



Royal London Sustainable World Trust

Quarterly Report
31 December 2022



Top ten holdings

	Trust (%)
Thermo Fisher Scientific Inc	3.5
Visa	3.5
AstraZeneca	3.4
AIA Group Ltd	3.2
Microsoft	3.1
Schneider Electric	3.1
Canadian National Railway	3.0
Texas Instruments	2.8
Agilent Technologies	2.6
L'oreal	2.6
Total	30.8

Source: RLAM, based on the A Inc share class.

Fund data

	Trust
No. of stocks	233
Fund size	£2,689.1m
Launch date	21.09.2009

Performance

	Trust (C Acc) (%)	Peer Group ¹ (%)	Relative (%)
Q4 2022	4.97	2.95	2.02
Year-to-date	-16.34	-10.00	-6.34
Rolling 12 months	-16.34	-10.00	-6.34
3 years p.a.	6.29	1.63	4.66
5 years p.a.	8.97	2.57	6.40
10 years p.a.	12.53	5.87	6.66
Since inception p.a. 21.09.2009	12.02	5.97	6.05

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

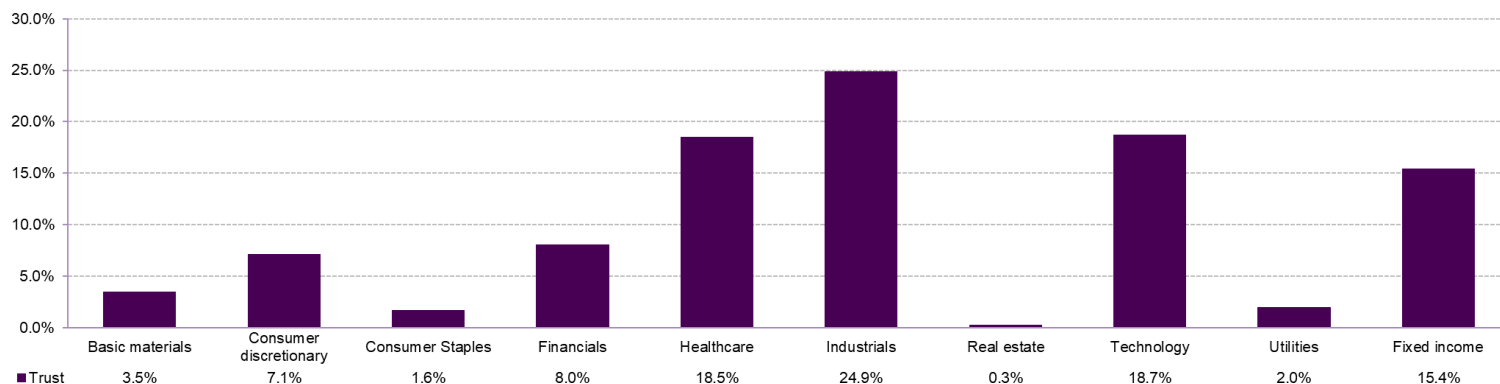
All performance figures stated gross of fees and tax unless otherwise stated. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces your return.

Source: RLAM, gross of fees.

¹Peer Group: IA Mixed Investment 40-85% Shares sector median.



Sector breakdown



Source: RLAM. Figures in relation to your portfolio exclude the impact of cash held.

