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Royal London Sustainable Managed Growth Trust

Quarterly Wholesale Report

31 March 2024

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 March 2024

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

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.

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Fund value

	Total £m
31 March 2024	802.04

Asset Mix

	Holdings	Weight
Equity	46	25.06%
Fixed Income	227	73.83%
Cash	12	1.11%

Fund analytics

	Fund
Fund launch date	4 December 2012
Base currency	GBP
Number of holdings	273

Performance and activity

Performance

	Fund (%)	IA Sector (%)	Relative (%)
Quarter	2.80	1.58	1.22
1 Year	11.54	6.18	5.36
3 Years (p.a.)	1.25	0.34	0.91
5 Years (p.a.)	4.00	1.67	2.33
10 Years (p.a.)	5.54	2.42	3.12
Since inception (p.a.)	5.76	2.88	5.76

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 fund performed well over the quarter, with positive contributions from both the equity and corporate bond exposure. The corporate bond exposure saw a modest positive return in the period and was ahead of the wider sterling corporate bond market. The main driver of positive performance was the combination of our sector allocation and stock positioning. At a sector level, our underweight position in supranationals and overweight in both insurance and structured were the main positives as supranationals continued to lag the wider market, having also underperformed in the second half of 2023. Stock selection in insurance and bank bonds also contributed strongly. These positive contributions from bank and insurance stocks were broad-based. Our bias towards subordinated bonds was helpful, particularly AT1s which continued to outperform the wider market. Our exposure to structured bonds was also positive, despite the negative impact of our holding in Thames Water.

Thames Water shareholders had previously announced an intention to inject £750m of equity into the utility by March 2025, with £500m of this anticipated by March 2024. In late March, and following discussions with OfWat, the necessary conditions for that initial injection had not been met. This has been negatively received by credit markets – as was the S&P downgrade to BBB- after the end of the quarter. We believe that the risk in the business remains political in nature, as higher returns to incentivise the significant investment that is required to enhance the network will require price rises for consumers. Nationalisation or a change in the regulatory regime would create wider ramifications for the funding of UK infrastructure and impose significant liabilities on UK taxpayers.

Alongside the announcement by Thames Water, Thames Kemble (the holding company for Thames Water) announced that it will not be able to meet the maturity on its £190m April 2024 loan and at the start of April, formally announced a default on the £400m 4.625% 2026 bonds. Whilst significant risks have already been reflected in Holdco bond pricing, the news weighed further on this bond. Our bias remains in the safest part of the capital structure – operating company debt that is closest to the assets – position sizing has reflected the differing risks and holdings remain part of a very diversified portfolio of lending decisions.

In particular, companies enabling and exposed to advancements in artificial intelligence (AI) performed well and were amid the top contributors to performance over the quarter. TSMC, which produces the world's most advanced semiconductor chips and has customers like Nvidia and Broadcom, witnessed strong performance over the period. ASML, which produces the world's most advanced semiconductor manufacturing equipment, continued to benefit from structural growth trends. Core & Main was another strong contributor to performance, which is a relatively new holding for us. The company is the leading distributor of water infrastructure products in the US.

Performance and activity

Top 10 holdings

	Weighting (%)
Aviva Plc 6.875% 20-may-2058	1.75
Legal & General Group Plc 5.5% 27-jun-2064	1.48
Hsbc Holdings Plc 8.201% 16-nov-2034	1.39
Prudential Plc 6.34% 19-dec-2063	1.17
Lloyds Bank Plc 7.625% 22-apr-2025	0.96
Hsbc Bank Capital Funding (sterling 1) Lp 5.844% Perp	0.93
Compass Group PLC	0.79
Rothesay Life Plc 3.375% 12-jul-2026	0.78
Microsoft Corporation	0.78
London Stock Exchange Group plc	0.77
Total	**10.80**

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.

New issue activity remained a key focus over the quarter. A notable trend has been the reduction in the new issue premia (the additional yield required to sell new bonds) and at times, book building sizes have looked extraordinary – suggesting huge latent demand. This has led to some caution on our part – we still believe that credit spreads more than compensate credit investors for the risk of default, but are equally aware that demand in certain parts of the market can lead to less favourable pricing.

