Global equity investing

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Global Equities at Royal London Asset Management

The huge breadth of opportunity presented by the global equity universe comes in part from the sheer volume of companies that make up the corporate marketplace. The Global Equity team at Royal London Asset Management uses a differentiated, proven and repeatable process to help drive superior long-term investment performance from this vast opportunity set.

Our approach is to combine:

1. a rigorous, insightful, globally applicable investment process, with
2. customised technology and productivity tools, and
3. a nimble, experienced and focused team embedded in that process and toolset, in order to excel at identifying superior shareholder wealth creating stocks with attractive valuations.

Our Global Equity team is hugely experienced, benefiting from an investment process that has been tested and developed over more than two decades.

We consider our competitive advantage across our range of Global Equity Strategies to be evident in the differentiation versus peers in our portfolio holdings, characteristics, performance and in the value we add in our approach at each stage of the process.

Our process

The investment process that underpins all our Global Equity Strategies has been built around three key stages, each of which we believe has proven advantages and efficacy:

Idea generation

This involves the **measurement and classification** of our universe of stocks which comprises over 5,000 companies. We use our Economic Return Framework to measure all companies in our universe based on uniform criteria to remove accounting distortion and to capture hidden assets and liabilities.

We employ our proprietary Corporate Life Cycle algorithms to classify each company into one of five categories from an early-stage accelerator to a late cycle turnaround. We filter this classified stock universe through our proprietary Shareholder Wealth Creation Screen which **prioritises** stocks from most to least promising in each Corporate Life Cycle category (see figure 1). We believe this idea generation stage provides us with higher quality data, an advantaged analytical framework and proven efficacy which embeds an **information advantage** into our approach.

Research and stock selection

This begins with an **identification** of the 600 or so most promising investment opportunities which we put through and our qualitative Shareholder Wealth Creation Test (figure 2). This considers internal, external and management factors relevant to each. We then conduct a rigorous **valuation** analysis which remains Lifecycle specific and reduces the universe further towards around 200-300 companies at any given time.

These Shareholder Wealth frameworks are alpha generative in their own right and provide us with an **analytical advantage** over our peers.

Portfolio construction

Our **implementation** seeks to maximise our information ratios around various client guidelines both in terms of risk/return budgets and more tailored outcome considerations such as income requirements and climate mitigation levels. When constructing and **monitoring** portfolios, we believe our structured thesis notes, milestone documentation, position sizing criteria and sell discipline, together with our flat team structure and decision-making accountability, provide us with a **behavioural advantage**.

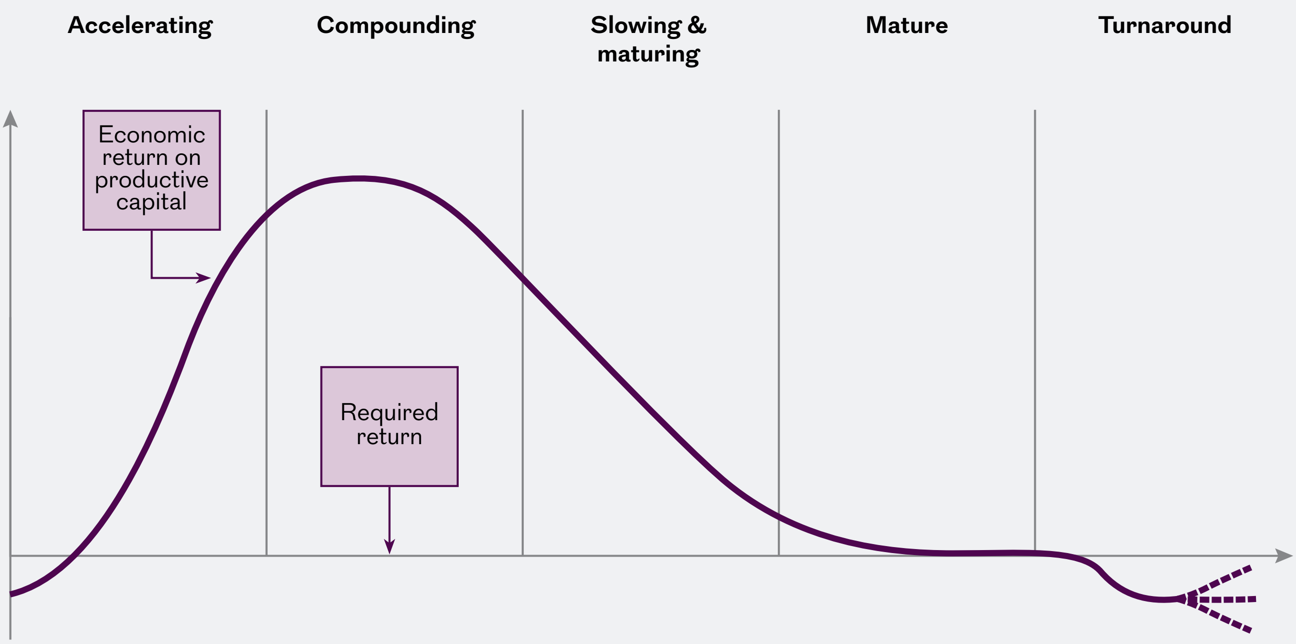
Our approach of applying our Corporate Life Cycle concept to the identification of shareholder wealth creation, together with our valuation work, are key areas of differentiation. Alongside our portfolio construction toolsets and risk management discipline it leads to alpha generating portfolios with high stock-specific risk and low factor risk, that have proven robust in multiple market environments over very long time periods. We consider the idiosyncratic and proprietary nature of our portfolio biases to be valuable to clients, repeatable and hard to replicate.

