

UB Smart

Portfolio Impact Footprint



Manager: United Bankers

Benchmark: Custom benchmark

Positions date: December 2020

Number of positions: 4299

Estimated total tracking error*: 1083 bps

66%

**NET ACTIVE
ESG SHARES**

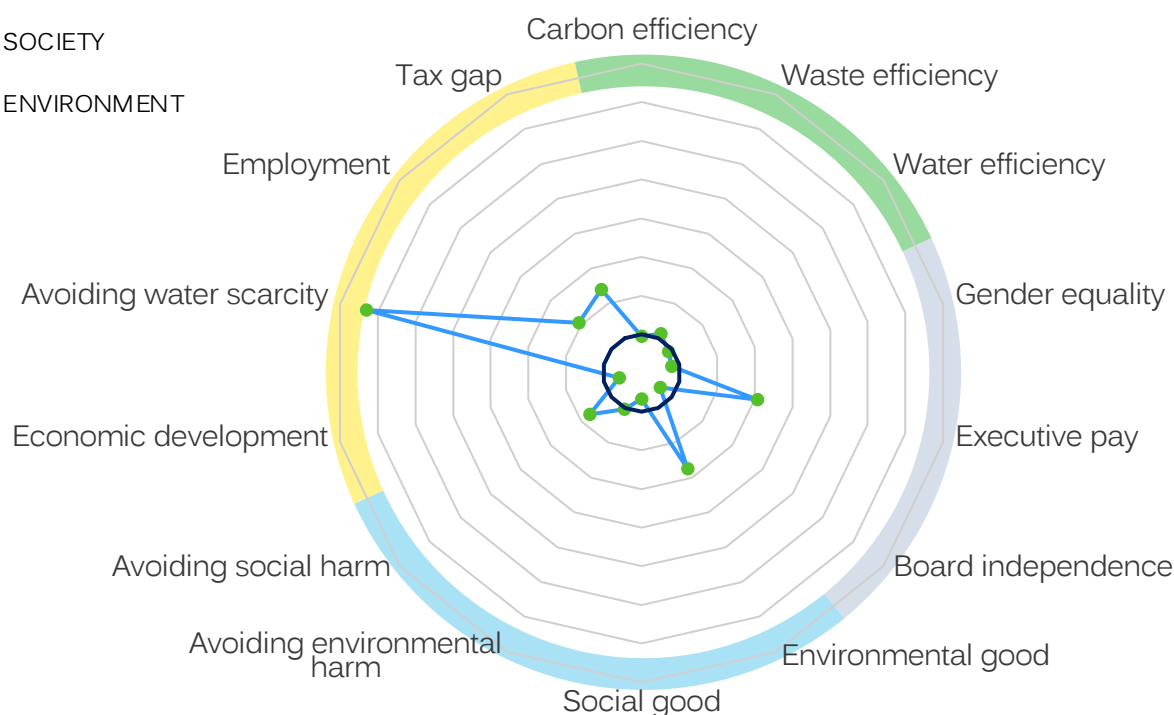
Positive	75%	78 bps
Negative	-9%	-8 bps

■ GOVERNANCE

■ PRODUCTS & SERVICES

■ SOCIETY

■ ENVIRONMENT



IMPACT ATTRIBUTION

COUNTRY SELECTION	81%
SECTOR SELECTION	19%

% MAPPED

PORTFOLIO	91%
BENCHMARK	97%

FUND IMPACT MEASURES


















	Fund	Benchmark	Based on company reported	% data estimated fund/benchmark	
Carbon efficiency	160.32	150.71	tons of GHG (Scope 1 & 2) emissions per \$1M revenue	32%	24%
Waste efficiency	55.97	196.92	tons of waste generated per \$1M revenue	50%	42%
Water efficiency	7.92	5.35	thousand cubic metres fresh water used per \$1M revenue	50%	44%
Gender equality	21.1%	21.6%	percentage of women in boards and top management	2%	2%
Executive pay	31.1	50.1	ratio of executive level pay to average employee pay	31%	30%
Board independence	69.7%	71.1%	independent board members	3%	3%
Environmental good	15.3%	6.9%	portfolio allocated to environmental solutions	n/a	n/a
Social good	6.2%	8.4%	portfolio allocated to help alleviate social issues	n/a	n/a
Avoiding environmental harm	3.1%	3.6%	portfolio allocated to environmentally destructive industries	n/a	n/a
Avoiding social harm	0.5%	3.0%	portfolio allocated to industries aggravating social issues	n/a	n/a
Economic development	\$48,500	\$46,800	median income of portfolio weighted geography of economic activity	n/a	n/a
Avoiding water scarcity	1.54	2.51	geographic water use (World Resource Institute scale 0-5 from most to least water scarce areas)	n/a	n/a
Employment	7.1%	6.4%	unemployment in portfolio weighted area of economic activity	n/a	n/a
Tax gap	1.47%	2.40%	estimated % tax avoided by corporate tax mitigation schemes	n/a	n/a