Financials continued to dominate primary market activity during the quarter. Here we bought a senior new issue for UK mortgage specialist OSB at a yield of over 8.5%. Other notable purchases included subordinated short-dated bonds from mutual Nationwide yielding over 6%.

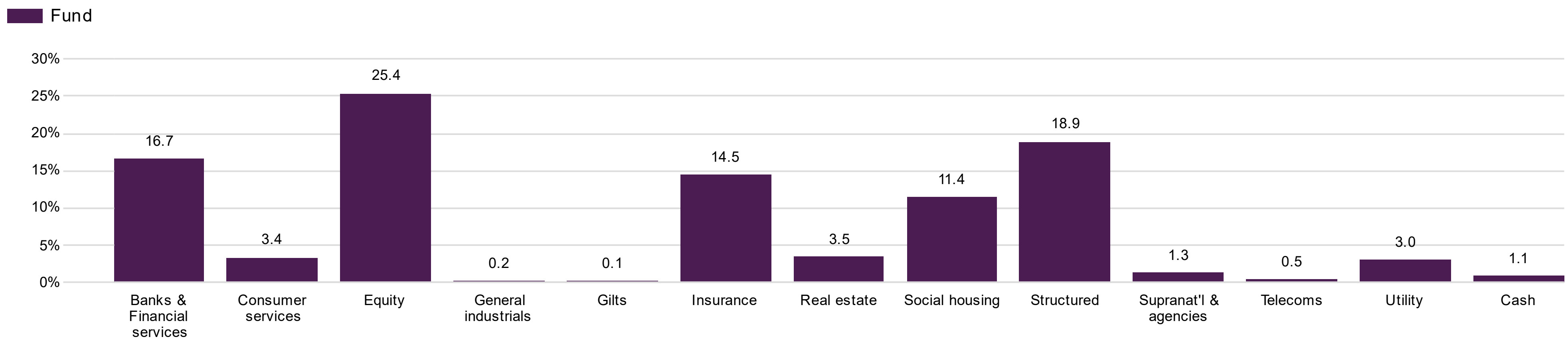
Exposure to structured bonds remains a cornerstone of our process and portfolios. Issuance has been somewhat low in recent months, but there were opportunities in the sector during the quarter. Examples included Land Securities and a rare new issue from Telereal – the latter secured on BT telephone exchanges.

Demand from annuity buyers has supported longer-dated high quality bonds. In a number of areas, this has pushed spreads to levels that we feel were unattractive, and we took advantage of the higher demand for these bonds to take profits and recycle into more attractive areas. Our exposure to social housing was an example of this. Here we took profits on Housing & Care 21, after spreads had tightened to materially lower levels than the wider market. These monies were initially recycled into gilts to maintain duration, but then reinvested into more attractive opportunities in both new issue and secondary market, including a new issue from BPHA, who manage almost 20,000 homes across to Oxford to Cambridge corridor and we feel have strong EPC performance – indicating strong energy efficiency across their portfolio, at an above market average yield.

