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ROYAL LONDON
ASSET MANAGEMENT

Royal London Global Equity Transitions Fund

Engage with change

In an ever-evolving world, it is important to be on the right side of change. With increasing challenges for clients and the planet, engaging with those involved in the transition to a more sustainable world is both a financial and responsible necessity. Those companies faced with the biggest challenges are those likely to make the biggest difference. Understanding their plans and those of the companies who enable them, whilst monitoring their progress and holding them to account, ensures that regular progress is evidenced in the journey to achieve environmental and social sustainability. We engage with change.

What investment challenges are we aiming to solve?

Our RL Global Equity Transitions Fund aims to:

- **Deliver attractive financial returns with stock rather than style risk dominating**
- **Support companies that make a real contribution to a more sustainable world**
- **Demonstrate active stewardship**

What do we mean by 'Transitions' and a 'real contribution'?

For the Global Equity team and this fund sustainability means meeting the needs of today without compromising the ability of future generations to meet their needs. We are currently living in an unsustainable world and believe that the transition needed to achieve a sustainable path can be framed by four key themes:

1) **Climate stability** the ability and willingness to transition to net zero.
2) **Natural capital preservation** the circular economy, biodiversity, use of land and marine resources.
3) **Health & wellbeing** supporting better physical and mental health outcomes for more people.
4) **Equality of opportunity** promoting opportunity, inclusion, and diversity in a way that reduces inequalities and raises living standards for all.

Through this lens, **we seek to invest in corporates that can make a material contribution to the sustainability transition** by either transitioning their business to a more sustainable path **('Improver')**, enabling someone else's transition **('Enabler')**, or both.

We consider climate stability to be the most material of these themes from a financial and transition perspective, and hence it is most prevalent throughout the portfolio. Climate stability 'Improvers' may have high current greenhouse gas emissions, but if they are willing and able to transition to net zero it can make a huge contribution to the sustainability transition. The key difference between our approach and many traditional sustainable approaches is that we do not consider that the avoidance of companies with sustainability challenges is enough to drive material change. With our Transitions strategy we are focusing on the future of a business and its path of change, rather than how a business is positioned currently. This is especially true for the climate transition where we think it is essential for current high greenhouse gas emitters to transition effectively to net zero if we ever hope to achieve climate stability as a planet.

Active Stewardship and Engagement

We use Investor-led engagement to engage in a 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 investment decision making.

Our differentiated approach to financial returns

Our Global Equity approach uses proven proprietary tools, datasets and techniques to screen and research a universe of 5000+ companies. Our Corporate Life Cycle concept sits at the heart of this approach and enables us to identify companies with:

1) Superior shareholder wealth and

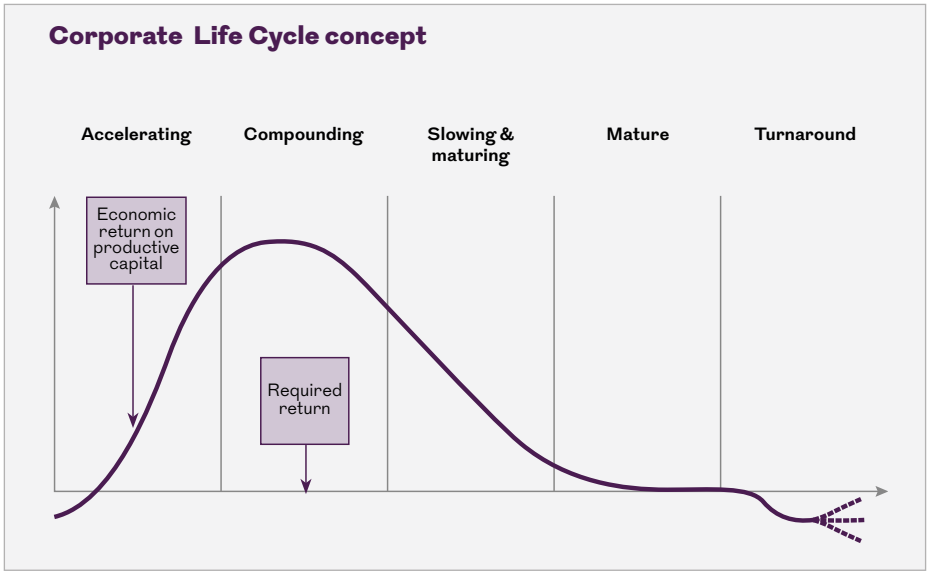
2) Attractive valuations.

At any one time we have around 300 companies meeting these criteria from which we look for material Improvers and/or Enablers within each of our investment themes. Aside from the sustainability benefits, focusing on transition also has financial benefits as valuing change can be complex. As a result, we see many attractive investment opportunities often overlooked by traditional investment approaches.

Differentiated stock ideas from this analysis are combined in balanced portfolios, diversified across the Corporate Life Cycle (see chart), which exhibit low style/factor risk. Such portfolio construction is differentiated and more complete across the investment universe, as many (especially climate) transition 'Improvers' are in the "Value" Mature/Turnaround stages of the Life Cycle, and strategies which avoid these types of business tend to exhibit a "Growth" style bias.

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 Life Cycle categories: from early-stage accelerators and growth compounders to more mature returners and turnarounds. You can have a successful investment at any point in the Corporate Life Cycle; but the reason for an investment being attractive varies significantly by Life Cycle stage.

Our Life Cycle approach has driven long term performance across a range of strategies and market environments, from high conviction to lower tracking error funds. We believe that our established investment process, starting with shareholder wealth creation and investing across the Corporate Life Cycle, results in a differentiated Transitions solution.



Source: RLAM. For illustrative purposes only.

Our Global Equity Transitions solution

The fund aims to deliver a high conviction 40-60 stock portfolio with the objective of outperforming the MSCI All Countries World Net Total Return Index USD p.a. before fees over rolling three-year periods. This should be a balanced portfolio with low style risk and high stock specific (idiosyncratic) risk that we believe is hard to replicate. We aim to build an active global equity portfolio where:

- Financial performance is driven by a proven and differentiated global alpha engine
- Proprietary 'Life Cycle' diversification lowers portfolio style risk unlike many strategies in this universe
- Each holding is making a material contribution to one or more key sustainable transition themes: Climate stability, Natural capital preservation, Health & Wellbeing, and Equality of opportunity
- Engagement is investor-led and used to hold companies to account and improve outcomes

Team and resources

RLAM's Global Equity team has over 10 dedicated portfolio managers and analysts who have proven effective in implementing our differentiated investment approach across several strategies, with the longest running representative account following this process outperforming in 17 of the 20 years since its inception. The **Global Equity Transitions Fund team** combines extensive experience in managing global equities through the team's process with a passion and focus on sustainability issues.

Bixuan Xu, CFA
Fund Manager

Fund facts

Strategy launch date	October 2021
Fund launch date	25 October 2022
Fund structure	OEIC
Domicile	Ireland
SFDR classification	Article 8 EU SFDR aligned vehicle
Fund management fee	Class M (GBP Hedged) 0.83% Class Z (GBP Hedged) 0.68%
Base currency	USD
Minimum investment	Class M: £100,000 Class Z: £3,000,000
Strategy AUM	£150 million
Fund AUM at launch	£75 million
Fund Manager	Bixuan Xu

Investment Risks:

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 funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stock market and therefore more volatile.

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 strategy to increased price volatility.

Exchange Rate Risk: Changes in currency exchange rates may affect the value of your investment.

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.

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.

Responsible Investment Style 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 strategy can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable strategies.

Contact us

For more information about our range of products and services, please contact us.

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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

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