INVESTMENT EQUIVALENTS

In real terms compared to the custom benchmark, \$1M invested in UB Smart Fund finances:

		Real world equivalent	SDG relevance
Carbon efficiency	-11.13	more tons of GHG emissions	7, 15
Waste efficiency	52.38	less tons of waste generated	6, 12, 14, 15
Water efficiency	-1.4	more thousand cubic metres fresh water used	6
Gender equality	-21.1%	less women in top management	5
Executive pay	31.4	less multiples of average employee pay paid to top executives	10
Board independence	-69.6%	less board independence	10, 16
Environmental good	-15.3%	less invested in industries contributing to solving environmental issues	most SDGs
Social good	-6.2%	less invested in industries helping alleviate social issues	most SDGs
Avoiding environmental harm	3.1%	less invested in industries aggravating environmental issues	most SDGs
Avoiding social harm	0.5%	less invested in industries aggravating social issues	most SDGs
Economic development	\$0	more economic activity in less developed economies	1, 8, 9, 16, 17
Avoiding water scarcity	1.54	less water use in water scarce localities (World Resource Institute)	16, 17
Employment	-7.1%	less economic activity in high unemployment geographies	1,8, 11, 12, 16
Tax gap	1.47%	more tax paid	1, 9, 10, 16

UN SDG PORTFOLIO EXPOSURE

1 NO POVERTY		SOCIAL GOOD, AVOIDING SOCIAL HARM, ECONOMIC DEVELOPMENT, EMPLOYMENT, TAX GAP
2 ZERO HUNGER		SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
3 GOOD HEALTH AND WELLBEING		SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
4 QUALITY EDUCATION		SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
5 GENDER EQUALITY		GENDER EQUALITY
6 CLEAN WATER AND SANITATION		WASTE EFFICIENCY, WATER EFFICIENCY, AVOIDING WATER SCARCITY
7 AFFORDABLE AND CLEAN ENERGY		CARBON EFFICIENCY, ENVIRONMENTAL GOOD, AVOIDING ENVIRONMENTAL HARM
8 DECENT WORK AND ECONOMIC GROWTH		ECONOMIC DEVELOPMENT, EMPLOYMENT, SOCIAL GOOD, AVOIDING SOCIAL HARM
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
10 REDUCED INEQUALITIES		EXECUTIVE PAY, BOARD INDEPENDENCE, EMPLOYMENT, TAX GAP
11 SUSTAINABLE CITIES AND COMMUNITIES		TAX GAP, EMPLOYMENT, SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
12 RESPONSIBLE CONSUMPTION AND PRODUCTION		WASTE EFFICIENCY, SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
13 CLIMATE ACTION		CARBON EFFICIENCY, ENVIRONMENTAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING WATER SCARCITY, TAX GAP
14 LIFE BELOW WATER		WASTE EFFICIENCY, SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
15 LIFE ON LAND		WASTE EFFICIENCY, SOCIAL GOOD, ENVIRONMENTAL GOOD, AVOIDING SOCIAL HARM, AVOIDING ENVIRONMENTAL HARM
16 PEACE, JUSTICE AND STRONG INSTITUTIONS		BOARD INDEPENDENCE, ECONOMIC DEVELOPMENT, EMPLOYMENT
17 PARTNERSHIPS FOR THE GOALS		GENDER EQUALITY, EXECUTIVE PAY, ECONOMIC DEVELOPMENT

METHODOLOGY NOTE

IMPACT NUMBER

Our measure of total impact is the risk of the active ESG shares needed to achieve the fund's SDG factor exposures. The total number is a net of positive and negative impacts, so our measure can be negative if the portfolio has more negative exposures than positive (think 'sin' fund). The impact number will always fall between the total tracking error figure and its negative. For example, if a portfolio has 100bps tracking error, its impact will fall between -100 and 100.

Negative and positive impact numbers

The negative and positive impact numbers are shown separately for the set of factors above and below benchmark. Separating the positive and negative impact exposures can be useful, because sometimes funds with the same net impact arrive at a similar number with very different underlying exposures.

For example, Fund 1 with Positive Impact = 41bps, and Negative Impact = 39bps, and Fund 2 with Positive Impact = 6bps and Negative Impact = 4bps both arrive at the same net Total Impact of 2bps. But if you are concerned about avoiding negative sustainability impacts through your investments, you would see Fund 2 much more positively than Fund 1.

RELATIVE PERFORMANCE

The relative performance measure shows which quartile the fund's net impact result falls within, given its tracking error, relative to all funds analysed to date by Impact Cubed. The blue marker shows approximately where the result falls within the quartile.

The fund universe is a diversified sample of 100+ ESG and mainstream funds, covering all types of geographies, market caps and other characteristics, all analysed against their own benchmark. We update the universe periodically with new results. Because the sample is not peer matched to the particular portfolio or otherwise rules-based, we advise to read the relative performance measure as a general indication only of how much of its tracking error the fund uses on sustainability exposures relative to others.