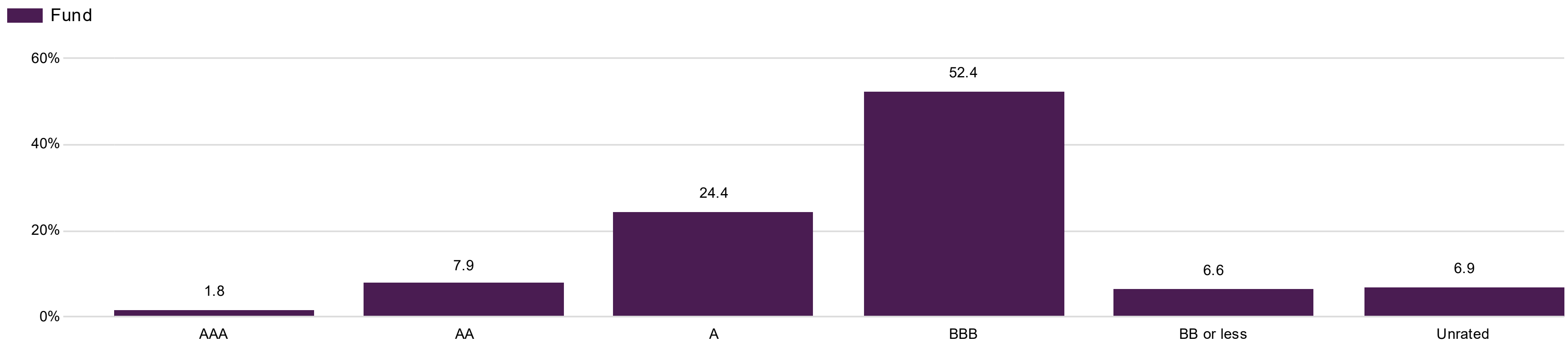
ROYAL LONDON ASSET MANAGEMENT

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	✓
Alcohol	✓
Animal welfare	✓
Armaments	✓
Controversial weapons	✓
Fossil fuels	✓
Gambling	✓

High environmental impact	✓
Human rights issues	✓
Nuclear power	✓
Nuclear weapons	✓
Tobacco	✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	9,926	n/a	n/a
Financed emissions coverage	53.50%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	9.93	n/a	n/a
Carbon footprint coverage	53.50%	n/a	n/a
Weighted average carbon intensity (tCO2e/$M sales)	33.83	n/a	n/a
Weighted average carbon intensity coverage	95.19%	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	53.50	n/a	n/a
% of portfolio below 2°C ITR	43.21	n/a	n/a
% of portfolio below 1.5°C ITR	21.27	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	17.16	n/a	n/a
SBTi Near-Term committed	6.56	n/a	n/a
SBTi Near-Term targets set	21.62	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	20	66
Number of engagements	23	131

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.

Total engagements by theme and topic

Climate	**6**
Climate - Transition Risk	5
Climate - Physical Risk	1
Governance	**20**
Corporate Governance	8
Remuneration	8
Strategy	3
Board	1
Social & Financial Inclusion	**5**
Just transition	2
Labour & Human Rights	2
Social & Financial inclusion	1

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.

Fund Engagement

Engagement outcomes

HSBC Bank Plc - Just Transition

Purpose:

To review and provide feedback on the company's draft Net Zero Transition Plan.

Outcome:

HSBC's Net Zero Transition Plan, informed by GFANZ and TPT, sets a strategic vision for sector specific transitions and an actionable plan. In a feedback session with the Chief Sustainability Officer, the company highlighted its commitment to the real economy decarbonisation, especially in developing markets. The plan details a sectoral approach based on global financing needs, and HSBC's strategies to support decarbonisation and leverage financing opportunities. It also emphasises a fair and inclusive transition, with ongoing efforts to integrate just transition principles. We will continue to engage with the company, placing particular emphasis on the operationalisation of their commitment to a just transition.

National Australia Bank - Just Transition

Purpose:

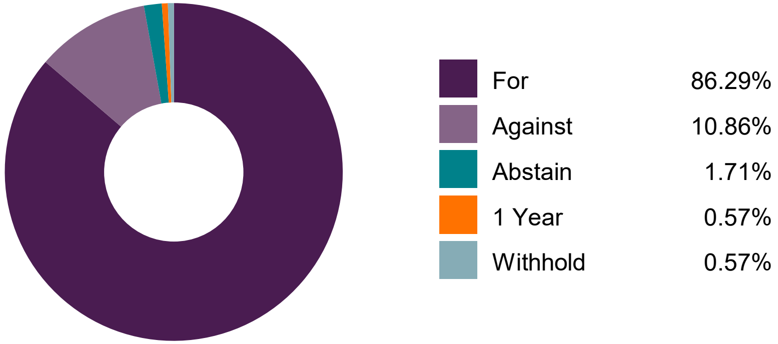
To foster transparency and accountability, we encourage the company to disclose its strategy for incorporating just transition considerations into its decarbonisation efforts. Furthermore, we sought clarity on the company's responsible lending practices within their microfinance operations.

