Royal London Unit Trust Managers

Assessment of Value July 2021

Contents

Introduction from Independent Directors

Welcome to your 2021 Assessment of Value report. This report is designed to give you an update on the funds that we manage on your behalf and show what we are doing to ensure that you are receiving value for money.

Royal London Unit Trust Mangers (RLUTM) has a responsibility to ensure that your funds are managed proficiently and that these deliver value for money to you as a fund investor. One of the main tasks of the Board of Directors is to ensure that this is the case – not just as part of an annual review, but as an ongoing process. Then each year, we will report to you our findings in an annual Assessment of Value report. This report covers the funds provided by RLUTM assessed as at the end of March 2021.

Throughout this report, you will see references to Royal London. This is because the legal structures needed to set up and manage investment funds can create some confusing labelling. From a legal point of view, RLUTM has appointed Royal London Asset Management (RLAM) to make the investment decisions for your funds, but both of these companies are in turn wholly owned by the Royal London Mutual Insurance Society Limited. While this may be accurate from a legal point of view, we recognise that for most investors, the funds are managed and looked after by ‘Royal London’, so in the interests of simplicity, that’s what we refer to in this report.

The importance of independent oversight

In all the discussion about Royal London, it is important to remember that this report is focused on investors, and it is to them that RLUTM has an ongoing responsibility. The Board is made up of two independent directors from outside Royal London, plus six directors who work for Royal London. All are experienced and have to be registered with and approved by the Financial Conduct Authority (FCA). You can read details on the individual members of the Board on page 8.

The Board represents your interests. We meet regularly to ensure that the funds are being managed properly, in line with what was promised. Having Royal London employees on the Board gives a level of insight and knowledge of what is happening in the day-to-day management of your investment; having independent directors makes sure that an external point of view is brought to this oversight, and gives investors comfort that their interests are not secondary to any internal consideration.

As your independent representatives, we believe that our challenge on value is a key responsibility for us to ensure that the funds in which you invest are delivering the outcomes you expect. Since we joined the Board in 2019, that is what we’ve been focused on at every meeting – for example leading to changes to improve performance, or questioning the fees payable on certain funds, and of course, tracking progress against goals identified in our last Assessment of Value.

The Assessment of Value report is produced annually, but the process of monitoring your funds and looking to improve them is an ongoing one. The Board meet formally four times per year, and will typically meet for informal discussions more often, including discussions that took place as part of this report. The precise nature of these meetings varies, but the over-arching principle is the same – to ensure that your investments are being properly looked after.

What is value?

When we put together an Assessment of Value, we had to define 'value'. As part of that consideration, we've used input from the FCA, who regulate our industry, who identified seven key points. We group those points around three central pillars – performance, cost and service. We think that these three areas cover the main priorities for investors, with all three a vital part of any good investment product. There are more details on how we did this in the Methodology section, and then what we found is covered in the Results section, where we also update you on funds where we identified any issues last year.

In last year's report, we included a short section on Responsible Investment – which covers a range of issues and actions including integrating environmental, social and governance issues into your investments. While this is not a product in itself, we see this as an inherent part – albeit to varying degrees – of all Royal London investments. And because Responsible Investment addresses both short and long-term issues and considerations, we have again included a section on what Royal London is doing, and intend to keep this in future reports.

Managing the pandemic

Although this report is focused on a formal Assessment of Value process, we have to acknowledge the environment in which all of us have been working over the past year. Right across Royal London, whole teams and business areas have continued to work predominantly from home to help look after the health of our employees, but making sure that we continued to safeguard your interests and investments.

We continue to invest in our business – this investment being one factor that helped us continue to deliver on our commitment during this period in areas as diverse as making home working more efficient and re-launching our website. As at time of writing (July 2021), the majority of staff have started to return in accordance with UK Government guidelines while ensuring that investors still get the service that they have paid for.

Listening to you

After our first Assessment of Value report last year, we conducted market research to see what advisers and investors thought of our report. The changes in this edition reflect that feedback, but we are still keen to receive your feedback so we can deliver an even better customer experience for you. Please contact us on **AssessmentofValue@rlam.co.uk.** We hope you find the report useful, and thank you for your continued investment.

John Brett
Independent Non-Executive Director

About Royal London

Royal London and Royal London Asset Management

Adding value for over 150 years

Founded as a friendly society in 1861, Royal London's mission was to secure its members' financial stability.