Executive summary

- This report covers Royal London's equity-only sustainable funds (**Sustainable Leaders** and **Global Sustainable Equity**), plus the two equity-oriented mixed-asset funds (**Sustainable World** and **Sustainable Diversified**). Please note: There is no quarterly commentary for **Sustainable Growth** as this fund is still in the initial 12-month period following its launch. Please see our sustainable sterling credit report for commentary on **Sustainable Managed Income** and **Sustainable Managed Growth**. As the **Global Sustainable Credit Fund** is not limited to sterling credit, it has a separate report.
- The macroeconomic factors that disrupted financial markets in the first three quarters of 2022 – high inflation and interest rate rises, along with fears of recession – continued to dominate in the fourth quarter, albeit less negatively than investors had previously feared. Although central banks continued to raise rates with the Federal Reserve (Fed), Bank of England (BoE) and European Central Bank (ECB) each raising rates by 1.25% in aggregate over the quarter, hard economic data remained mixed and investors increasingly sensed inflation was finally topping out and that future rate increases could be more nuanced than they were through 2022. As a result, risk assets performed better than they had earlier in the year, although by year end there was still some disconnection between the relative valuations of equities and fixed income assets.
- For our equity-only funds, net of fees **Sustainable Leaders** performed in line with its wider index-based benchmark (FTSE All-Share) over the fourth quarter and delivered strong absolute performance, whereas **Global Sustainable Equity** significantly outperformed its MSCI All-Countries World Index (ACWI) benchmark. The recovery in both global equities, albeit somewhat impacted by currency effects for sterling investors, and investment grade sterling credit was positive for our mixed-asset funds (**Sustainable World** and **Sustainable Diversified**), which performed strongly.
- For Sustainable Leaders, it was the first quarter for some time where performance wasn't acutely impacted by the lack of exposure to the energy sector: indeed, our zero weighting to energy was a net positive for relative performance as the sector underperformed the wider market over the quarter. It was different for Global Sustainable Equity, Sustainable World and Sustainable Diversified, however, as the global benchmark weightings are different from the FTSE All-Share and currency effects are more prevalent – for these funds, the zero weighting to energy stocks continued to be detrimental to performance.
- While absolute and relative performance improved sharply in the fourth quarter, we must acknowledge that performance over the year as a whole was disappointing compared to the broader equity indices. Sustainable investing faced considerable headwinds in 2022. We examined these issues in depth in previous quarters, but in summary three issues affected performance: the rise in oil prices, resulting in the strong performance of the energy sector; the impact of higher interest rates on long-duration growth stocks; and the unusual correlation in 2022 between equities and bonds, which impacted our mixed-asset funds.
- There is considerable uncertainty about the outlook for 2023. The Fed has continued to raise interest rates and many investors fear that this could tip the US into recession, although economic indicators remain mixed at this stage. The picture is only marginally different in the UK and Europe. Nonetheless, the near-term outlook improved over the fourth quarter with signs that inflation is close to its peak, yet without a collapse



in economic activity. Investors have scrutinised every comment from the Fed to try to anticipate the pivot away from higher interest rates. To an extent, however, the rate of economic slowdown or recession will be somewhat irrelevant as these have largely been discounted by asset prices. More important, is whether inflation falls back down to the Fed's and BoE's targets of 2.0% or whether it sticks at around 4-5% (which might then require further increases in interest rates).

- There is a credible case to be made that inflation – and therefore interest rates – will be structurally higher than over the last 10 years. Combined with the apparent slowdown in innovation in parts of the technology sector, the key drivers of performance for equities may be somewhat different over the next five to 10 years. On an incremental and considered basis, we will look to diversify our portfolios towards sectors that will perform well in a higher inflation, higher interest-rate environment. The banks sector looks more favourable in this light and has also made considerable steps to raise its ESG standards since the Global Financial Crisis in 2008/9. We will continue to look for parts of the economy that will do well should there be a new economic paradigm.
- For sterling credit, the outlook is arguably more positive than for equities, particularly in the shorter term. The widening in credit spreads last year has taken valuations to attractive levels, on both a relative basis compared to government bonds and in absolute terms. The 'all-in yield' on sterling investment grade credit (government yield plus credit spread) remains attractive, particularly if inflation starts to fall as we expect. We consider that credit spreads discount a significant portion of bad news and that investors are being paid well to take credit risk.

