

# Royal London Global Equity Enhanced



Our RL Global Equity Enhanced Strategy aims to:

- Provide a low-cost, low tracking error solution to more risk averse equity investors looking for consistent and persistent above market returns
- Deliver high information ratios from active, idiosyncratic, stock-selection risk and deep portfolio optimisation and implementation experience
- Provide low sensitivity to traditional factor weighted approaches
- Demonstrate active stewardship through engagement and voting

## A differentiated factor – smart alpha instead of smart beta

Our senior Global Equity managers are highly experienced and seek to build balanced portfolios using a proprietary, forward looking 'Shareholder Wealth Creation' factor through the lens of a Corporate Life Cycle classification.

The results are resilient, powerful and proven through real live data rather than back-testing theoretical hypotheses.

The basis of this approach is idiosyncratic and stock specific, which provides a differentiated and hard to replicate complement to the traditional risk factor premia targeted in most other systematic strategies.

Our tools and frameworks have been designed to cover the entire investment universe providing an informational advantage through the Life Cycle lens which is measurable and proven by way of our Shareholder Wealth Creation Test.

While this has been driving traditional concentrated and diversified portfolios over many years, the skills and experience of our Quantitative Investment team help to build, optimise and implement an enhanced portfolio around this factor, which provides low benchmark characteristic difference while maintaining stock specific risk.

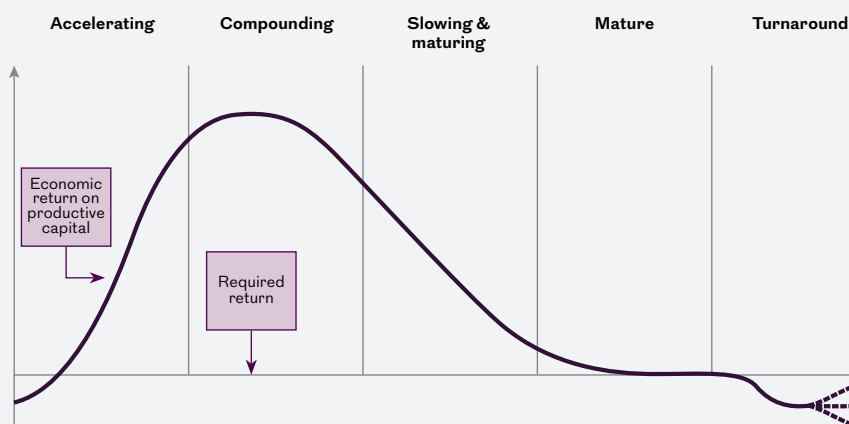
## The Corporate Life Cycle and Shareholder Wealth Creation

Our Corporate Life Cycle classification is based on the observation 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 Life Cycle categories.

Importantly we have learnt that, whilst Shareholder Wealth Creation can exist at any time and in any stage of the life cycle, the drivers of success in each stage are very different. 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.

### Corporate Life Cycle Concept

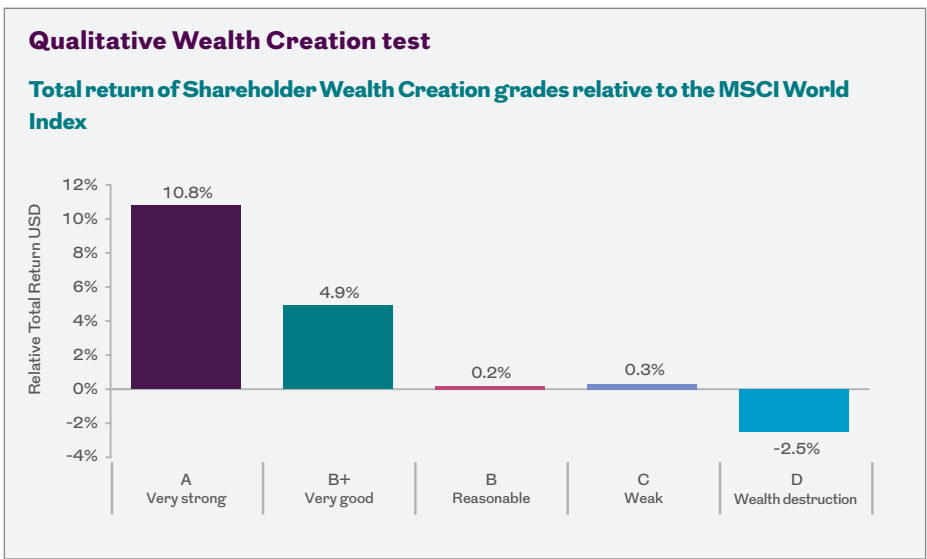
Corporate returns on productive capital and growth tend to progress along a Life Cycle. Every company can be located economically in a Life Cycle category.



