For professional clients only, not suitable for retail clients.

Royal London Sustainable Managed Growth Trust

Quarterly Investment Report

31 December 2023

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 December 2023

The purpose of this report is to provide an update on the Royal London Sustainable Managed Growth Trust. The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The fund's investment objective is to achieve a total return over the medium term (3-5 years) by investing mainly in sterling denominated bonds, with some exposure to the shares of UK companies, that are deemed to make a positive contribution to society. Investments in the fund will adhere to the Manager's ethical and sustainable investment policy.

The IA Mixed 0-35% Shares sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2023	828.09

Asset Mix

	Holdings	Weight*
Equity	50	26.2%
Fixed Income	225	72.7%

* There is an additional 1.1% holding in cash within this fund

Fund analytics

	Fund
Fund launch date	4 December 2012
Base currency	GBP
Number of holdings	275

Performance and activity

Performance

	Fund (%)
Quarter	7.87
1 Year	12.29
3 Years (p.a.)	(0.56)
5 Years (p.a.)	4.47
10 Years (p.a.)	5.39
Since inception (p.a.)	5.63

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on RL Sustainable Managed Growth Trust (C Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 4 December 2012.

Performance commentary

The trust's credit exposure produced a positive absolute return for the quarter, thanks to the impact of falling gilt yields, narrower credit spreads and the income on the portfolios. On a relative basis, the portfolios performed broadly in line with the iBoxx Sterling Non-Gilt index.

The main positive driver of performance was our sector positioning, notably our underweight position in supranationals, which continued to lag the wider market having done so in the third quarter. Stock selection effects were mixed: we saw positive selection in insurance bonds, notably longer dated subordinated bonds from M&G and Legal & General, but this was outweighed by negative selection effects in structured bonds, which generally have a lower sensitivity to wider market moves.

Our sterling credit team are generally positive on the banking sector, particularly subordinated bonds. Whilst most banks will be well resourced to meet the needs of external ESG rating providers, and will look very attractive on a scope 1 and 2 emissions basis, we think there is no substitute for in-house primary sustainability analysis. Our more rigorous sustainable approach has led to more selective financials exposure than other funds, although with banks performing in line with the benchmark in the fourth quarter, this had little impact on performance.

In addition, our holding in Thames Water was also a detractor from performance over the quarter. We maintained exposure to Thames Water as part of a diversified portfolio, based on the attractiveness of the overall blended yield across holdings in operating company and holding company debt. We continue to believe that the sector remains attractively valued – largely based on our view that spreads in the sector overcompensate when compared to other regulated infrastructure assets such as UK electricity distribution.

The equity exposure within our mixed-asset fund Sustainable Managed Growth saw positive returns over the quarter. Generally supportive macroeconomic data, and more recently in December, the first signs of a pivot by the US Federal Reserve in terms of the interest rate narrative have meant that the fourth quarter has been one of the strongest for global equity markets for a long time.

It was no surprise that the technology sector did well as this tends to be thought of as a long duration equity sector. Sage saw strong results in the quarter and was up 20% in the month of December. Dutch distributor of specialty chemicals IMCD had been facing headwinds due to its customers holding excess inventory and we saw evidence in the quarter that those inventory levels were now starting to normalise, benefitting the company's share price. A key detractor during the quarter was Rentokil, the global leader in pest control and hygiene, where its share price declined after it reported a surprising slowdown in growth in its US business.

Performance and activity

Top 10 holdings

	Weighting (%)
Aviva Plc 6.875% 20-may-2058	1.65
British Pounds	1.61
Legal & General Group Plc 5.5% 27-jun-2064	1.44
Hsbc Holdings Plc 8.201% 16-nov-2034	1.33
Prudential Plc 6.34% 19-dec-2063	1.09
Lloyds Bank Plc 7.625% 22-apr-2025	0.92
Hsbc Bank Capital Funding (sterling 1) Lp 5.844% Perp	0.89
Sage Group plc	0.84
London Stock Exchange Group plc	0.84
Schneider Electric SE	0.83
Total	**11.44**