Nothing has changed. Royal London Asset Management ('RLAM') was set up in 1988, initially to manage assets on behalf of Royal London members, and then to the wider market.

The following 30 years have seen both RLAM and its parent enjoy huge success to become significant parts of their relative sectors within the UK financial services industry.

That success is built on a culture of free, fresh and innovative thinking and investment strategy. That results in a measured, stable and independent approach to managing assets, which avoids fads, passing trends or a 'me too' take on investing.

Today RLAM is an integral part of the Royal London Group, with our direction driven by a shared purpose. **Protecting today, investing in tomorrow. Together we are mutually responsible.** This underpins our strategy to be a growing modern mutual with a focus on delivering for our clients.

Adding value for today

- **Putting investors' goals first**
  We aim to provide the right mix of risk and return potential to meet your goals.
- **Prioritising trust and transparency**
  Our relationship with our clients is about trust. And in financial services, trust is gained through transparency.
- **Expertise in 'active' investing**
  If our clients are paying for active management and the potential of benchmark outperformance, that is what we deliver.

Adding value for tomorrow

- **Responsible investing**
  We believe that better-run companies make better investments.
- **A responsible company**
  We aim to create a positive, inclusive and flexible culture.
- **A long-term strategy**
  We have no shareholders to force us into short-term thinking.

What Royal London is doing for its clients today

Putting investors' goals first

Whatever your financial situation, we aim to provide the right mix of risk and return potential to meet your investment goals.

Investing for us is about creating funds that work for you. We manage funds that provide a one-stop investment solution, as well as funds that focus on specific areas of specific markets. This means investors, often working with an adviser, can create the overall portfolio that works for them.

We are strong advocates of both active and passive management in the right places. What matters is delivering for clients. We therefore take a pragmatic view, offering active solutions where we feel that talented teams can deliver, and passive funds where cost-effective market exposure is the top priority.

Prioritising trust and transparency

Our relationship with our clients is about more than returns, it's about trust. And in financial services, trust comes from transparency.

Royal London aims to be clear, honest and open in how it talks to you, our clients, and your advisers. This can be seen in numerous ways – for instance in how we share our company voting record publicly, or how we have historically reported transaction costs. We also provide information on our website to give you insights into various parts of our business, including product development, gender pay gap and annual reports.

The way we talk to you is always open, honest and clear, whether in our agreements, thought leadership or reporting. Clients are provided with regular information on investments and our thinking – so you can make the right decisions for you.

Expertise in active investing

If our clients are paying for active management and the potential of benchmark outperformance, that's what we will deliver.

'Active' management is the process of trying to provide a better return than a market benchmark such as the FTSE 100, while a 'passive' fund will try to merely match performance of the benchmark (see Glossary on page 20).

At Royal London, we believe in research-led investing – looking at 'big picture' indicators such as economic growth and inflation, while also looking in more detail at the individual characteristics of companies we invest in when building active portfolios. Market indices are useful yardsticks, but they can never be the basis for active portfolio construction.

Where we are charging an active manager fee, we deliver an active portfolio. Our funds are monitored to ensure the 'active share' – or difference from their benchmark index – is high and that investors are getting what they pay for. We aren't afraid to have our funds look very different from the index.

Our active portfolios are built and developed by our dedicated, collaborative teams – we believe that this produces better long-term returns than a 'star manager' approach. Avoiding a star-manager culture reduces the effect of one individual's leanings and provides a wider base for ideas that can help achieve the best risk/return pay-off.

How Royal London looks to the future

A leader in responsible investing

Why is investing responsibly an integral part of our business? Because better-run companies make better investments.

We were a market leader in the sustainable-investing space for two decades before integrating environmental, social and governance (ESG) criteria became a major part of the asset management industry. For us, these issues have never fallen under the 'nice to have' banner – ESG has always been fundamental to the way we analyse and invest in companies.

What does all this mean in practice? We have a Responsible Investment team, made up of specialists in assessing ESG factors and engaging with companies to try to encourage better management. However, all of our investment teams look at these factors: our view is that in today's world, ignoring or downplaying ESG issues will hurt investor returns. We do manage funds that have explicit ESG-related elements, but every fund we manage incorporates this approach to some degree.

It was thought that coronavirus might put responsible investment on the back burner, that we would all have 'bigger things to think about'. But if we look at the tumultuous events of 2020, the pandemic, raging bush fires in Australia and California, Black Lives Matter, we can see that social and environmental issues are now far more prominent in our lives and as such will affect asset prices. Investors in our funds increasingly ask us for more details on what we are doing, and this tallies with our long-held aims and objectives.

