

Royal London

Global Equity Diversified

Our RL Global Equity Diversified Strategy aims to:

- Provide a core solution to asset owners looking for a strategy with the potential to generate consistent above market returns
- Deliver high information ratios from active, idiosyncratic, stock-selection risk
- Provide low style and other factor risks relative to a benchmark
- Invest in a balanced portfolio of 175-225 stocks which our process has identified as having the best combination of strong shareholder wealth creation and attractive valuations

A differentiated, proven and repeatable approach to Global Equity

The Global Equity team at Royal London Asset Management has spent 20 years identifying superior wealth creating stocks at attractive valuations which can be combined into balanced portfolios across different risk budgets.

This approach has proven resilient and powerful and has an idiosyncratic stock specific basis which provides a true differentiator.

It leads to alpha generating portfolios with high stock-specific risk and low factor risk, that have proven robust in multiple market environments over very long time periods. We consider the idiosyncratic and proprietary nature of our portfolio biases to be valuable to clients, repeatable and hard to replicate.

The Corporate Life Cycle, Shareholder Wealth Creation and Valuation

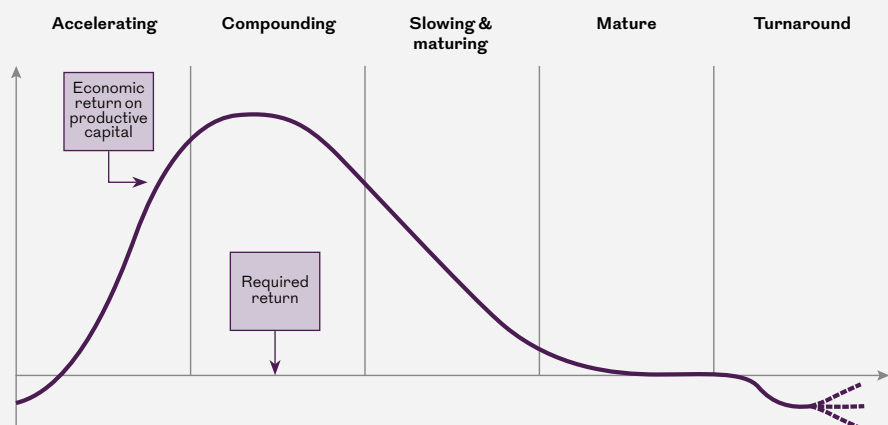
Our Corporate Life Cycle framework is the theoretical and practical foundation of our approach. As well as informing the path of our stock analysis it also acts as a framework for balanced portfolio construction.

We consider that corporate returns on productive capital and growth tend to progress along a Life Cycle and every company can be located economically in one of five Corporate Life Cycle categories, from early-stage accelerators and growth compounders to more mature returners and turnarounds.

The key insight from the Corporate Life Cycle Framework is that there is the potential to have a successful investment at any point in the Corporate Life Cycle but the drivers are very different depending on what stage of the Life Cycle the company is in. For example, a Compounding business best creates wealth via maintaining high returns on productive capital and growing; however, a Turnaround should look to shrink weak assets, and improve its returns.

Figure 1: Corporate Life Cycle

Corporate returns on productive capital and growth tend to progress along a Life Cycle. Every company can be located economically in a Life Cycle category.



Source: RLAM, for illustrative purposes only

This Corporate Life Cycle framework allows us to cover a broad range of stocks with insight and adapt to different markets/sectors which have very different Corporate Life Cycle exposures.

Our process allows us to recognise, embrace and take advantage of these differences and this Life Cycle specificity permeates our assessment of an individual company's ability to create wealth for shareholders on a

forward looking basis by pursuing the optimal strategies, business model and management incentives given their specific Life Cycle category.

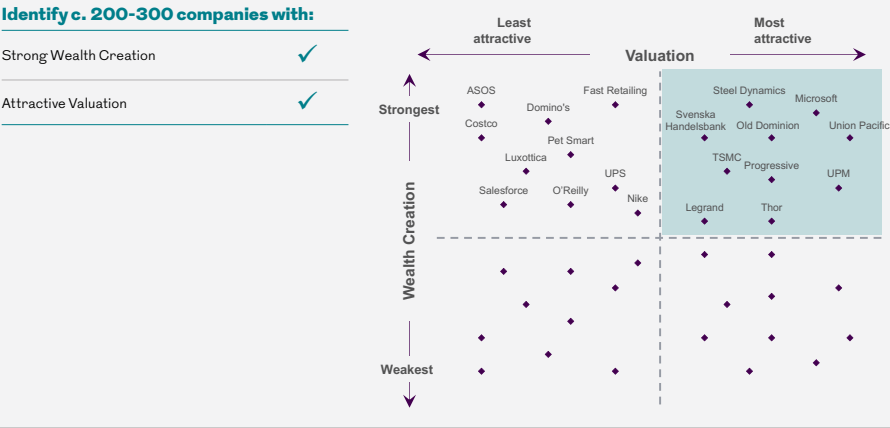
Our Life Cycle classification framework and forward looking wealth creation analysis identifies and prioritises a superior sub-set of global stock opportunities from which we do further valuation work to identify suitable portfolio candidates across all Global Equity strategies.

Responsibly active

While the strategy has no official ESG objective, as a forward-looking factor, ESG risks and opportunities are fully integrated into our assessment of Shareholder Wealth Creation. In essence, companies with strong governance and shareholder aligned incentives, with socially and environmentally useful products and services and limited negative environmental externalities, are more likely to get a higher grade in our forward looking wealth creation assessment.

