benchmark	

The fund has **49%** lower carbon emissions intensity compared to a fund tracking the unadjusted benchmark. Carbon emissions intensity describes the relationship between the carbon emissions of a company and its sales<sup>v</sup>.

The difference in carbon emissions intensity means that the fund has selected companies where, for the same level of sales, the associated emissions<sup>v</sup> are lower by **49%** compared to a fund tracking the unadjusted benchmark<sup>vi</sup>.



For further information please go to [www.lgim.com/esginfo](http://www.lgim.com/esginfo)

The proxy benchmark for this fund is Solactive L&G Europe ex UK Index.

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**NOTES**

<sup>i</sup> Carbon dioxide equivalent (CO<sub>2</sub>e) is a standard unit to compare the emissions of different greenhouse gases.

<sup>ii</sup> The carbon reserves intensity of a company captures the relationship between the carbon reserves the company owns and its market capitalisation. The carbon reserves intensity of the overall fund reflects the relative weights of the different companies in the fund.

<sup>iii</sup> We consider one barrel of oil equivalent to 0.425 tonnes of CO<sub>2</sub>e, based on International Energy Agency and Intergovernmental Panel on Climate Change guidelines.

<sup>iv</sup> The choice of this metric follows best practice recommendations from the **Task Force on Climate-related Financial Disclosures**.

<sup>v</sup> Data on carbon emissions from a company's operations and purchased energy is used.

<sup>vi</sup> This measure is the result of differences in weights of companies between the index and the benchmark, and does not depend on the amount invested in the fund. It describes the relative 'carbon efficiency' of different companies in the index (i.e. how much carbon was emitted per unit of sales), not the contribution of an individual investor in financing carbon emissions.

**HSBC:** Source: HSBC Bank Plc. ("HSBC") – HSBC Climate Solutions Database. All rights in the HSBC Climate Solutions Database and data content therein are vested in HSBC. Neither HSBC, nor its affiliates accept any liability for the accuracy or completeness of the HSBC Climate Solutions Database. No further distribution of HSBC data is permitted without HSBC's express written consent.

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The calculations above rely on third party data provided at a point in time that may not cover the entirety of the fund's investments or the fund's benchmark (against which the fund's performance is measured). As a result, what we may report may change as third party data changes and may also differ from other third party calculations.

**Refinitiv:** Source: Refinitiv ESG