We see ourselves as 'active owners'. So we engage with the companies whose shares and bonds we hold on your behalf. 'Engagement' covers a range of activities, from visible ones such as voting at company meetings, to using our influence behind the scenes or in the press, talking to company management about obvious issues such as executive pay and equally important areas such as cyber security or succession planning.

This is a major part of RLAM activities, and the annual Stewardship Report provides a comprehensive overview of the activities this includes. This is available here.

Running a responsible company

We engage with the companies we invest in to help them improve their ESG credentials, and hold ourselves to the same standards.

We're committed to creating a positive, inclusive and flexible company. Royal London's culture is grounded in our 'Spirit of Royal London' ethos, based on core principles of how we treat colleagues and customers alike. And it's why we made our People Commitment, which looks to build a diverse, skilled workforce, that helps to create the right conditions to deliver for our clients.

Diversity and inclusion are often seen as just a social aim rather than business-related. We disagree. We want to build the best teams and see little point in restricting the potential pool of candidates. We spend a lot of time and resources finding the right people to join our company – we want to create an inclusive, rewarding workplace environment so that they deliver for our clients.

Always looking to the long-term

Investing is a long-term pursuit, and that is even more true a statement in today's volatile and fast-changing world. Our views will never be skewed by the need to chase returns in the next few months – our clients have longer-term investment goals and this matches our approach. Royal London has no shareholders to push us into short-term thinking. Our independent, long-term vision ensures that we can build a business fit for the future and fit for our clients.

RLUTM Board

Hans Georgeson
Chair

Hans joined Royal London Asset Management as Chief Executive Officer in April 2021. He started his financial services career in 1996 as an equity analyst at BZW Investment Management, the asset management arm of Barclays. Hans remained with Barclays until 2010, progressing through a number of executive roles at Barclays Wealth, Gerrard Investment Management and Barclays Stockbrokers.

In 2010 Hans joined Architas, under his tenure the business grew to over £40bn assets, operating across 13 countries. Hans graduated from Oxford University with a degree in Politics, Philosophy & Economics and a Masters degree in Economics. He completed his MBA at INSEAD in 2000.

John Brett
Non-Executive Director

John joined RLUTM in September 2019 as an independent non-executive director. He has held a number of senior roles in asset management over the last 20 years including CEO of a wealth management firm, Head of Distribution for Aberdeen Asset Management and Sales & Marketing Director for Scottish Widows Investments. He is a qualified lawyer and has held senior positions responsible for legal, risk, governance, products and strategy. He is currently the non-executive chair of a wealth management business.

Nora O'Mahony
Non-Executive Director

Nora holds over 20 years of experience in the asset and investment management sector at both senior management and Board level positions. Nora was appointed to the RLUTM Board on 13 November 2019. Nora brings a wealth of knowledge in product development, distribution, fund management and investment strategy.

Andy Hunt
Executive Director

Andrew joined Royal London in December 2015, joining the Board of RLUTM in July 2017 and becoming Chief Financial Officer of RLUTM and RLAM in January 2018. He has responsibility for all aspects of finance including business performance, statutory and regulatory reporting, and the ICAAP. Andrew is also Client Money Oversight Officer for RLUTM and RLAM, responsible for the protection of client money and assets.

Rakesh Kumar
Executive Director

Rakesh joined RLAM in April 2011, joining the RLUTM board in June 2017 and is RLAM's Operations Director. He is responsible for the management and oversight of the investment and operational aspects of RLAM's business. He has expertise in providing leadership, influencing business growth and implementing and managing change to drive organisational performance. Rakesh holds a BSc in Management from the University of St Andrews along with an Executive MBA from Cass Business School. He has over 10 years' experience in the global financial sector.

Susan Spiller
Executive Director

Susan joined the RLUTM board in June 2017 and is Head of Proposition at RLAM where she is responsible for product development, product governance, insight and strategy. She joined RLAM in March 2002. Prior to this she has built up a strong background in a wide variety of sales, marketing, product development, and investment management activities. Her experience includes 15 years' experience working at Charles Schwab & Co, Fidelity Investments, and State Street Bank & Trust Co. Susan has a BA degree in Economics from Duke University and an MBA from Stanford University.