The Corporate Life Cycle

Our Corporate Life Cycle framework is the theoretical and practical foundation of our approach. We consider that corporate returns on productive capital and growth tend to progress along a Life Cycle and every company can be located economically in one of five Corporate Life Cycle categories, from early-stage accelerators and growth compounders to more mature returners and turnarounds. The five categories of the Corporate Life Cycle are illustrated below, with each one dictating the path of analysis in our investment process for any constituent company.

Figure 1: Corporate Life Cycle

Corporate returns on productive capital and growth tend to progress along a Life Cycle. Every company can be located economically in a Life Cycle category.



Source: RLAM, for illustrative purposes only

We regard the Corporate Life Cycle concept as an advantaged framework with which to comprehend and analyse companies. This framework for analysis is:

- **Efficient** – how we screen and analyse companies varies by the stage in the Corporate Life Cycle, improving process efficiency and value-add;
- **Repeatable** – the framework allows us to capture knowledge about how to have an analytical advantage at different points in the Corporate Life Cycle. Over many years we have become experts in knowing what it takes to win in different categories; and
- **Enduring** – the Corporate Life Cycle is driven by innovation (left hand side) and competition (right hand side) in the corporate economy. Insights from the framework are therefore enduring globally and throughout time.

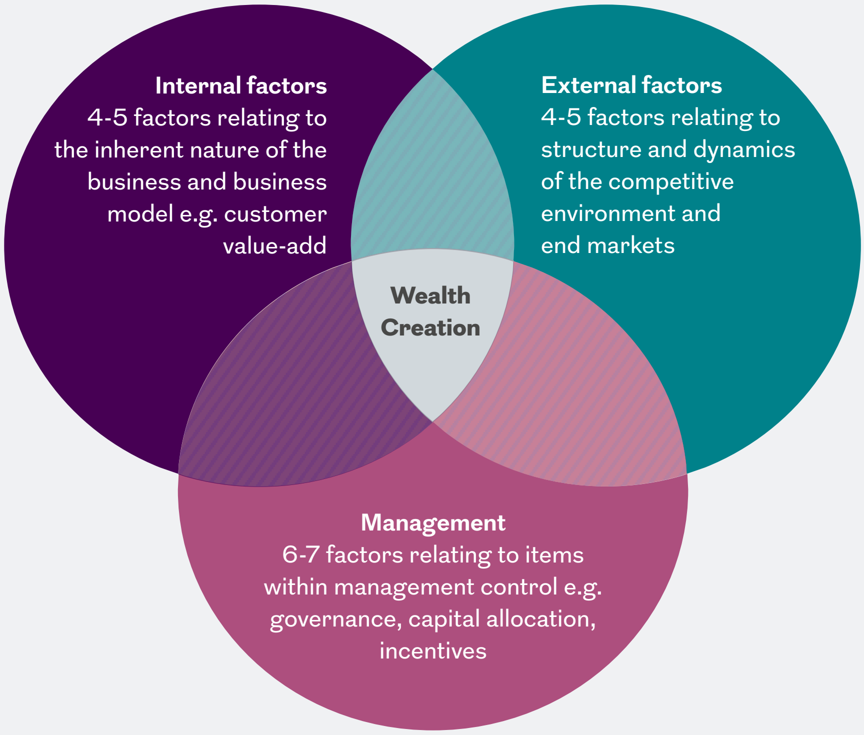
Shareholder Wealth Creation

The key insight from the Corporate Life Cycle Framework is that it is entirely complete. You can have a successful investment at any point in the Corporate Life Cycle at any time; the drivers are very different depending on what stage of the Life Cycle the company is in. For example, a Compounding business best creates wealth via maintaining high returns on productive capital and growth; however, a Turnaround should look to shrink weak assets, and improve its returns.

Therefore, the framework allows us to cover a broad range of stocks with insight and adapt to different markets and sectors which have very different Corporate Life Cycle exposures. We believe our process allows us to recognise and take advantage of these differences and this life cycle specificity permeates our wealth creation assessments. It helps us to identify which companies are pursuing the optimal strategies, business model and management incentives given their specific Life Cycle category, and external market or competitive contexts.

Our Corporate Life Cycle specific quantitative and qualitative analysis culminates in Shareholder Wealth Creation scores and rankings on companies, the most attractive of which feed into further valuation work for portfolio candidates.

Figure 2: Shareholder Wealth Creation Test



Source: RLAM, for illustrative purposes only

Shareholder Wealth Creation is a forward-looking factor that is under-analysed by the market, is hard to do well, yet is a powerful long-term driver of corporate performance. Having an advantage in assessing this across the Life Cycle is a powerful and differentiated source of alpha.

