

# The history of Royal London Asset Management Equity Tilts funds



## Background: optimising customer outcomes

In 2019, Royal London Asset Management and our parent group, Royal London, identified the opportunity to develop the equity elements in Royal London's core investment proposition, with the aim of improving customer outcomes. The main beneficiaries of any development would be investors in the flagship Governed Range, including the workplace default investment, and the GMAP (Global Multi Asset Portfolios) range.

There was a growing expectation among workplace defined contribution (DC) clients that responsible investment considerations should be reflected in their investment options. This was creating competitive pressures. Meanwhile, evolving regulatory expectations and Royal London's ambition to advance its responsible investing capabilities also contributed to a desire to explore propositional enhancements.

There was a wish to provide customers with a solution that looked to harness Royal London Asset Management's long-established responsible investing expertise. Active strategies can express Environmental, Social and Governance (ESG) views through stock selection. But the Royal London Governed range and GMAP funds used passive equity funds, which did not formally integrate ESG factors. Any ESG integration needed to manage expected risk and returns while seeking to avoid excessive tracking error, all while ensuring value for money.

Through close collaboration between the Royal London investment proposition team and our quantitative and responsible investment (RI) teams, a solution began to take shape.

## Meeting DC client needs

This partnership enabled us to draw on our active ESG expertise while designing a systematic, rules-based approach to suit the needs of Royal London's large-scale DC use.

Royal London wanted low-cost equity exposure that better reflected ESG considerations, while aiming to provide benchmark-like returns for customers. Analysis was carried out to understand the impact that different tracking error limits would have: this showed that a 1% tracking error limit presented the most appropriate level to help achieve a material improvement in ESG profile while continuing to deliver returns in line with benchmark. In our view, this boundary was critical in helping the funds remain within default strategies, where even modest deviations from benchmarks can have meaningful implications for member outcomes.

Then came the issue of potential exclusions. Rather than imposing rigid exclusions or aggressive decarbonisation pathways, the group opted to retain the flexibility necessary to focus on customer outcomes. This approach reflected a broader obligation to deliver responsible investment ambitions within the fiduciary duty to customers. The approach also aligns with our wider preference as an active manager for engagement with companies over exclusions. This is based on our belief that by working closely with companies on the issues that matter most to them and to clients, it is possible to support better corporate practices and aim to deliver stronger long-term returns.

## Designing the Tilt funds

A key turning point was the expansion of our internal capabilities. This allowed the team to move beyond traditional passive investing and begin designing a practical, repeatable approach to ESG integration. This is when the concept of the Tilts funds came to life.

Rather than create a custom index, the approach focused on making numerous incremental improvements versus the benchmark index, the cumulative effects of which were expected to be material. This core design principle aimed to produce significant carbon intensity and governance improvements, rather than exclude companies or sectors. As well as managing broad market exposure, this approach retains voting rights and promotes engagement with companies.

At launch, two ESG inputs were prioritised. The first was a greenhouse gas emissions reduction tilt, designed to lower portfolio carbon intensity relative to the benchmark. Targets differed by region to reflect market structure, with lower initial reductions in the UK due to its higher concentration of carbon intensive companies.

The second was a governance-focused remuneration tilt, underweighting companies where we had persistently voted against executive pay practices. Importantly, the approach allows scope for nuance. The Tilt funds are not just driven purely by data; they also incorporate the RI team's established approach to governance research and proxy voting.

Over time, the framework evolved. While formal net zero commitments were not initially embedded within fund prospectuses, ongoing collaboration between Royal London Asset Management and our parent group led to updated policies reflecting a more explicit alignment with group level net zero ambitions. These changes took effect in December 2025.

The development of the governance tilts has been a continuous process and has been supported by our growing internal responsible investing infrastructure. The approach has been developed to align with our [Good Governance Policy](#). Alongside remuneration, the RI team now assesses companies' board make-up, audit quality and the ways they interact with stakeholders, customers and communities. The funds then tilt away from the worst performers in each sector.

## Results: a product designed to suit the needs of DC savers

The outcome of this collaboration has been a differentiated solution that aligns well with the needs of workplace DC clients. This was reflected in the rapid adoption of the funds by Royal London. While initially intended for use as a small subset of the overall DC book, uptake rapidly grew and all the passive equity assets were eventually transitioned.

In terms of carbon intensity reduction, the Tilt funds met their stated carbon objectives of achieving a portfolio-level carbon intensity of 30% better than the benchmark (10% for the UK funds). This has been realised across assets of more than £40bn without restricting the investable universe or materially reducing diversification.

In terms of returns, the funds have achieved what they were designed for and delivered long and short-term performance in line with benchmarks, and in some periods ahead of benchmark. Compared to the peer group of regional equity funds, the performance of the funds has also been favourable. All the funds have outperformed their peer group median over one and three years.<sup>1</sup>

The Tilts funds have delivered these financial and responsible investing objectives within the agreed strict risk return characteristics.