Market overview

- Central banks responded to the continued strength of inflation by further tightening monetary policy and reiterating that they will do whatever it takes to suppress rising prices. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) each raised rates by 1.25% in aggregate over the quarter. Since March, the Fed has raised rates seven times by 4.25% in total – its 0.75% increases in June, July, September and November were the biggest single increases for nearly 30 years. Investors expect further hikes in 2023 as the services sector of the US economy has remained notably strong. The ECB was slower to react, partly due to a more fragmented backdrop with a gap between Germany and 'peripheral' economies. However, it ended its bond buying programme in July and increased rates by 0.75% (its first hike for 11 years and a bigger increase than the 0.50% expected by economists). Further increases followed in September, October and December with a clear commitment to raise rates further in 2023. The BoE increased rates to 3.5% over the quarter, taking its tally to eight increases in 2022 and nine so far in this cycle.
- Despite these interest rate rises, the fourth quarter saw equities regaining some of the territory lost earlier in the year as investors started to anticipate falls in inflation and the peak of the interest rate cycle early in 2023. In local currency terms (i.e., without the considerable impact of US dollar weakness over the quarter), nearly all major stock markets rose. For the fourth quarter, the FTSE-All Share, MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) returned +8.9%, +2.0% and +2.0% to sterling investors, respectively. Regional returns were dispersed: according to MSCI regional data in sterling terms, the strongest markets were Europe ex-UK and the UK, which returned +11.6% and +8.6%, respectively, while the Far East ex-Japan and Japan returned +5.3% and +5.1%, respectively. Emerging markets returned +1.9%, while the US delivered the only negative return at -0.6%.
- Within equity markets, the significant inflation-related rotation out of 'growth' and into 'value' that dominated the first half of 2022 was again evident with a swing of 9.4%. The MSCI World Growth Index returned -2.8% versus +6.7% for the MSCI World Value Index. Sector returns in sterling were widely dispersed for the MSCI World: despite weakness in oil prices, energy was again the strongest sector, returning +11.2%, while industrials and materials returned +9.5% and +8.9%, respectively. Conversely, consumer discretionary, communication services, technology and real estate all delivered negative returns of -9.3%, -6.7%, -2.4% and 1.80%, respectively.
- The UK economy continued to be impacted by the ill-fated experiment with Liz Truss and Kwasi Kwarteng as Prime Minister and Chancellor, respectively. Following the 'mini-Budget' on 23 September, after comments in support of sterling, the BoE was forced to intervene in the gilt market in the last week of the third quarter as problems with levels of collateral in the 'liquidity-driven investing' (LDI) part of the pensions industry pushed down the prices of long-dated gilts. Although this calmed financial markets temporarily, the volatility continued for several weeks until Mr Kwarteng was sacked on 14 October and replaced by Jeremy Hunt, and Rishi Sunak took over as Prime Minister on 25 October. The policies adopted by Mr Hunt and further detailed in the Autumn Statement in mid-November served to stabilise sterling and reduce the yield premium demanded by investors in UK government bonds.
- As a result, the UK gilt market was the strongest major government bond market over the quarter, delivering a return of +1.7% as the benchmark 10-year gilt yield fell by 42 basis points (bps) from 4.09% to 3.61%. Shorter-dated gilts performed best; gilts with five years to maturity or less provided positive returns of 2.7%, whereas the 15 years or more to maturity segment returned -1.9%. Otherwise, nearly all other significant markets delivered negative returns over the period as yields rose (prices move inversely to yields): the 10-year US treasury yield rose by 5bps to 3.87%; and the 10-year German bund yield rose by 46bps to 2.57%.



- The sterling investment grade credit market returned 5.73%, boosted by the fall in gilt yields and the tightening of the average sterling investment grade credit spread (the average extra yield available from a corporate bond compared with government debt of equal maturity) widened from 1.99% to 1.61%(iBoxx). The third-quarter outperformance of defensive sectors reversed sharply with the supranational and covered bond sectors underperforming, while the subordinated banks and subordinated insurance sectors delivered particularly strong relative performance. Credit quality had a strong impact on relative returns in the period – bonds in the BBB and A ratings band outperformed their investment grade peers, with even the sterling high yield market lagging behind BBB rated bonds.
- After weakness in the third quarter, the price of Brent crude oil fell by another 4.0%, to below \$86 a barrel – this is below the price level at the time of the Russian invasion of Ukraine in late February. Meanwhile, natural gas prices fell over 50% in the quarter as the weather in Europe remained relatively warm. Meanwhile, copper futures recovered to rise by 3.5% in dollar terms despite the evident slowdown in China.
- Currency movements had a notable impact in the quarter, following the volatility in the first three quarters of the year. The Fed's apparently softer approach to raising interest rates pushed the dollar sharply lower and it was the weakest major currency: it depreciated by nearly 10% against the yen and euro, and by over 7% against sterling. On a translational basis, sterling's recent strength against the dollar impacts sterling investors in overseas assets as it lowers the returns over the quarter. However, the weaker dollar will benefit any emerging markets countries and companies that have borrowed in dollars.