Fund activity

All issuers within our sustainable holdings offer a net benefit to society or show ESG leadership. As well as reducing risk, we seek out opportunities that are under-researched e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets. Key themes in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurance products to support individuals through shocks) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

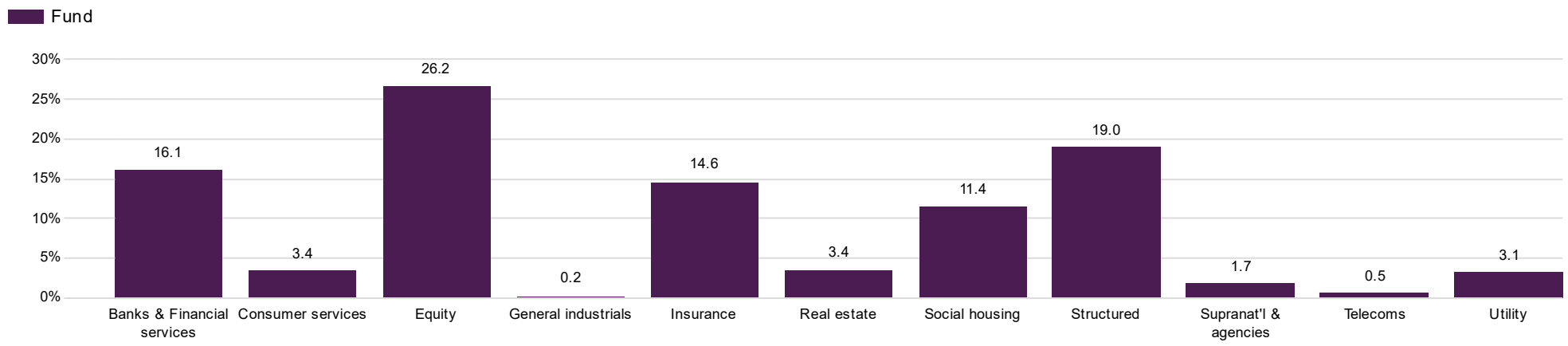
Financials remain the largest part of the sterling credit market and continued to dominate market issuance during the quarter. We added subordinated new issues from Close Brothers at a yield of over 11% and defined benefit pension buy-in and buy-out specialist Pension Insurance Corporation.

Social housing remains a key element in the strategy. We think there is very strong sustainability case for this sector: it houses around six million of the most at need in England, and is building around one in every four new homes. During the quarter, we picked up a new issue of 2041 bonds from social housing provider Places for People. The company owns and manages 240,000 properties across the UK and the bonds came at an attractive spread premium to the market. We also continued to look at the structured sector, adding a five-year new issue from the RAC, these bonds yielding over 8% and benefiting from security over the business.

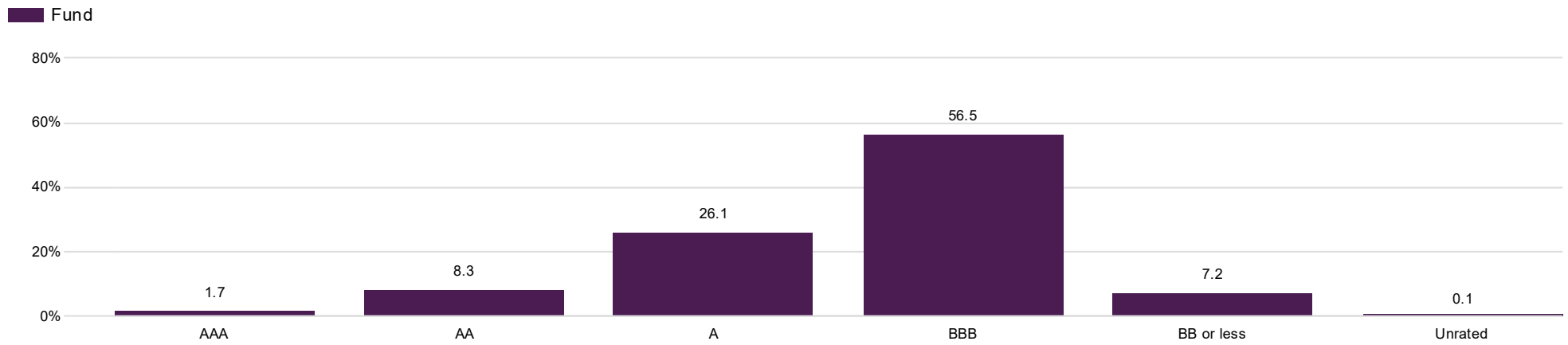
These key areas were also visible in our secondary market activity. We added selectively to subordinated insurance debt – where yields still remain elevated– buying Admiral at attractive levels. The trust was also active in the water sector, where we sold Wessex Water, investing the proceeds in Yorkshire Water, adding to credit spread but also moving into a higher quality name.