In practice the quantitative equity team achieves this via the following steps: Replicate the benchmark, maintaining exposure to the same companies and risk characteristics investors expect from a core equity allocation; apply a large number of small, disciplined tilts, incrementally increasing exposure to companies with lower carbon emissions and reducing exposure to the highest emitters; manage risk and so that returns and volatility remain close to the benchmark, while minimising transaction costs.

**Past performance is not a guide to future performance.**

### Source:

<sup>1</sup> Source: Royal London Asset Management, Morningstar as at 28 February 2026

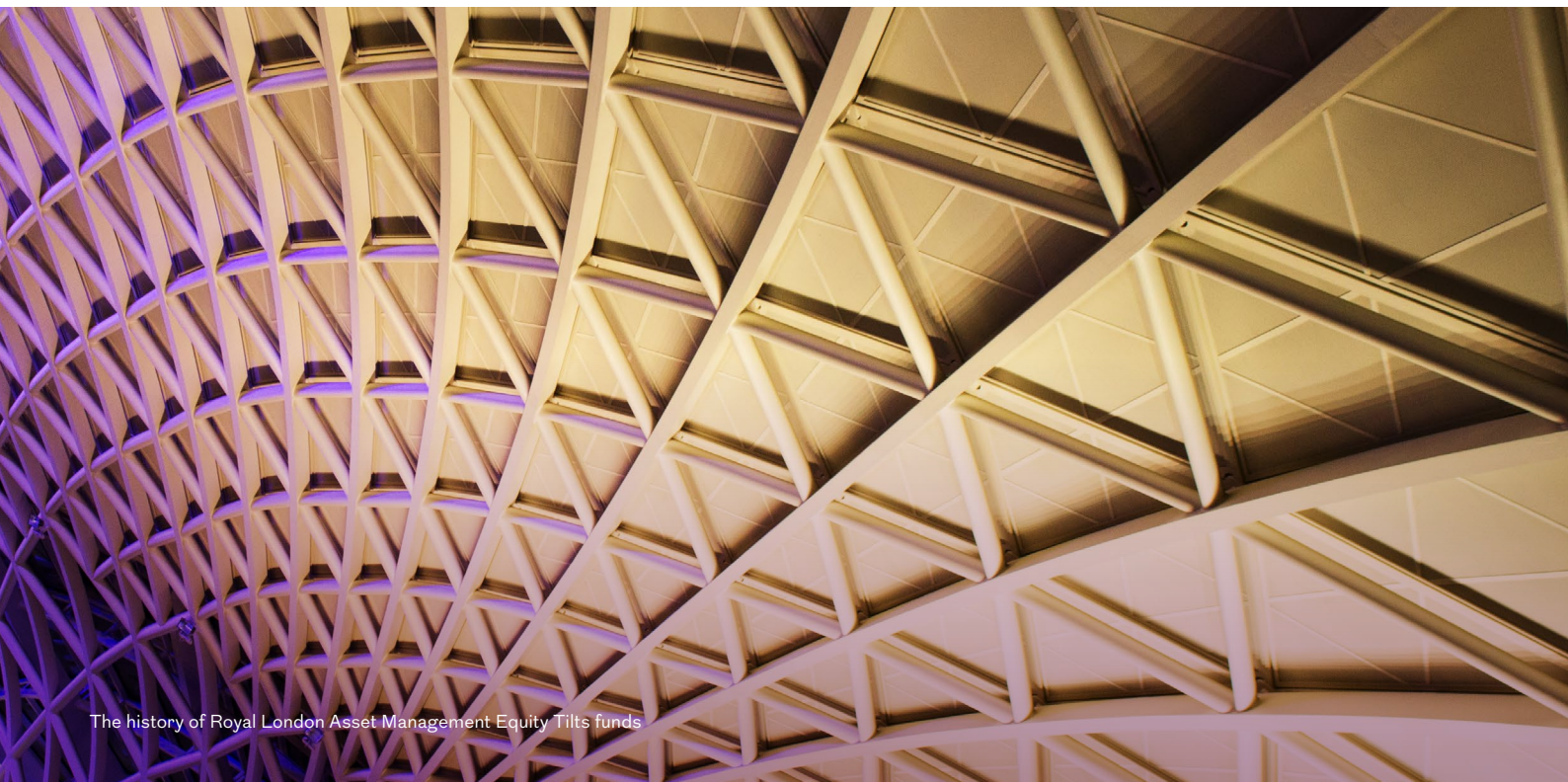
By avoiding large exclusions the approach keeps tracking error low while achieving a meaningfully lower carbon intensity and supporting alignment with a long-term net-zero trajectory.

This development of the Tilts funds demonstrated how close collaboration between Royal London Asset Management and Royal London (as asset manager and asset owner respectively) translated high level responsible investment ambitions into a practical, client-focused product. By prioritising financial outcomes, transparency and flexibility, Royal London Asset Management and our parent group created a solution intended to be suitable for workplace pension investing; one that integrates ESG considerations in a measured, credible way, and is suited to the long-term needs of DC savers.