As such, we consider our subjective Shareholder Wealth Creation assessments as a critical and differentiated source of competitive edge and we have established clear 'live' evidence that our ratings can skew investor outcomes positively.

Valuation

Having undertaken deep-dive Life Cycle specific fundamental analysis on those companies with the strongest evidence of long-term wealth creation, we seek to value them.

Our investment process uses a robust cash-based Discounted Cash Flow model which incorporates 'Fade' analysis again consistent with our Life Cycle concept. Rather than relying on a specific point forecast, we create a likely range of outcomes incorporating bullish/bearish/core/market implied scenarios. By probability weighting the outcomes, we create a probabilistic pay-off structure; if this is skewed better than 1:1 then there may be a valuation opportunity.

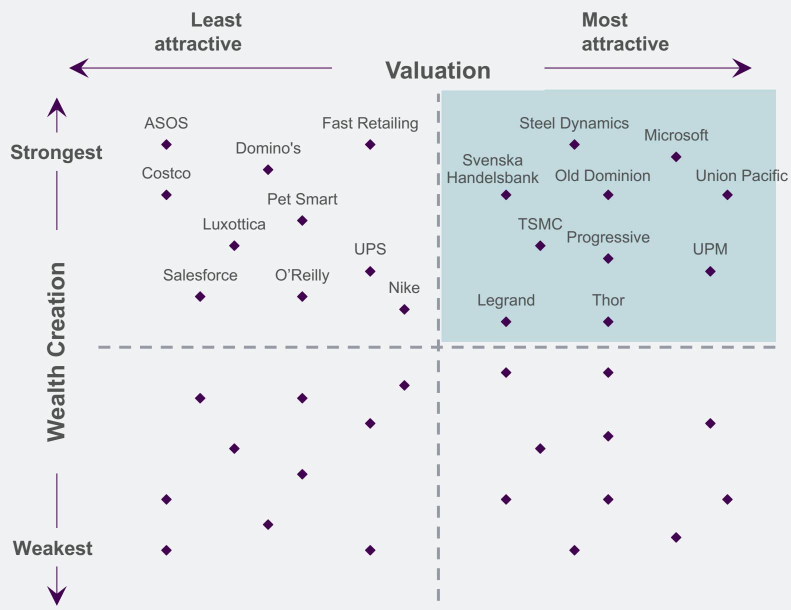
A superior pool of investment candidates:

The output from our idea generation, research and stock selection work is approximately 300 companies which have good or strong evidence of wealth creation and attractive valuations. It is this pool of stocks that we prioritise within risk budgets and other client led parameters when building all our global portfolios.

Figure 3: Idea generation output

Identify c. 200-300 companies with:

Strong Wealth Creation	✓
Attractive Valuation	✓



Source: RLAM, for illustrative purposes only

Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation. For information purposes only.

Our range of Strategies

We consider the in-house portfolio construction tools we have created to be a key source of our competitive edge. We have created approximately twenty different layers with which to view portfolios versus the benchmark. This acts as a comprehensive dashboard covering multiple dimensions of portfolio construction.

Our infrastructure allows us to operate around a spectrum of client requirements including a range of risk budgets (from index plus to high alpha), specific characteristic outcomes (such as single region or higher yield) as well as non-financial or purpose led objectives (such as net zero alignment).

	Enhanced	Diversified	US Equity	Select	Income	Transitions
	Passive +/Smart Beta alternative	Compelling risk-adjusted returns	Compelling risk-adjusted returns	Flagship high conviction	Income without the sacrifices	Financial returns with real purpose
Performance benchmark	MSCI World/ ACWI	MSCI World/ ACWI	MSCI USA	MSCI World/ ACWI	MSCI World/ ACWI	MSCI World/ ACWI
Performance objective (over rolling three year periods)	0.75%pa	1.5%pa	1.5%pa	>3.0%pa	>2.0%pa	>2.5%pa
Strategy characteristics	Life Cycle diversified	Life Cycle diversified	Life Cycle diversified	Life Cycle diversified	Life Cycle diversified	Life Cycle diversified
$AUM (31 December 2024)	4158m	8551m	624m	3519m	1101m	207m
Strategy inception	October 2022	March 2014	February 2019	April 2001	February 2020	November 2021

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Risk warnings

Past performance is not a guide to future performance. The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Concentration risk: The price of strategies that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Efficient Portfolio Management (EPM) techniques: The strategies may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the strategy to increased price volatility.

Exchange rate risk: Changes in currency exchange rates may affect the value of investments.

Liquidity risk: In difficult market conditions the value of certain strategy investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Emerging markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the strategy to financial loss.

Charges from Capital Risk: Charges are taken from the capital of the strategy. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

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Ref: BR RLAM PD 0158

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Royal London Asset Management has partnered with FundRock Distribution S.A, who will distribute our products and services in the EEA. This follows the United Kingdom's withdrawal from the European Union and ending of the subsequent transition period, as UK Financial Services firms, including Royal London Asset Management, can no longer passport their business into the EEA.

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141388 03 2025

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