



Royal London Emerging Markets ESG Leaders Equity Tracker

Quarterly Report 30 September 2022

Top 10 holdings

	Fund (%)
Taiwan Semiconductor Manufacturing	11.2
Tencent	7.2
Alibaba Group	5.1
Meituan	3.1
Reliance Industries	3.0
Infosys Ltd	2.0
China Construction Bank	1.8
Housing Development Finance Corp Ltd	1.7
Tata Consultancy Services	1.2
Bank Central Asia	1.1
Total	37.5

Fund data

	Fund
No. of stocks	403
Fund size	£3,735.8m
Launch date	12.06.2017

Source: RLAM, based on the Z Acc share class.

Performance

	Fund (%)	Benchmark ¹ (%)	Relative (%)
Q3 2022	-5.46	-6.21	0.75
Year-to-date	-15.53	-15.53	0.00
Rolling 12 months	-18.12	-17.56	-0.56
3 years p.a.	0.78	0.72	0.06
Since inception p.a. 05.03.2018	0.53	0.33	0.20

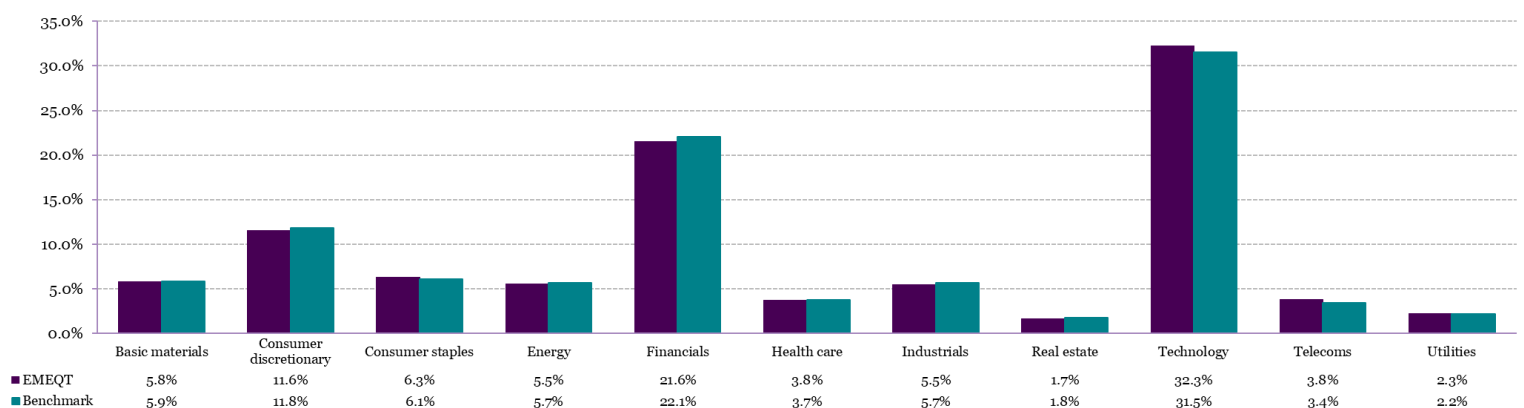
Past performance is not necessarily a reliable indicator of future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

Source: RLAM, based on the Z Acc share class.

All performance figures stated gross of fees and tax unless otherwise stated, subject to rounding. 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.