## A platform for developing future solutions

This experience was another step in our long history of providing solutions to improve the outcomes of workplace customers. As an organisation, we are adept in fostering close working partnerships with asset owners to co-design practical, scalable solutions that directly address today's challenges. This could include integrating responsible investment considerations into large default arrangements while preserving benchmark-like risk/return characteristics, maintaining cost discipline, or balancing policy ambition with fiduciary duty.

We believe our proven approach to collaborative solution building can help to shape an asset owner's high-level goals into transparent outcomes that are fit for purpose and provide better outcomes for workplace DC customers.



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**EPM Techniques:** The Strategy may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Strategy to increased price volatility.

**Exchange Rate Risk:** Investing in assets denominated in a currency other than the base currency of the Strategy means the value of the investment can be affected by changes in exchange rates

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

**Liquidity Risk:** In difficult market conditions the value of certain strategies 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

**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.

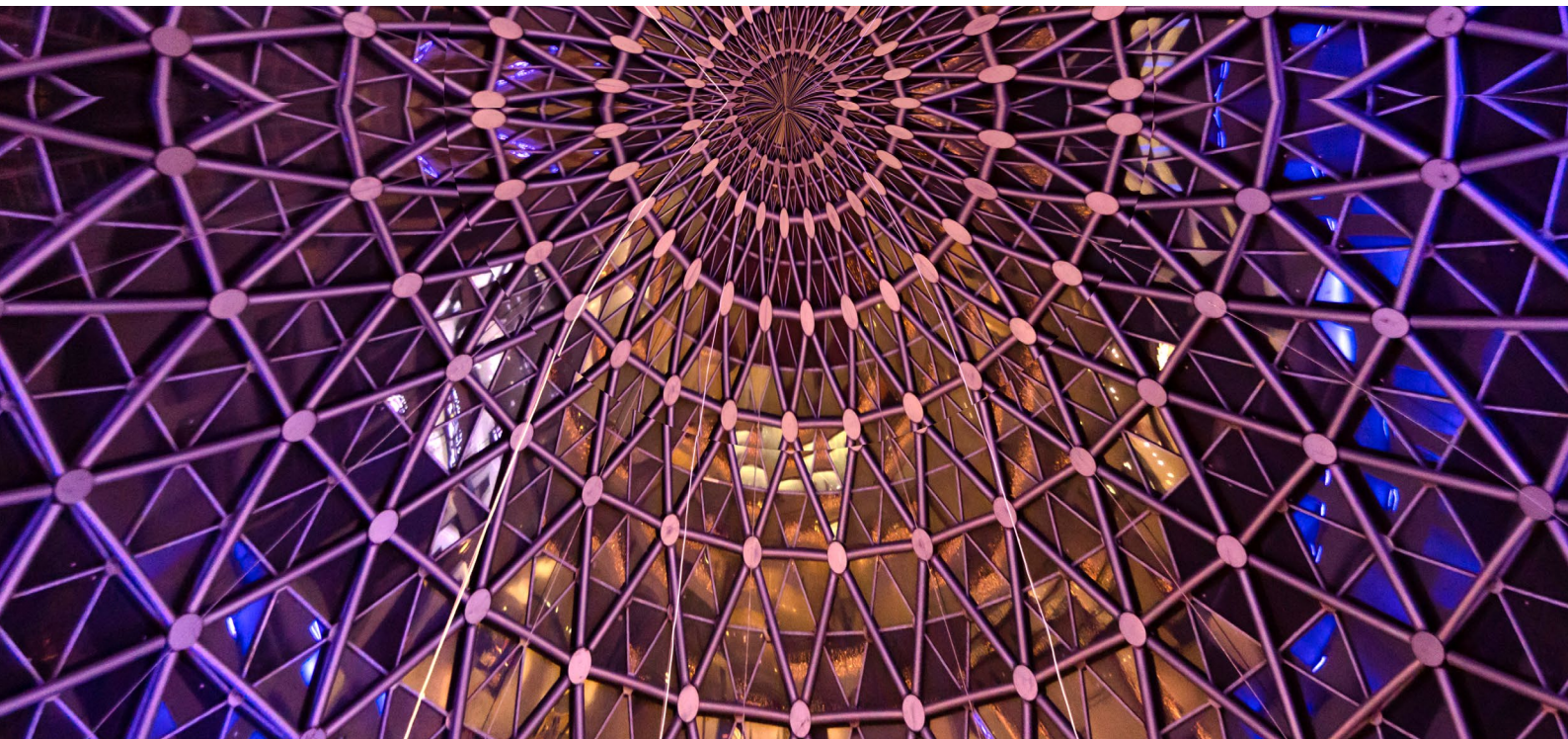
**Efficient Portfolio Management (EPM) Techniques:** The Funds may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Funds to increased price volatility.

**Exchange Rate Risk:** Investing in assets denominated in a currency other than the base currency of the Funds means the value of the investment can be affected by changes in exchange rates

**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 Funds to financial loss.

For the complete list of associated risks of investing in our Tilt Fund range, please refer to the Prospectus or Key Investor Information

Document (KIID), for each Fund, available via the relevant Fund Information page on [www.rlam.com](http://www.rlam.com)



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For more information on the fund 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](http://www.rlam.com).

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