Fund breakdown

Sector weights



Credit ratings



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com

ESG characteristics

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics		✓
Sustainable fund objective	✓	
Additional exclusions	✓	

Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Controversial weapons	✓	Tobacco	✓
Fossil fuels	✓		
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	9,319	n/a	n/a
Financed emissions coverage	56.21%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	8.96	n/a	n/a
Carbon footprint coverage	56.21%	n/a	n/a
Weighted average carbon intensity (tCO2e/$M sales)	32.59	n/a	n/a
Weighted average carbon intensity coverage	91.66%	n/a	n/a

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	54.32	n/a	n/a
% of portfolio below 2°C ITR	55.05	n/a	n/a
% of portfolio below 1.5°C ITR	38.52	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	18.26	n/a	n/a
SBTi Near-Term committed	6.51	n/a	n/a
SBTi Near-Term targets set	21.79	n/a	n/a

Fund Engagement

Engagement definition

Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	28	71
Number of engagements	40	142

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Total engagements by theme and topic

Climate	**5**
Climate - Transition Risk	5
Governance	**13**
Remuneration	9
Corporate Governance	2
Board	1
Strategy	1
Health	**2**
Health - Community	2
Social & Financial Inclusion	**19**
Just transition	9
Social & Financial inclusion	8
Labour & Human Rights	2
Technology, Innovation & Society	**2**
Cybersecurity	2

Fund Engagement

Engagement outcomes

Croda International

Purpose:

As lead investor in the Net Zero Engagement Initiative (NZEI), we engaged with Croda International to provide feedback on the company's sustainable sourcing of palm oil, just transition considerations and decarbonisation plan.

Outcome:

The company confirmed its commitment to preventing deforestation and agreed to improve disclosures to demonstrate the effectiveness of due diligence completed when suppliers breach the Company's policy. In addition, the company is in the process of developing a Net Zero Transition Plan in accordance with the Transition Plan Taskforce (TPT) guidance and has acknowledged our request to include just transition and physical adaptation plans. We will continue to monitor progress and organise another engagement before the 2024 AGM.

National Grid Plc

Purpose:

Following the release of National Grid's Responsible Business Charter update, we engaged in a meeting with the Chief Sustainability Officer to offer feedback and suggest further enhancements to their climate transition plans.

Outcome:

National Grid was receptive to the majority of our feedback and sought additional guidance on their Just Transition plans. We positively acknowledged the company's improved emission reduction target and renewed emphasis on biodiversity. The company will be improving its lobbying disclosures and developing a Climate Transition Plan. However, it was unable to provide further clarity on forward looking expenditures and maintained that gas will continue to play a vital role in balancing the grid and, most notably, in their heating retail business in the US.

Standard Chartered

Purpose:

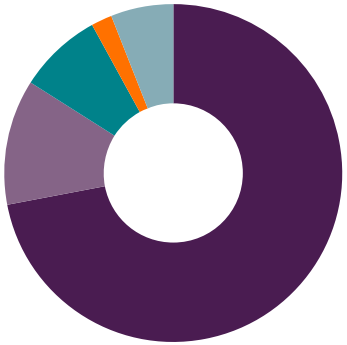
In a collaborative engagement on cybersecurity led by Royal London Asset Management, we engaged with Standard Chartered about its performance against our investor expectations. We used the opportunity to further understand its cybersecurity governance and risk management to assess whether it aligns with best practice.