Rob Williams
Executive Director

Rob was appointed to the RLUTM board in July 2013, after joining RLAM in January 2013 as Head of Distribution with responsibility for sales, marketing, product development and client account management. He has over 25 years' experience of the asset management industry, and prior to joining Royal London held senior distribution roles at Old Mutual and JPMorgan Asset Management covering both UK and international markets. Rob holds a Bachelor's degree from Royal Holloway, University of London and an MBA from the University of London.

Cat Read
Executive Director

Cat has 18 years' experience in financial services. She was appointed to the Boards of RLUTM and RLAM in January 2018, having joined the RLAM Executive as the Chief Operating Officer. The role is fully accountable for RLAM's operating model spanning operations, data, change and technology. Cat is a Chartered Accountant and joined Royal London from PriceWaterhouseCoopers LLP where she was a Director within the Insurance and Asset Management Risk Assurance Services practice.

Our approach

Assessment of Value – methodology

Introduction

Throughout the year, we look at how our business is adding value for our customers and focus on the areas where we can do better. The purpose of this report is to give you an insight into this process – where are we adding value and what measures are we putting in place where we are falling short of investor expectations and our own high standards.

In this section, we'll talk about the issues we are investigating, our methodology and how you can interpret our findings.

Evolving our Assessment of Value

Assessing value is an ongoing process at Royal London, as part of the regular work done by teams within Royal London, as well as at Board level.

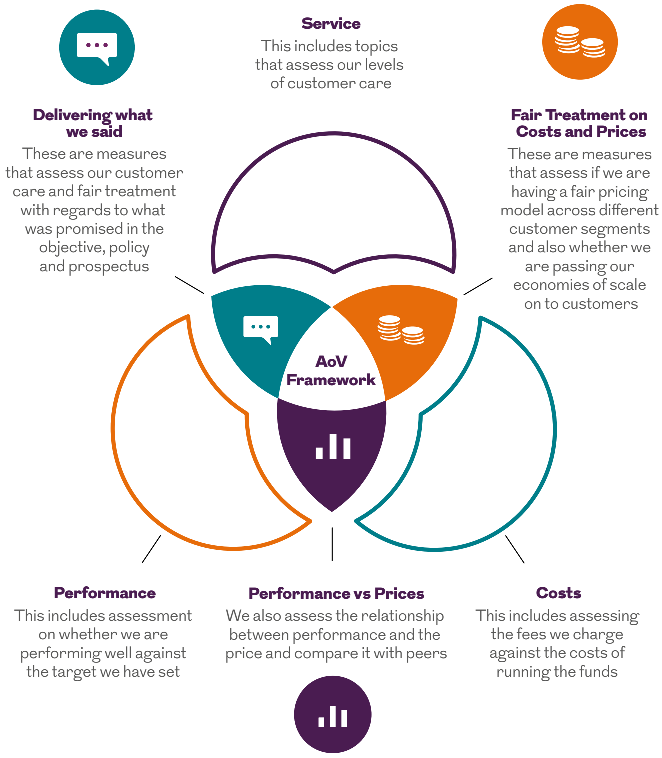
Annually, we will report back to you in this report so you can see the progress from both last year's report and the other work which we have done as part of our ongoing reviews of our funds. Since the publication of our first Assessment of Value report in 2020, we have challenged our assessments and revisited the issues we identified. As well as explaining how we have resolved these issues, we have also made some further enhancements to last year's report. These include:

- Obtaining independent feedback to gather views on the report from a research panel of financial advisors and intermediaries.
- Conducting internal reviews to consider ways in which our value methodology, and the way we present fund data and information, could be improved.
- Expanding the 'Glossary' to include additional terms.

We believe that trust and good service are, in part, achieved through transparency. Being transparent means giving investors the information they require in the simplest form possible – allowing them to make informed decisions about their investments and finances. We will continue to reassess and evolve the 'methodology' used in this assessment and continue to gather feedback on how we present the results to best illustrate how we measure the value provided by our funds.

Understanding this Assessment of Value report

Our approach continues to be based around using the three broad categories of **performance, service** and **cost** to determine where we were adding value and where we were falling short. These three categories combine (or consolidate) a more in-depth analysis by the Board which considers details in the seven areas defined by the FCA for such assessment.



Performance

What do we mean by good performance?

This sounds straightforward but this is not always the case. When we launch a fund, we state in the prospectus what the investment objective is. This may be to produce a return that is better than cash, a group of competitor funds, or a market index such as the FTSE 100.