We use investor-led engagement to partake in two-way dialogue with portfolio constituents to enhance our insights, hold management accountable to their commitments, communicate our client’s expectations and engage for change when necessary. Such engagement is a key determinant of our stock evaluations and voting process.

Figure 2: Idea generation output



Source: RLAM, for illustrative purposes only.
Portfolio characteristics and holdings are subject to change without notice.
This does not constitute an investment recommendation. For information purposes only.

Fundamental diversification and portfolio construction

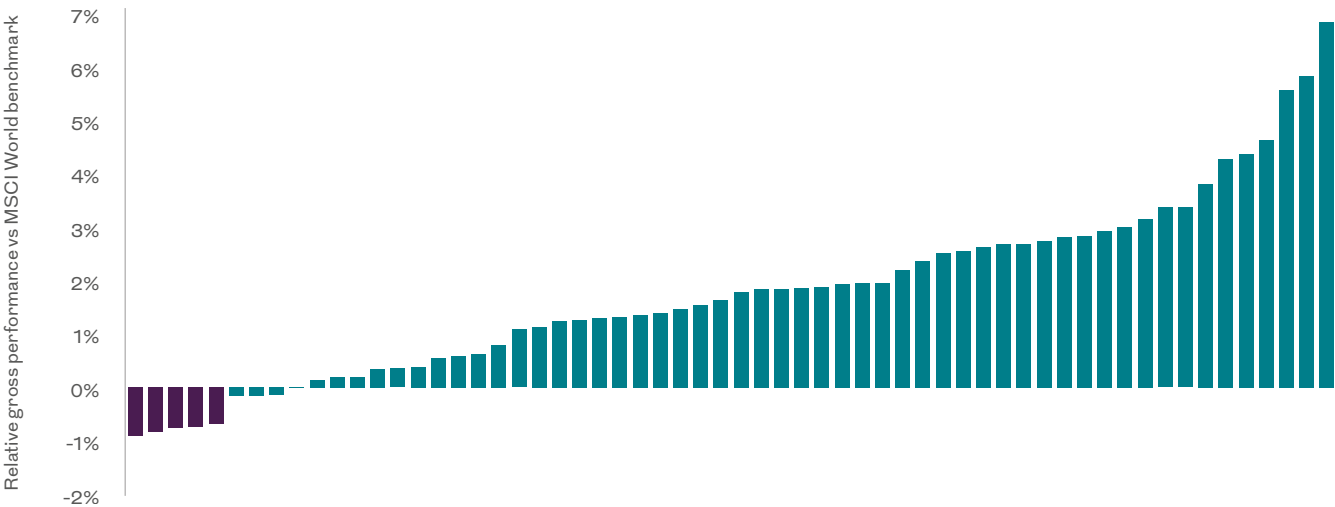
The Global Diversified strategy invests in a balanced portfolio of 175-225 stocks which our process has identified as having the best combination of strong shareholder wealth creation and attractive valuations. We use our Life Cycle framework to ensure that the portfolio is diversified to each stage as well as a proprietary ‘Fundamental Diversification’ approach which helps inform individual position weighting and balance non-stock specific risk.

This Fundamental Diversification approach is further supplemented by a series of proprietary and third-party construction and risk tools, which act as a comprehensive dashboard to cover multiple dimensions of portfolio risk. The goal is to support the overall objective of maximising risk-adjusted returns in the context of high idiosyncratic stock/low factor risk portfolios.

Consistent outcomes

The result of our approach is consistent investment performance across market cycles from a portfolio with low turnover and consistently low factor risk.

Relative performance of the Royal London Asset Management Global Equity Diversified strategy over 12 month rolling periods.



The 60 rolling 12 month periods over the last 5 years, ranked by relative gross performance vs MSCI World benchmark. Periods where gross relative performance was less than -0.5% are highlighted in different colour.

Source: RLAM, Waverton, MSCI, CS Holt, BNY Mellon as at 31 December 2023.
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.

Our Global Equity Diversified solution

The current key construction characteristics of the Global Equity Diversified strategy, which are subject to change, are shown in the below table:

	Global Equity Diversified
Performance return objective	>1.5%pa
Tracking error	1-3%
Information ratio	>0.5
Active Share (%)	>60%
Stock specific risk (%)	>70%
Systematic risk (%)	<30%
No. of stocks	175-225
Life Cycle weight relative to Benchmark	<+/-5%
Region Weight relative to Benchmark	<+/-5%
Sector Weight relative to Benchmark	<+/-5%

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Risk warnings

Past performance is not a guide to future performance. 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 strategies 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: Changes in currency exchange rates may affect the value of investments.

Liquidity risk: In difficult market conditions the value of certain strategy 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.

Emerging markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

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.

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Royal London Asset Management
80 Fenchurch Street
London EC3M 4BY

For any queries or questions coming from UK or non-EEA potential investors, please contact:

For advisers and wealth managers
bdsupport@rlam.co.uk
+44 (0)20 3272 5950

For institutional client queries
institutional@rlam.co.uk
+44 (0)20 7506 6500

For any queries or questions coming from EEA potential investors, please contact:

Arnaud Gerard
FundRockDistribution S.A.
9A rue Gabriel Lippman
Luxembourg-L-5365, Munsbach
+352 691 992 088
arnaud.gerard@fundrock.com

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