Source: Royal London Asset Management, for illustrative purposes only

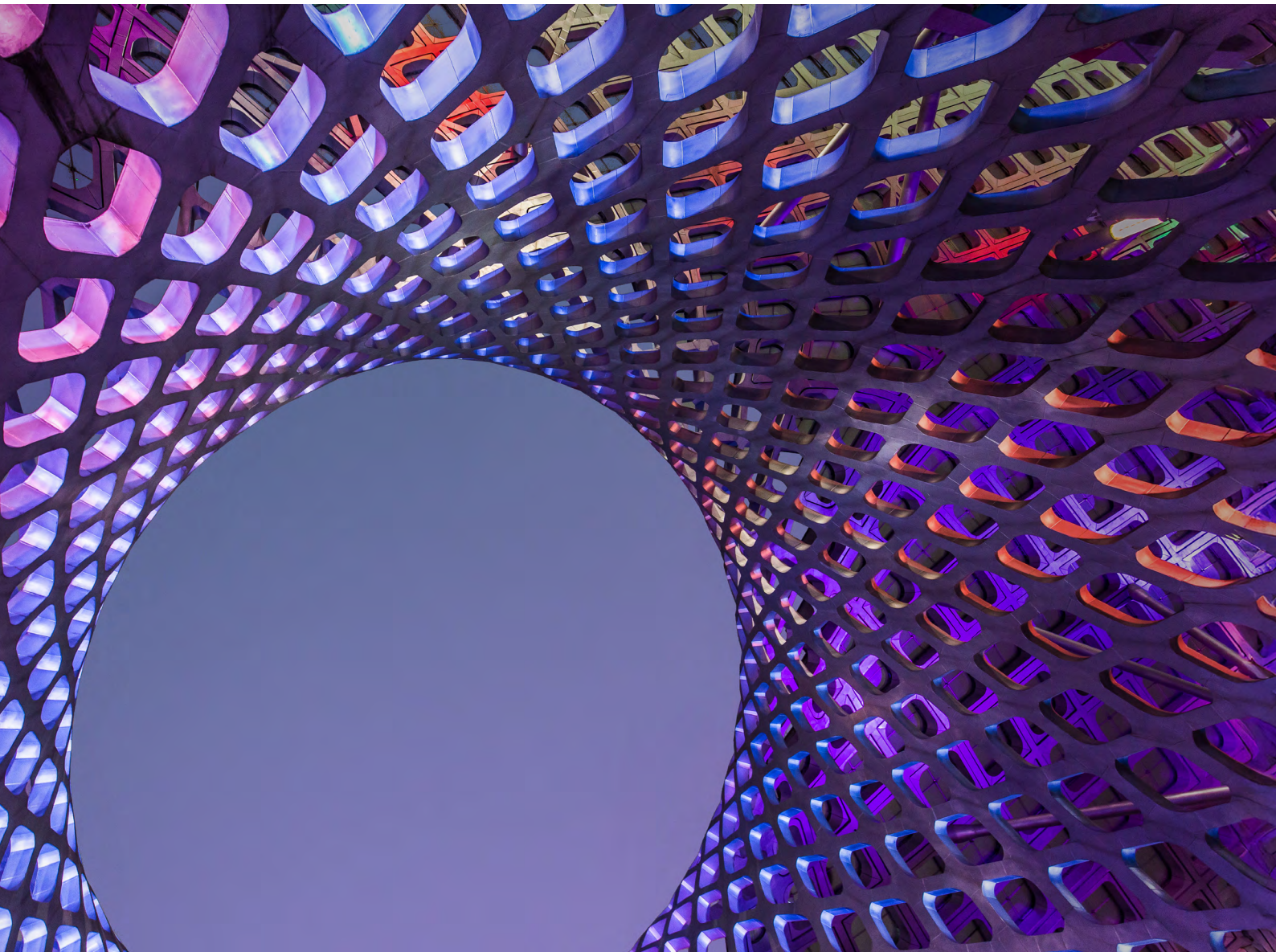
Using this Life Cycle Framework, we have built proprietary models which help us identify, both at an initial idea generation quantitative score (1-100) level, which covers the entire investible universe, and then at a more in-depth supplemental qualitative research rank (A-D) level, whether companies are pursuing the optimal strategies, business model and management incentives given their specific Life Cycle category, and external market or competitive contexts.