Quarterly performance and activity

- Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through access to long-term growth markets and innovation. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in environmental, social and governance (ESG) performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries or tobacco. We believe that the exposure to those sectors which offer a net benefit and/or ESG leadership is consistent with outperformance over the medium term. While the sustainable funds have different mandates, risk profiles, asset mixes and geographical exposures, equity exposure is driven by the same underlying team, philosophy and process. Many of our key stocks will be held across several portfolios.
- The recovery in both global equities, albeit somewhat impacted by currency effects for sterling investors, and investment grade sterling credit was positive for the fund, which performed strongly. For our equity exposure, sector allocation was positive with the strong contribution from industrials, consumer services and healthcare outweighing the negative contribution from technology, financials, utilities and energy. However, the outperformance was primarily driven by stock selection, with particularly strong contributions from the technology (**ASML, Adobe, Visa**), healthcare (**Intuitive Surgical, Novo Nordisk, Agilent Technologies**), consumer discretionary (**Aptiv, Compass Group**), industrials (**Schneider Electric**) and financials (**AIA**). In technology, we also benefitted in particular from not owning Tesla and Apple and the underweight allocation to Amazon as these stocks fell in absolute terms over the quarter (Tesla by over 50%). However, performance was impacted by negative returns from the holdings in **Edwards Lifesciences, PayPal** and **London Stock Exchange**.
- For the sterling credit exposure, outperformance was primarily driven by positive credit sector allocation, with a notably strong contribution from the significant underweight to supranational bonds, which we feel offer insufficient returns despite the defensive qualities exhibited in more volatile markets. This was enhanced by the significant overweight allocations to subordinated insurance. Stock selection was mixed and duration made a limited contribution to performance as the average duration of our portfolios was broadly in line with the market.
- Despite the ongoing poor visibility on macroeconomic factors, we remain broadly comfortable with our holdings. However, we have recast our investment process to reflect the possibility of the factors that affected 2022 enduring for the next five to 10 years. It is far from certain, but there is a credible case to be made that inflation – and therefore interest rates – will be structurally higher than over the last 10 years. More expensive energy, labour and capital (debt and equity) mixed in with observable de-globalisation will remove many of the disinflationary forces that have been acting on the global economy for so long. Between 2008 and 2021, each fall in asset prices was met with interest rate reductions and significant amounts of quantitative easing. Last year was the first year when this began to feed through to higher inflation – and unsustainable asset prices. It may be that rather than providing a floor to asset prices in the coming years, central banks will be the ceiling, having to tighten policy in the face of higher inflation, rather than loosening it into falling inflation as has been the trend. Another factor to consider is how innovation has become more incremental in certain key parts of the economy. The days when some technology companies were producing genuinely innovative products year after year look to be behind us for the time being. Can anyone really spot the technological difference between the iPhone 13 and iPhone 14? And does e-commerce delivery in two hours really improve life compared to next-day delivery?
- These longer-term trends in innovation, inflation and interest rates are extremely important for investors. As a result, while most of our equity portfolios remain largely unchanged, we have slightly reduced our exposure to technology and looked for ways to diversify towards other



sectors that will perform well in a higher inflation, higher interest-rate environment. The banks sector looks more favourable in this light as banks are more profitable in a higher interest rate environment. Many banks have also taken considerable steps to raise their ESG standards since the Global Financial Crisis in 2008/9. We are not drastically increasing our exposure to the sector, but have moved up from very underweight and have bought **Standard Chartered** which offers good exposure to higher-growth corporate banking in parts of Asia. We also initiated a position in **HDFC**, one of India's largest and fastest-growing banks. India remains a country where access to banking services is relatively low, with opportunities for companies such as HDFC to improve financial inclusion, particularly in rural areas.

- Otherwise, we increased our exposure to **Unilever**. We consider the company to be an ESG leader with a product set that should prove to be resilient in a period of lower economic growth and it trades at an attractive valuation given our expectations of its future growth. We also initiated a new position in **Canadian National**, the largest freight railway network in Canada, funded through a reduction in the holdings in US railroad operator **CSX**. Canadian National should be a faster growing railroad in time, thanks to investments made in port and track infrastructure, and its underlying mix of freight. Lastly, we fully exited our position in Swiss contract drug manufacturer **Lonza** on valuation grounds.