IMPACT GRAPH

How to read the impact graph

1. The symmetrical navy circle in the middle of the graph represents the benchmark.
2. The (usually more irregular) bright blue line shows the fund's factor exposures relative to its benchmark's exposures.

We use standard deviations of each indicator to unify the scale in the impact graph.

If the two lines were exactly the same, this would mean the portfolio is tracking the benchmark closely on every impact factor.

When parts of the blue line which represent the portfolio are outside the benchmark circle, that indicates a positive impact. The further they are outside the benchmark circle, the bigger the active exposure of the fund to that particular impact indicator.

When the blue line falls inside the benchmark circle, this indicates that it has negative active exposure to an impact indicator. For example, in the sample graph above, the sample portfolio allocated more capital to companies with highly paid male executives.

All the indicators used in the model are positive indicators, meaning that the fund line falling outside the benchmark circle is always a positive. By looking at the graph, we can quickly tell how the positive and negative areas either side of the benchmark circle compare to each other in terms of size (summarized in the single impact number), and also how the fund's impacts are distributed between the different indicators.

For example, if you were looking at a best in class governance quality fund, you would want to see the blue line outside the benchmark circle for *Board independence*, *Executive pay* and *Gender equality*, whereas someone looking for an environmentally focused fund would want to see strong exposures in carbon, waste, water, and water scarcity.

Our benchmarks

The benchmarks used on the Investment Impact Model website are calculated in-house to represent 90% of the investable universe. We use regional classification and follow standard industry practice in their construction. Clients subscribed to the full version of the tool may provide their own benchmarks, both bespoke and industry standard.

FUND IMPACT MEASURES

This section reports the raw data in terms of impact vs. the benchmark, indicator by indicator. For example, for *Executive pay* we will show the weighted average of the ratio of top management pay over average employee pay for the fund and the benchmark side by side. The standardized difference in these values is what is plotted on the impact graph.

Estimated data

This is the percentage of positions by weight in the portfolio that did not report the data we use to calculate an indicator. We fill gaps in company reporting with proprietary estimation models

and run quality checks on reported data to identify outliers. In rare instances, the numbers reported by companies are completely implausible and we actually replace them with estimations, as these are more reliable. We disclose the percentage of reported data for transparency, and because it is a simple and commonly recognized metric to understand how much of the data comes directly from companies and how much relies on estimation.

INVESTMENT EQUIVALENTS

This table translates the Fund Impact Measures from the previous section into the impacts per unit of investment (for instance a euro, a pound or a dollar), and maps each of them to the UN Sustainable Development Goals. The values in green are positive impacts, and those in red are negative.

For example, in real terms, what is the difference between investing in a fund with 8% tax gap vs. 12%? This section would translate this difference into 3 cents less tax paid by the listed companies held in this portfolio per 1 dollar invested, compared to investing in the benchmark portfolio. This number would show up in red because it's a negative impact, and in the last column in the table you will see that this impact relates to Sustainable Development Goals 1, 9, 10, and 16.

IMPACT ATTRIBUTION ANALYSIS

This part of the report shows the drivers of the portfolio's impact both by indicator and at overall portfolio level. It is based on traditional financial performance attribution for a portfolio.

Country, sector and company selection

We list what proportion of the impact in % is due to country selection, sector selection, and company selection.

This attribution helps further deepen the understanding of the impact profile of a portfolio and differentiate between similarly performing funds.

For example, a fund performing well on *Avoiding water scarcity* where 80% of this performance can be attributed to country selection is different than one with similar performance on this indicator driven 80% by company selection.

The first would hint that most of the impact may be achieved simply by investing more in markets where water scarcity is not an issue. The second would suggest that the same positive impact is more so the outcome of selecting companies which use water as a resource efficiently regardless of their geography of operation.

CONTRIBUTION BY SDG GOAL

This table shows to what degree the portfolio analysed contributes to each of the 17 SDGs. The measure we use is a weighted average of all factor exposures mapped to a particular SDG, adjusted for the number of these factors. The weighted average takes into account the direct or indirect relationship between factors and a specific goal, each assigned a 100% or 50% weight respectively.

CONTACT US

If you have questions about the Investment Impact report, or you would like to discuss the model and its application with us further, we will be happy to hear from you at info@impact-cubed.com.

ABOUT IMPACT-CUBED

Impact-Cubed measures Investment Impact in terms of sustainable development for any portfolio of listed securities.

Understanding, measuring and managing investment impact facilitates cheaper access to capital for more sustainable companies, and with that, encourages a flourishing planet.

Impact-Cubed was originally used to measure investment impact in-house by Auriel Equity Investors LLP. It was spun off as a separate company (currently seeking B-Corp Certification in the UK) in summer 2017 with the intention of becoming a self-sustaining service to the investment community.

It is our hope that this service helps investors make informed decisions about the way they allocate capital, by shedding light on the varying levels and areas of impact delivered by different investment funds.

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	CLIMATE ACTION
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	LIFE ON LAND
	PEACE, JUSTICE AND STRONG INSTITUTIONS
	PARTNERSHIPS FOR THE GOALS

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