This measured output has evolved over 20 years, benefitting from our ability to refine and iterate by integrating active insights and performance-based feedback. For example, utilising different factors and weights depending on Life Cycle is a key differentiator to a traditional ‘quant’ scorecard. Critically, we can show powerful value add at the aggregate level.



Past performance is not a reliable indicator of future results. Source: RLAM and Bloomberg. Performance is US\$ % Annualised Total Return vs equal weighted MSCI World during period 31 December 2019 to 31 December 2024.

As can be seen by the results above, Shareholder Wealth Creation is a forward-looking factor that has been a powerful long-term driver of corporate performance yet is under-analysed by the market and hard to do well, especially over large investible universes. Having an advantage in assessing this across the Life Cycle is a powerful and differentiated alpha signal that sits at the heart of our Enhanced proposition.



Efficient portfolio construction

We believe that our complete data sets of proven alpha generative quantitative and qualitative Shareholder Wealth Creation scoring and ratings, together with our active valuation insights, provides a comprehensive platform to implement systematic portfolios.

The Global Equity Enhanced Strategy leverages this and overlays robust, quantitative portfolio construction techniques to maximise exposure to our forward-looking Shareholder Wealth Creation factor within a specified risk budget and balanced across life cycle stages whilst constraining exposure to other planes of benchmark risk.

These quantitative portfolio construction techniques, including optimisation and systematic implementation, are undertaken by our experienced Quantitative Investment Team who run more than £40 billion of client assets (as at December 2024).

A differentiated outcome

Our construction process produces a portfolio where the majority of risk budget is aligned to proven stock specific edge rather than common factor exposure. The results of this provides a ‘Passive Plus’ solution to clients with low sensitivity to the factors normally associated with the systematic ‘Smart Beta’ solutions that are more common in this space.





Responsible  
stewardship and ESG

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, we believe that 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 score in the Shareholder Wealth Creation Assessment. ESG analysis is an explicit part of the scorecard informing the overall Shareholder 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.

Our Global Equity Enhanced solution

The strategy aims to deliver a fully diversified portfolio of over 500 stocks with the objective of outperforming the MSCI World Net Total Return Index USD p.a. before fees over rolling three-year periods with a tracking error of below 1%.

The current key construction characteristics, which are subject to change, are shown in the below table:

Performance benchmark	MSCI World
Performance objective	>0.5%pa
Tracking error range (%)	<1%
No. of stocks	500+
Active share (%)	>50%
Stock specific risk (%)	>60%
Systematic risk (%)	<40%
Strategy characteristics	Life Cycle diversified

Source: RLAM as at 31 December 2024.

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.

**Concentration risk:** The price of strategies 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.

**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.

**Charges from Capital Risk:** Charges are taken from the capital of the strategy. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

## Contact us

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