Annual performance

- While absolute and relative performance improved sharply in the fourth quarter, we must acknowledge that absolute performance over the year as a whole was particularly disappointing. Sustainable investing faced considerable headwinds in 2022. We examined these issues in depth in previous quarters, but in summary, three issues affected performance: the rise in oil prices, resulting in the strong performance of the energy sector; the impact of higher interest rates on long-duration growth stocks; and the unusual correlation in 2022 between equities and bonds, which impacted our mixed-asset funds.
- For the sustainable equity portfolios, nearly all of our underperformance against the wider market in 2022 can be attributed to two distinct factors. First, from the repricing of oil and gas and other commodities following the invasion of Ukraine: despite falling in the third and fourth quarters, the price of Brent crude still rose by over 50% in 2022, and this particularly benefitted the oil supermajors. By their nature, sustainable funds tend to have minimal (if any) exposure to oil and gas production and industrial commodities, and relatively high allocations to long-duration, growth companies – many of which are found in the technology and healthcare sectors and offer longer-term solutions to the sustainability challenges that the world faces. The second factor behind the relative underperformance against the broad index is therefore the derating of longer-duration growth stocks.
- Other than the impact of equity sector weightings, our sustainable funds performed reasonably well in a particularly difficult environment and outperformed many of their sustainable peers. The technology and healthcare sectors comprise lots of innovative companies that are a good fit for our investment framework. However, we favour more established companies with proven products and significant revenues – we very rarely, if ever, invest more speculatively in IPOs or early-stage tech or biotech companies as the risks are simply too great. We believe that over the medium to long run you can generate attractive above-market returns without taking such risks. Some other investors take a different view – the 'spec tech' rout that started in the fourth quarter of 2021 will have dramatically impacted them in 2022. In contrast, our funds haven't suffered permanent capital impairment: while more-established tech holdings may have been derated in the interest rate-driven rotation, they continue to be viable revenue- and profit-generating investments. We have so far seen few problems with the individual companies that we own, which are well-established and profitable businesses. Our performance has not been because we bought 'bad' companies: however, we acknowledge that we didn't anticipate the speed or scale of the falls in growth stocks and with hindsight could have de-risked our equity portfolios on valuation grounds by reducing exposure to the more highly rated holdings.
- Some other fund managers have made a virtue of running very high cash levels during 2022. This is a more nuanced issue than speculating in earlier-stage companies. With hindsight it could seem wise to move into cash and not invest in falling markets. However, clients give us their money to invest sustainably, and many studies show that better long-term returns are achieved by being fully invested in the market, rather than trying to beat it through timing. Furthermore, we believe that sitting in cash is poor from a sustainable perspective as it isn't being invested in companies that are offering sustainable solutions to the world's problems.
- Normally, one might expect equity-market weakness to be mitigated by positive returns from sterling credit, but our mixed-asset funds were negatively impacted in 2022 as both asset classes were hit by the unusual combination of macroeconomic and geopolitical factors. The main driver of the negative returns in sterling credit was the weakness in UK government bonds, with an additional negative impact from widening credit spreads. While UK equities eventually recovered to give positive returns for 2022 as a whole, UK government bonds returned -25.06% – an unprecedented calendar year setback. The yield on the 10-year gilt rose from 0.97% to 3.67% over the 12 months (an increase of 270bps), touching 4.51% in the turmoil at the end of September.



- The broad investment grade sterling credit index returned 5.74% in the fourth quarter, lifting the annual return to -17.72%. Given such poor absolute returns, we appreciate that it will be scant comfort that our sustainable credit portfolios have outperformed the iBoxx Sterling Non-Gilt All Maturities Index over one, three and five years. However, relative performance is important and we expect the funds to perform well again as we approach more normal market conditions. Furthermore, while our mixed-asset funds aren't primarily designed to offset poor performance in one or other asset class (they're more about achieving sustainable investment returns across different, complementary assets), we wouldn't expect a repeat of the macroeconomic and geopolitical circumstances that made 2022 so difficult for mixed-asset sustainable funds for many years.