Outcome:

Our conversation with Standard Chartered was positive and the company welcomed our feedback on how its practices and disclosures could be improved. Standard Chartered demonstrate best practice on the governance and risk management processes surrounding cybersecurity. We were satisfied that appropriate improvements have been made following a 2021 fine for failure to report breaches and encouraged related public disclosures. The security of the information perimeter is another area for improvement, and we gained comfort that the company was focused on this area.

Fund Voting

Total proxy voting activity



For	72.00%
Against	12.00%
Abstain	8.00%
1 Year	2.00%
Do Not Vote	6.00%

Executive remuneration voting activity

For	37.50%
Abstain	12.50%
1 Year	12.50%
Do Not Vote	37.50%

Notable votes

Microsoft Corporation

Elect Satya Nadella - against: Combined roles of chair and CEO.

Advisory vote on executive compensation - against: We noted some improvement in disclosures of certain performance targets; however, concerns remained over the short performance period of long-term incentive awards.

Report on median compensation and benefits related to reproductive and gender dysphoria care (Shareholder Proposal - SHP) - against: Given the company's existing disclosures and due to some concerns over the ultimate aims of the proponent, we were not minded to support the proposal. Further, we acknowledged the company's broad-based policy approach in supporting new parents and women across their workforce and supply chains.

Risks of developing military weapons (SHP) - For: Given the substantial reputational and human-capital-related risks that come from operating in this area, we felt that further disclosure and consideration was warranted.

Report on AI misinformation and disinformation (SHP) - abstain: We noted the company's existing disclosures and Microsoft's commitment to publish an annual transparency repot on its AI governance practices by next year.

Market commentary

Market overview

Economic attention over the quarter has been on inflation. At the start of the quarter investors focussed on the persistence of large price increases and central bank messaging on rates being held higher for longer. Yet, as headline inflation fell, sentiment swung dramatically towards the end of the quarter, pushing markets to price in interest rate cuts in 2024. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all left rates unchanged over the quarter, maintaining official rates at multi-year highs. The Fed has now held rates unchanged at its last three meetings. There has however been a significant shift in messaging, with the US central bank now indicating that it expects to cut rates by 0.75% in 2024.

Going into December, equities had sharply rebounded from their October lows as investor sentiment recovered thanks to the goldilocks scenario of falling inflation combined with generally resilient growth, with the fall in inflation and a change in narrative from the US Federal Reserve leading to hopes of rate cuts in 2024.

The sterling investment grade credit market (iBoxx non-gilt index) returned 7.35% over the quarter, helped by lower government bond yields and tighter credit spreads. The average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) tightened from 1.38% to 1.15% (iBoxx).

The US dollar appreciated by 5.85% against the yen, by 4.34% against the euro, and by 4.44% against sterling. On a translational basis, sterling's 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.

Outlook

As fund managers, we create our own investment identity which we imprint on markets. This identity can be a function of objective evidence as to what delivers performance in the long run, beliefs such as the importance of sustainability and the strengths and weaknesses of the people who are enacting it. Done thoughtfully and applied consistently, we believe this is the path to long-term investment success. Alongside this we are market observers. Each day there is messaging from within and across asset classes as to what is occurring in the global economy. Sometimes this is right, and sometimes this is wrong, but it is always worth paying attention to. What are the trends in the global economy markets are pointing to today?

One message we've been giving consistently through 2023 has been that whilst the macro-outlook for the economy and markets is unclear, the micro-outlook for industries and companies is much more certain. There are many definable societal and investment trends (the two often go hand in hand) which we believe will occur regardless of whatever path interest rates, inflation and the economic cycle take.