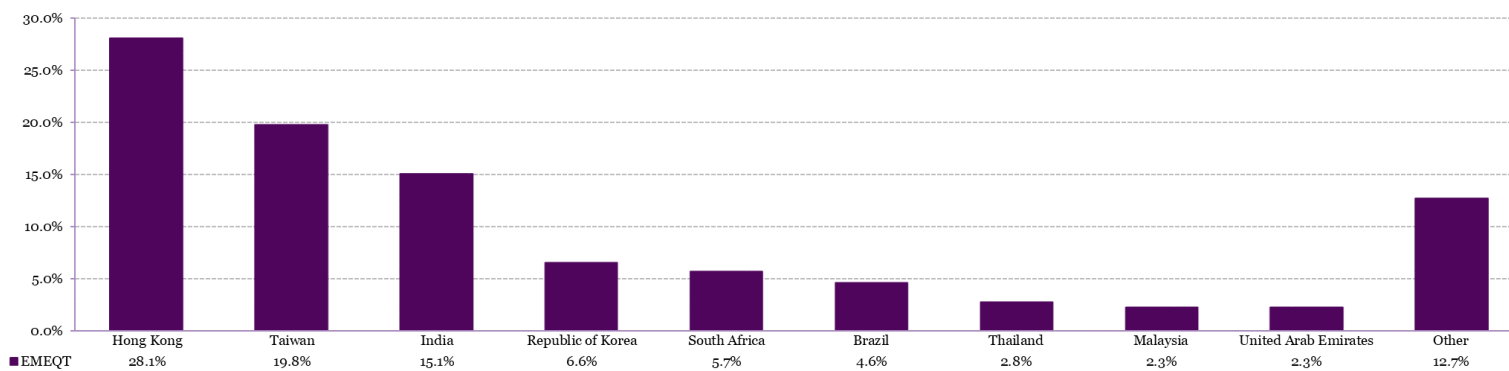
¹Benchmark: MSCI EM (Emerging Markets) ESG Leaders Net Total Return Index GBP.

Sector breakdown



Source: RLAM as at 30 September 2022

Geographical breakdown



Source: RLAM as at 30 September 2022

Equity market overview

- The macroeconomic factors that disrupted financial markets in the first half of 2022 continued to dominate in the third quarter – higher-than-expected inflation and interest rate increases were the key macroeconomic influences, along with growing fears of recession in the UK, Europe and the US. Inflation first surfaced in the aftermath of the Covid-19 pandemic but was exacerbated by the Russian invasion of Ukraine in February and retaliatory sanctions which sharply increased the prices of oil & gas and other commodities. Although they have fallen back slightly, energy prices remain high and geopolitical events continue to affect sentiment as winter approaches. The apparent sabotage of the Nordstream gas pipelines from Russia to Germany suggests that energy will remain a key pawn in relations between NATO countries and Russia.
- Central banks have 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 US Federal Reserve (Fed) led the way, increasing rates by 1.50% over the quarter. Since March, the Fed has raised rates five times by an aggregate of 3% - its 0.75% increases in June, July and September were the biggest increases for nearly 30 years. Its commitment to do more has led markets to price in further hikes in 2022. The European Central Bank (ECB) has so far been slower to react, partly due to a more fragmented backdrop with a gap between Germany and ‘peripheral’ economies. However, ended its bond buying programme in July and increased rates by 0.75% (it’s first increase in 11 years and a bigger increase than the 0.50% expected by economists). A further increase of 0.75% followed in September with a clear commitment of further increases to follow. The Bank of England (BoE) increased rates by 1.00% over the quarter to 2.25%, taking it tally to six increases so far in 2022 and seven in this cycle.
- Currency movements had a notable impact in the quarter, following the volatility in the first half of the year. The Fed’s more aggressive approach to raising interest rates compared to other central banks has pushed the dollar higher. It was again the strongest major currency: it appreciated by over 6% against the yen and euro, and over 8% against sterling. On a translational basis, sterling’s weakness benefits sterling investors in overseas assets as it boosts the returns over the quarter. However, these movements will impact global trade over coming months, and dollar strength will also be a risk for any emerging markets countries and companies that have borrowed in dollars. The price of Brent crude oil fell by 16.9%, but remains over \$90 a barrel, and copper futures fell another 8.0% in dollar terms on fears of a slowdown in China and recession in the US, UK and Europe.

Additional information

- As we highlighted in our Annual Report, RLAM has ambitious targets for the next few years, notably in international growth as well as investment in infrastructure and people. This investment is to make sure that we continue to provide clients with the service they need and positioning us to for future regulation changes and market development.
- As part of that ambition, we are pleased to announce that we are moving to a new investment platform and have selected the industry leading ‘Aladdin’ platform. This decision has followed months of analysis and pre-implementation planning with the vendor BlackRock. Aladdin will help us improve our service offerings to our clients, as well as delivering operational efficiencies.
- As you would expect, implementation is an extended task, and the project is expected to complete in 2024, but we believe it is important to be transparent about such projects with our clients. Throughout the implementation, the project and management of your client portfolios will



be closely monitored by our Board and Risk functions to ensure that this transition is achieved smoothly, and we will keep you updated on our progress. This is an important part of our long-term strategic goal to ensure that we continue to meet your needs today and into the future.



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