Outcome:

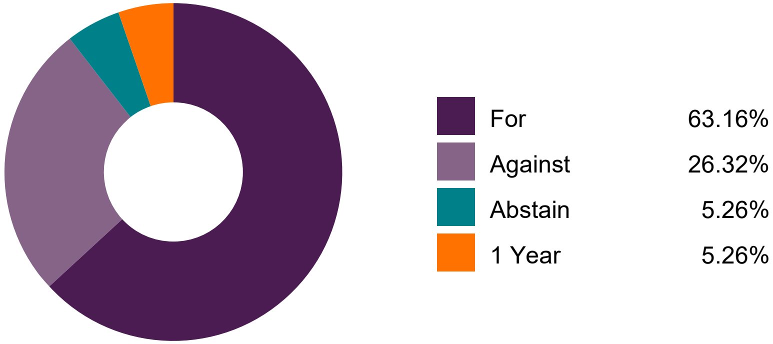
National Australia Bank (NAB) is committed to a just transition and microfinance, recognising the interconnection between the two as microfinance plays a crucial role in supporting communities affected by the energy transition. The company is developing a just transition plan and contributing to the 'UNGC Think Lab on Just Transition' for business guidance. Its microfinance efforts are philanthropic, aligning with its place-based strategy for a just transition. Good Shepherd, the company's partner, conducts internal audits and quality processes. NAB advocates for responsible microfinance and is encouraged to promote these practices nationally.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

Intuit Inc

Advisory vote on executive compensation - against: The LTIP continues to raise some concerns with noted retesting opportunities and short performance periods. We would also prefer to see a more stretching set of performance metrics under variable incentive plans.

Amendment to the 2005 Equity Incentive Plan - against: We have concerns over the total dilution from all the plans under this amendment.

Ratification of Auditor - against: There are concerns over the auditor's independence given the length of tenure.

Report on Portfolio Risk in Employee Retirement Options (Shareholder Proposal - SHP) - against: The company's 401(k) plans offer participants a diverse array of investment options, including a self-directed brokerage account that allows participants to choose ESG-related investments.

Fund Voting

Notable votes

Sika AG

Compensation Report - abstain - There was a fatality recorded at one of the company's operational sites, however, we are concerned by the compensation committee's assessment of bonus safety metrics for the year under review.

Elect Monika Ribar - against - The nominee is not considered independent due to length of tenure and serves on the Audit Committee that lacks sufficient independence in our view.

Elect Paul Schuler - against - The nominee is not considered independent and serves on the Remuneration Committee that lacks sufficient independence in our view.

Visa Inc

Elect Denise M. Morrison - against: The nominee is chair of the remuneration committee and we have long-standing concerns with the company's remuneration.

Advisory vote on executive compensation - against: We remain concerned over the large area of discretion applied to bonus outcomes. We also take issue with the scale of discretionary awards granted during the year.

Severance Approval Policy (SHP) - against: While we are supportive of the request to seek shareholder approval for severance payments valued at 2.99 times the sum of the salary and target bonus, we note that the company has already adopted such a policy.

Market commentary

Market overview

A key theme to emerge during the quarter was indication of a more favourable global macro backdrop. Despite some mixed signals, the US economy remains resilient, while Europe and the UK show signs of gradually exiting their recessions. Activity in China also seems to be stabilising. At the same time, core central banks are still confident that the disinflation trend remains intact, despite some recent setbacks in inflation prints. Policymakers have often highlighted that they are in no rush to cut rates – with markets now generally pricing the start of the easing cycles to begin this summer. The Federal Reserve, European Central Bank and Bank of England all left interest rates unchanged over the quarter.

One major development over the quarter is that markets have recalibrated their pricing for expected central bank cuts over this year. At the end of last year, markets were pricing in an aggressive rate cutting cycle, but then swiftly move to temper those forecasts. This re-pricing contributed to negative returns for global government bond markets over the quarter. Despite the belief of many that it was the anticipation of a 'Fed-pivot' that contributed to the rally in equity markets in late 2023, equity markets proved to be immune to this bond market sell-off as global growth and business confidence showed signs of resilience and investors focused on the potential offered by AI.