Whether you are invested in one of our active equity or bond funds, or a passive fund, you will be able to clearly see if our independent process has identified any concerns around underperformance that need to be investigated.

We'll let you know what measures we are putting in place if your fund is significantly underperforming its benchmark. We'll also let you know what we are doing if one of our passive funds is producing performance that is not tracking its chosen index. It's important to remember that although we report to you every 12 months, when we look at performance we mainly focus on the longer term picture, as most of our funds are designed to be held over time periods significantly longer than one year.

Service

What do we mean by good service?

Here we are assessing our levels of care and whether we are being fair to customers. Service in asset management is, in many ways, about transparency – do we action customer requests and provide transparent information on an accurate and timely basis? By assessing our level of service, we wanted to ensure that customers continue to receive the range and quality of the information they need.

To gauge our service, we also look closely at feedback from advisers – although this report is designed for investors, we know that most investors in Royal London funds use an adviser.

We'll let you know what measures we are putting in place if complaints or other measures indicate poor customer service outcomes. We'll also let you know if you are eligible for a lower fee share class.

Cost

While cost plays a significant part in determining whether our funds are delivering value for investors, we do not believe it should be the only factor, and that driving down costs is not always in the best interests of investors. For example, the fees we charge enable us to continue to invest in improving the technology and infrastructure that underpins the delivery of our services. This includes making sure that the business is prepared for unforeseen events and can continue to operate without any business interruptions as it has done during the pandemic.

What questions are we asking on fund costs?

- Are the fee levels we charge our customers reasonable by reference to the costs involved with managing the funds, and the services provided to investors?
- Where there are different fee rates for different types of shares in a particular fund, are those differences fair?
- Are we as efficient as we can be in managing our costs and do we keep them under review? How do we compare to other firms in this industry? Are we achieving economies of scale?
- How do the fees we charge compare with similar funds available from our competitors and with what we charge investors in other parts of our business?

Our fund traffic light system

The 'Results' section of this report uses a traffic light system that lets you see at a glance, whether your fund is delivering good value, or if it is falling short under each of performance, service or cost, and if there are any amber or red traffic lights, the page where you can find further information.

● **Green**

If your fund has been allocated a green rating, no issues have been identified. However, this is not to suggest that we are not looking to add further value to your investments in the months and years ahead.

● **Amber**

An amber rating means our data has captured a potential issue in the value for one of our funds and flagged it for review. We will let you know what we are doing to monitor or address the issue.

● **Red**

Where a fund has been allocated a red rating for any one of our performance, service and cost categories, we will set out what actions we are taking. This could take the form of, for example, a change to the investment process, new resources or reducing charges.

Get in touch

If you would like further information about our Assessment of Value methodology, or the ratings applied to any of the funds in this document, you can contact us AssessmentofValue@rlam.co.uk

Results

An overview of our Assessment of Value findings

Performance

What were we looking for?

Performance reviews are not new for the Board. As performance is such an important component of overall value to investors, both the Board and Royal London place a great emphasis on constantly monitoring performance and addressing any potential issues.

While the Assessment of Value provides an annual checkpoint on fund performance, the funds we manage are intended to be held for considerably longer time periods, usually for a minimum of three-to-five years, but sometimes even longer. We look at all the funds (and their share classes) in our range, but will only publish a rating for funds that have been running for three years or more. For us, the primary question we look to answer when assessing each fund's performance is whether the fund has met, or failed to meet, the performance target stated in the fund prospectus – as this represents our commitment to investors.

What did we find across our range of funds?

On the whole, performance across Royal London's range of funds remains strong despite the challenges brought about by the pandemic, with the majority of funds delivering consistently good results against their objectives.

Looking at those funds that have been classified as amber or red for performance, we are encouraged that some of them have already seen improved shorter-term performance, which we hope will continue through into meeting those longer-term targets. For several of the amber-rated funds, performance was only behind target by a relatively small amount. These still get flagged, and we go through a thorough review process to ensure that fund is being managed in a way that we feel can rectify this, in which case, we may take no immediate action. In other cases, more fundamental changes may be appropriate.

To see detailed fund performance data, including figures for funds and benchmarks over a variety of time periods, please see the relevant fund factsheets, available here. These are refreshed monthly for investors wanting to monitor performance more regularly.

Service

What were we looking for?

Providing a first-class service for investors is of great importance to Royal London and will continue to be so in the future.