The first of these is digitisation. This is an area which was supercharged by the pandemic as working from home and hybrid working became more embedded in society. As this has lessened as a driver of future digitisation. generative artificial intelligence has come along to increase investor interest in this area again. Like all forms of new technology, hype and fact need to be carefully separated, but it seems likely to us this form of AI will be transformative.

The first reason for this is the speed in which it has been released. It took seven years to reach 100 million internet users, while it has taken two months for generative AI. Never has such a powerful piece of technology been scaled so fast. Although there will inevitably be concerns about this, the productivity and skills improvement that will come along with it could solve many of the problems, including inflation and shortage of labour, that we see today.

The second area is decarbonisation. On some levels this has seen something of a setback as the war in Ukraine and subsequent withdrawal of Russian gas has meant more coal has had to be burnt to create the energy will all need. The recent roll back of net zero initiatives by some governments has also increased the sense that decarbonisation is being put on hold. At the corporate level though, nothing could be further from the truth.

Carbon is an expensive commodity. Most corporates see this through the energy they use. Energy efficiency, and cheaper forms of energy such as solar, are effective cost saving mechanisms regardless of the environmental implications of carbon burning. Also, many companies will only deal with other companies which are committed to their own decarbonisation, due supply chain carbon emissions impacting calculations of the carbon intensity of their own businesses. These factors and others are creating a strong drive to decarbonisation whatever the political backdrop.

Finally, healthcare outcomes are on a defined and improving trend. This is not new, but there are new disease categories, such as obesity and Alzheimer's, which are now becoming treatable. This adds to the increasing treatability of other areas such as cancer, which could lead to this disease becoming a chronic, rather than fatal one, within the next decade or so.

Perhaps the only certainty for 2024 is it will turn out differently to how we expect. Our solution is to follow the greater certainty of industry and company trends, which should remain robust whatever happens to broader economic trends.

Further Information

Please click on the links below for further information:

Stewardship and responsible investment at RLAM

Responsible investment at RLAM

Royal London Sterling credit ESG analysis

Royal London voting and engagement

TCFD climate report

Find out more

Royal London Asset Management's Outlook 2024 document and podcasts are both available on our website. In this year's Outlook document, our fund managers assess the challenges and opportunities in their respective asset classes for 2024. With an environment of falling inflation and modest recession, the benefits or risk for equities or credit is not so clear cut and knowing your companies is key. We analyse the areas of concern and potential growth within this environment.

In our Outlook 2024 podcast, Piers Hillier, CIO, looks ahead to 2024 and discusses the issues he believes will be prominent over the next 12 months, and where the key investment risks and opportunities may lie.

Articles, videos and webinars explaining our investment thinking can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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This is a financial promotion and is not investment advice.

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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the Trust or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

The portfolio has no index as a comparison.

Risks and 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

This fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

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. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

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 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 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	7.87	9.50	12.29	(1.67)	24.43
Fund (net)	7.70	9.14	11.57	(3.56)	20.47

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
(0.56)	4.47
(1.20)	3.79

Year on year performance (%)

	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019
Fund (gross)	12.29	(16.89)	5.37	11.27	13.72
Fund (net)	11.57	(17.43)	4.69	10.56	12.99

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 2023. All figures are mid-price to mid-price in GBP for the RL Sustainable Managed Growth Trust (C Acc).

Glossary

Asset allocation

Breakdown of the assets by asset classes. Based on RLAM asset classification scheme.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO2e/$M invested. Financed emissions (explained above) are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

ESG Integration

The systematic and explicit inclusion of environmental, social and governance (ESG) factors into investment analysis and investment decisions.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO2e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

Fund Analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.

This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.
Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.
Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).
Armaments: Companies who manufacture armaments or nuclear weapons or associated products.
Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.
Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.
Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.
High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.
Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.
Nuclear Power: Companies who generate energy from Nuclear Power.
Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.
Tobacco: Companies which are growing, processing or selling tobacco products.

Glossary

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Gross redemption yield

Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, net of relevant fund management costs and gross of tax.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Performance

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO2e / $M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.