Market strength seen in the fourth quarter of 2023 continued though the first three months of 2024 as a result of generally supportive macroeconomic data and indications that the majority of developed market central banks are planning to cut interest rates in 2024. Q4 2023 corporate results were also notably better than Q3 2023 which supported markets. The best performing sectors in the quarter were information technology, communication services and energy while real estate, utilities and materials underperformed.

Some of the same trends that were driving markets during the fourth quarter continued into the first quarter of 2024. The tech sector continues to benefit from the excitement around AI and industrials continued to experience a tailwind from a resilient macro backdrop combined with government stimulus towards infrastructure spending. The energy sector benefitted from higher oil prices though the quarter.

Government bonds produced negative returns as yields rose in all the major markets but the sterling investment grade credit market (iBoxx non-gilt index) returned 0.06% over the quarter, with the effect of higher yields mitigated by tighter credit spreads and the higher carry in this area.

Outlook

Combined with ongoing macroeconomic uncertainty, one thing we see as likely to continue through 2024 is heightened geopolitical tensions around the world. That said, though, these tensions might be a tailwind to some of our construction and infrastructure related investments, as it will likely serve to only accelerate these trends towards onshoring and near shoring. The macro environment remains complex and confusing, but we continue to have high conviction in the underlying drivers of the companies in which we are invested and in many cases find valuations to be undemanding.

Markets have moved significantly over the last six months, pricing in peak interest rates, yet history has taught us the macroeconomic environment can change quickly. We are not macroeconomic forecasters and refrain from predicting the direction of interest rates or inflation but evidence is accumulating that we might be at peak interest rates. We believe longer-term microeconomic trends are more important drivers of investment returns and should be the focus of investors.

There is a narrative that sustainable investing is becoming less relevant given the economic and political changes we have seen over the last few years, however we believe the drive towards a more sustainable society which we define as cleaner, healthier, safer, and more inclusive continues unabated. When looking at markets we see sustainability becoming more, not less relevant and is illustrated by, but not limited to, trends in digitalisation through artificial intelligence, infrastructure through electrification and healthcare through obesity drugs. These trends make us optimistic about the long-term outlook for sustainable investing.

We will continue to follow our process which has served us well over the years and believe our portfolios focused on high quality sustainable and financial companies that are well positioned to drive long-term performance.

Looking at fixed income markets, with yields generally higher than they were at the start of the year, and interest rate cuts closer, we believe that overall government bond yields look attractive. Credit spreads have come in further – and are now looking somewhat tight in longer-dated bonds – but continue to compensate credit investors for the risk of default.

We target – and achieve – a material yield premium over the market level in our credit strategies. We mitigate the risks by maintaining highly diversified portfolios, with a bias towards bonds that offer greater security and downside protection. Our view remains that over the medium term our focus on delivering greater income than the benchmark will generate outperformance.

Further Information

Please click on the links below for further information:

Stewardship and responsible investment at RLAM

Responsible investment

Royal London Sterling credit ESG analysis

Royal London voting and engagement

TCFD climate report

Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts 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.

Telephone calls may be recorded. For further information please see the Privacy Policy at www.rlam.com.

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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 risk

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 March 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	2.80	10.90	11.54	3.80	21.70
Fund (net)	2.64	10.54	10.82	1.80	17.82

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
1.25	4.00
0.60	3.33

Year on year performance (%)

	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020
Fund (gross)	11.54	(7.91)	1.06	13.88	2.95
Fund (net)	10.82	(8.51)	0.41	13.15	2.29

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 March 2024. 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 $tCO_2e/\$M$ invested. Financed emissions 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 tCO_2e. 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 tCO_2e / $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.

In line with our bespoke and targeted approach to credit analysis, we have developed an in-house carbon data tool that addresses coverage and mapping issues with third party systems. The development of this tool has been a critical element of RLAM's ESG integration into our credit process, addressing coverage and mapping issues with third party systems. This enhanced coverage is reflected in the WACI figures provided in this report, with all other metrics instead being based on data from MSCI.