Outlook

- There is considerable uncertainty about the outlook for 2023. The Fed has continued to raise interest rates and many investors fear that this could tip the US into recession, although economic indicators remain mixed at this stage. The picture is only marginally different in the UK and Europe, with energy prices remaining high in absolute terms. Meanwhile, China is experiencing a slowdown in growth with particular problems in its over-invested property sector and an ongoing drag on growth from Covid-19.
- Nonetheless, the near-term outlook improved over the fourth quarter from an economic perspective with signs that inflation is close to its peak, yet without a collapse in economic activity. Investors have scrutinised every comment from the Fed to try to anticipate the pivot away from higher interest rates. To an extent, however, the rate of economic slowdown or recession is somewhat irrelevant as these have already been discounted by asset prices. Of more importance is whether inflation continues to fall back towards the Fed's and BoE's targets of 2.0%, or whether it sticks at around 4-5% (which might lead to further increases in interest rates). In addition, the relative valuation of equities compared to bonds looks 'wrong', and it will be interesting to see how this is resolved over the coming months – whether bonds strongly outperform or equities underperform, this looks to be a headwind for equities in the short term.
- We feel that companies and sell-side analysts are still being overly optimistic about corporate earnings for 2023 and expect more earnings downgrades. Such periods test the resolve of fund managers as you have to decide if the market is overreacting or whether your investment thesis has failed – and the time you have to decide can be very short. In general, we believe that it is better to be considered in such situations. We know the companies that we hold very well and, our investment process has been developed over many years, through different economic and market conditions. From experience, the impact of earnings downgrades won't be spread evenly across the market. We believe that our equity portfolios should be relatively resilient, however, as we favour high return on equity, unlevered larger-cap companies with good pricing power and strong earnings growth.
- As described earlier, there is a credible case to be made that inflation – and therefore interest rates – will be structurally higher than over the last 10 years. Combined with the apparent slowdown in innovation in parts of the technology sector, the key drivers of performance for equities may be somewhat different over the next five to 10 years. On an incremental and considered basis, we will look to diversify our portfolios towards sectors that will perform well in a higher inflation, higher interest-rate environment. The banks sector looks more favourable in this light and has also made considerable steps to raise its ESG standards since the Global Financial Crisis in 2008/9. We will continue to look for parts of the economy that will do well should there be a new economic paradigm.
- For sterling credit, the outlook is arguably more positive than for equities, particularly in the shorter term. The widening in credit spreads last year has taken valuations to attractive levels, on both a relative basis compared to government bonds and in absolute terms. The 'all-in yield' on sterling investment grade credit (government yield plus credit spread) remains attractive, particularly if inflation starts to fall as we expect. We consider that credit spreads discount a significant portion of bad news and that investors are being paid well to take credit risk. With the challenging economic environment, however, we will maintain our focus on identifying companies with strong balance sheets, favouring issues with security and downside protection, and ensuring that portfolios are diversified across issuers and sectors. Although our sustainable credit portfolios have a significant targeted exposure to BBB rated bonds, we believe that compensation for default risk remains most attractive in this rating band.

Additional information

- Our 2023 Outlook is available [here](#), and includes an overview from RLAM Chief Investment Officer Piers Hillier, as well as individual articles from RLAM investment managers providing a unique insight into the risks and opportunities in their asset classes for the new year. Articles, videos and webinars explaining our investment thinking can be found in the Our Views section of www.rlam.com, which also contains regular updates from Head of Fixed Income Jonathan Platt, Head of Equities Peter Rutter, including regular *SustainAbility* blogs from Head of Sustainable Investments Mike Fox on key issues in equity markets and sustainable investing.



- In December, we launched the **RL Sustainable Short Duration Corporate Bond Fund**, which is the latest addition to our sustainable fund range. It builds on our established range of sustainable investment solutions and its launch reflects our continued commitment to providing our clients with relevant solutions to meet their long-term return and sustainability goals. Managed by Shalin Shan and Matt Franklin, the new fund combines our strong heritage in sustainable investing with our market leading sterling credit franchise. While the sustainability of a potential bond is rigorously assessed, returns are further underpinned by prioritising issuers offering additional bondholder protections wherever possible, reducing potential exposure to downside risk. Investors also benefit from the fund's exposure to shorter duration assets, thereby limiting the portfolio's sensitivity to interest rate changes. Alongside an attractive yield, the fund offers investors access to a variety of socially impactful sectors that are often out of reach of public equity investors, such as charities, government agencies or privately-owned businesses. For more details, please speak to your RLAM contact.



Risk warnings

- **Investment Risk:** 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 Funds 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.
- **Credit Risk:** Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.
- **Derivative Risk:** Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.
- **EPM Techniques:** The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.
- **Exchange Rate Risk:** Changes in currency exchange rates may affect the value of your investment.
- **Interest Rate Risk:** Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.
- **Liquidity Risk:** In difficult market conditions the value of certain fund 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.
- **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 Fund to financial loss.
- **Responsible Investment:** Style Risk The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 31 December 2022

	Cumulative (%)					Annualised (%)	
	3M	6M	1Y	3Y	5Y	3Y	5Y
Fund (gross)	4.97	4.51	-16.34	20.10	53.69	6.30	8.98
Fund (net)	4.77	4.12	-16.97	17.44	48.06	5.50	8.16

	Year on year performance (%)				
	Q4 2021 to Q4 2022	Q4 2020 to Q4 2021	Q4 2019 to Q4 2020	Q4 2018 to Q4 2019	Q4 2017 to Q4 2018
Fund (gross)	-16.34	18.54	21.11	31.08	-2.37
Fund (net)	-16.97	17.66	20.21	30.10	-3.10

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 31 December 2022. All figures are mid-price to mid-price in GBP for the C Acc share class.



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