We looked at the following areas:

- Feedback from advisers as the majority of investors in our funds are advised, rather than coming to us directly
- Specific measures which indicate the quality of investor servicing
- Number and nature of investor complaints

What did we find?

Based on these inputs, the Board has given our funds a green rating on every service measure. In addition to considering service at the overall entity level, we have looked at service indicators on an individual fund basis. And although our 2021 Assessment of Value has not raised any areas of concern, we will continue to find ways to improve our service.

A key element in our assessment process is a regular survey of IFAs and wealth managers. This is something we have done for more than five years now, as part of that ongoing commitment to providing a first-class service and we have used the outputs from these surveys to help improve our service.

In the most recent version, we surveyed 152 IFAs and wealth managers to understand how they saw RLAM overall, but also compared to our competition. It showed that in relative terms, RLAM is mostly considered to 'offer value for money', and to be 'accessible' and 'trustworthy'. It also scores higher than most peers for 'delivering good customer service', being 'financially secure' and for having a 'strong heritage'.

The survey also showed that satisfaction with RLAM's communication has increased over the past year. This was very pleasing, as we placed an increased emphasis on this during the pandemic, recognising that advisers and investors alike would want more reassurance about our activities and views during such an uncertain period. We built a programme of written articles and blog posts, online webinars and audio updates to make it as easy as possible for intermediaries to get the information they needed. Throughout the past year, we continued to provide advisers with thought leadership – helping them navigate issues such as how environmental, social and governance issues can be built into investment funds, so that advisers can then in turn provide better information to investors.

Earlier this year, as the latest lockdown unfolded with investors working from home, we saw a noticeable change in the volume and pattern of when calls were received. This was a pattern seen across many industries – as customers working from home could call us more easily than when working in an office, and this resulted in a small increase in waiting times for a period as our own call handling team transitioned to working at home and new work patterns. We continued to focus throughout on the quality of our response to investors.

Cost

What were we looking for?

Our aim here was to assess whether the level of fees paid by investors in our funds is reasonable. This included looking at the following areas:

- The cost of individual funds versus other similar funds that competitors offer
- Do we have investors who are eligible for a cheaper share class?
- How do fees compare between a fund's different share classes?
- As funds become larger, are our investors benefiting from our increased scale?

What did we find across our company and range of funds?

In general, our findings show that the funds are priced competitively and are providing investors with value for money.

Our assessment of costs is not a one-off exercise. We carry out extensive reviews of all funds – and gather feedback in terms of performance, costs and competitive positioning – all year round, and this work has identified just a small number of instances where we think we should take a closer look at whether we have set the fees at the right level.

We look at cost on several levels: as a company, for each fund; and for each share class for those funds. Different share classes will still give exposure to the same pool of investments, managed by the same fund manager, but may charge different amounts, usually driven by the amount invested – with those investing more paying a lower percentage fee.

In the 2020 Assessment of Value we found a small number of funds with share classes where fees were comparatively higher than some of our competitors, or at a level where we thought we could do better. Over the course of the year, we looked to resolve this by reducing fees, as well as writing to shareholders to give them the opportunity to move to a cheaper share class if they were eligible – and we will continue to monitor for cases where investors become eligible to move to a cheaper class.

In addition to this Assessment of Value, we also publish cost and charges documents for each fund (available under each fund here), giving 'pounds and pence' breakdowns of what costs actually mean for you as an investor.

Fund-by-fund results

On the following page you can find our Assessment of Value ratings for performance, service and cost for each of RLUTM's funds, as at the end of March 2021. Some funds will not show a performance rating – this simply means that the fund has not been running for the minimum assessment period of three years.

Whilst we review the performance of every fund, we chose three years as a minimum rating period as all of our funds are meant to be held for at least this length of time, and this longer time period hopefully reduces the impact of any short-term performance effect – giving a better idea of the performance trend.

Where we believe an aspect of a given fund or any of the individual share classes merits a red or amber rating, we have added a note on the following pages to provide more details of the issue and our approach to dealing with it.

Fund	Performance	Service	Cost	Comments
RL Asia Pacific ex Japan Tracker	🟢	🟢	🟢	–
RL Cash Plus	🟢	🟢	🟢	–
RL Cautious Managed	🟢	🟢	🟢	–
RL Corporate Bond	🟢	🟢	🟢	–
RL Diversified Asset Backed Securities	🟢	🟢	🟢	–
RL Emerging Markets ESG Leaders Equity Tracker	🟢	🟢	🟢	–
RL Enhanced Cash Plus	🟢	🟢	🟢	–
RL Ethical Bond	🟢	🟢	🟢	–
RL Europe ex UK Tracker	🟢	🟢	🟢	–
RL European Corporate Bond	🟢	🟢	🟢	–
RL European Growth	🟡	🟢	🟢	page 18
RL FTSE350 Tracker	🟢	🟢	🟢	–
RL Global Equity Diversified	🟢	🟢	🟢	–
RL Global Equity Income		🟢	🟢	–
RL Global Equity Select	🟢	🟢	🟢	–
RL Global Index Linked	🟡	🟢	🟢	page 17
RL Global Sustainable Equity		🟢	🟢	–
RL GMAP Adventurous	🟡	🟢	🟢	page 16
RL GMAP Balanced	🟡	🟢	🟢	page 16
RL GMAP Conservative	🟢	🟢	🟢	–
RL GMAP Defensive	🟡	🟢	🟢	page 16
RL GMAP Dynamic	🟡	🟢	🟢	page 16
RL GMAP Growth	🟡	🟢	🟢	page 16
RL Index Linked	🟢	🟢	🟡	page 17
RL International Government Bond	🟡	🟢	🟢	page 17
RL Investment Grade SD Credit	🟢	🟢	🟢	–
RL Japan Tracker	🟢	🟢	🟢	–
RL Monthly Income Bond		🟢	🟢	–
RL Multi Asset Strategies		🟢	🟢	–
RL Property Fund (incl feeder: RL Property Trust)	🔴	🟢	🟢	page 16
RL Short Duration Credit	🟢	🟢	🟢	–
RL Short Duration Gilts	🟡	🟢	🟢	page 17
RL Short Duration Global Index Linked	🟢	🟢	🟢	–
RL Short-Term Money Market Fund	🟢	🟢	🟢	–
RL Sterling Credit	🟢	🟢	🟢	–
RL UK All Share Tracker	🟢	🟢	🟢	–
RL UK Dividend Growth	🟢	🟢	🟢	–
RL UK Equity	🟡	🟢	🟢	page 18
RL UK Equity Income	🟡	🟢	🟢	page 18
RL UK Government Bond	🟡	🟢	🟡	page 17
RL UK Mid Cap Growth	🟢	🟢	🟢	–
RL UK Opportunities	🟡	🟢	🟢	page 17
RL UK Real Estate Fund	🟢	🟢	🟢	–
RL UK Smaller Companies	🟢	🟢	🟢	–
RL US Tracker	🟢	🟢	🟢	–

Findings and actions for individual funds

This section sets out our findings and actions in respect of those funds for which our assessment has raised an amber or red alert.

Global Multi-Asset Products (GMAP)

GMAP Adventurous Fund
GMAP Balanced Fund
GMAP Defensive Fund
GMAP Dynamic Fund
GMAP Growth Fund

Issue	Alert level
Performance	● (amber)

Specific findings

The GMAP funds were classified as amber in last year's Assessment of Value. Encouragingly, performance over one year has improved, after the funds recovered from the sell-off experienced during the coronavirus pandemic, although the funds continue to underperform their composite benchmarks over three and five years. However, we would stress that these benchmarks do not constitute performance targets and are for comparison purposes only.

Our GMAP funds aim to provide investors with a range of investments that allow them to choose a level of risk that they are comfortable with. As part of this, one of the main targets for us is to ensure that any given GMAP fund behaves as expected, so investors choosing a lower-risk GMAP fund experience lower risk. The GMAP range has performed as expected in this respect. In addition, each fund's objective is to achieve a stated degree of capital growth or income, or a total return consisting of both, over six-to-seven years – a time period longer than the life of these funds, which were established in 2016.

What actions were taken to resolve these issues?

In 2020, we undertook an in-depth review of all our multi-asset funds, including the GMAP range. As part of this review, the GMAP fund managers re-evaluated the strategic asset allocation for each GMAP fund. This resulted in the funds reducing their weightings in property and UK equity asset classes and increasing their allocation to global investments.

What further actions will be taken?

Having already made a number of enhancements to the multi-asset area – including strengthening the team and adding tools such as being able to target certain sectors in the US equity market or commodities. – we will continue to monitor these changes and their impact on long-term performance.

In addition, we will continue to monitor the levels of capital growth, income or total return (as stated in the individual funds' objectives) the GMAP funds are delivering as they reach the end of their first six- to seven-year market cycle.

Property Fund
Property Trust (Feeder)

Issue	Alert level
Performance	● (red)

Specific findings

The Property Fund's A and B share classes and its feeder fund, the Property Trust, have underperformed the AREF/ IPD UK Pooled Property Fund Index over an extended period. Given that the fund's performance target is to outperform its benchmark and the extent and persistency of underperformance, this year's Assessment of Value raised a red alert level.

What actions were taken to resolve these issues?

Our ongoing review process identified the underperformance of the fund in 2019 and we have made several important changes to address this, including introducing a new fund manager and rebalancing the composition of the portfolio, adding to sectors that we believe will be well placed to provide good returns in the post-pandemic environment.

What further actions will be taken?

The investment team is confident that the changes made mean that the fund is now well placed to generate improved performance, though it is acknowledged this may take some time to feed through given the long term nature of investing in property. The RLUTM Board will continue to monitor performance and receive progress updates from the investment team.

Global Index Linked Fund
Short Duration Gilts Fund

Issue	Alert level
Performance	●

Specific findings

The funds have marginally underperformed their respective indices over five years. While the underperformance is relatively small, given that the funds' performance targets are to outperform their respective indices over rolling five-year periods, our alert level has increased from green to amber this year.

What actions are being taken to resolve these issues?

The funds have missed performance targets by a relatively small amount. We will monitor each fund's performance closely and take any actions necessary should performance deteriorate.

Index Linked Bond Fund

Issue	Alert level
Cost	●

Specific findings

Our ongoing review of the positioning of our funds against those of other firms has identified that an adjustment to the fee levels for this fund may be appropriate.

What actions are we taking to resolve these issues?

We have commenced a review of the fees for this fund's share classes and we will communicate the outcome of that review.

UK Government Bond Fund

Issue	Alert level
Performance and Cost	●

Specific findings

The fund has marginally underperformed the FTSE Actuaries UK Conventional Gilts (All Stocks) Total Return GBP Index during the past five years. As the fund's performance target is to outperform its benchmark over rolling five-year periods, our Assessment of Value has maintained an amber alert level.

In addition, the fund is classified as amber for costs as our ongoing review of the positioning of our funds against those of other firms has identified that an adjustment to the fee levels for this fund may be appropriate.

What actions are we taking to resolve these issues?

We have commenced a review of the fees for this fund's share classes and we will communicate the outcome of that review. Additionally, we will continue to monitor performance closely and in this respect we are encouraged that the fund has outperformed its benchmark over the past year.

International Government Bond Fund

Issue	Alert level
Performance	●

Specific findings

The International Government Bond Fund's M share class has marginally underperformed the JPMorgan Global Bond Index ex UK (Traded) Total Return (GBP hedged) Index during the past five years. As the fund's performance target is to outperform its benchmark over rolling five-year periods, our Assessment of Value has maintained an amber alert level.

What actions are we taking to resolve these issues?

We continue to monitor the fund's performance closely, and we are encouraged that is has outperformed the index over the last year.

UK Opportunities Fund

Issue	Alert level
Performance	●

Specific findings

The UK Opportunities Fund's M share class has underperformed the FTSE All-Share Index over five years. Given that the fund's performance target is to outperform the index over rolling five-year periods, our Assessment of Value has maintained the amber alert level on this fund from last year's assessment.

What actions are being taken to resolve these issues?

The fund's improved performance over one and three years gives us confidence that the changes made to the fund – including appointing a new fund manager in 2017 – are bearing fruit. The fund experienced strong performance before the pandemic and has recovered well in the past 12 months. We do not believe any further actions are required at this time, although we will continue to closely monitor performance.

UK Equity Fund
UK Equity Income Fund

Issue	Alert level
Performance	

Specific findings

The UK Equity Fund has marginally underperformed the FTSE All-Share Index over five years, and the UK Equity Income Fund has underperformed over three- and five-year time periods.

What actions are being taken to resolve these issues?

In the case of the UK Equity Income Fund, the long-standing manager of the fund stepped down in February 2021 and was replaced by his highly experienced deputy, who was already successfully managing the UK Dividend Growth fund. As one-year performance of the fund has been good, and the fund continues to achieve its income objective we do not believe any further actions are required at this time. In the case of the UK Equity Fund, the underperformance is marginal, and no remedial actions are required, although we will continue to closely monitor the performance of both funds.

European Growth Fund

Issue	Alert level
Performance	

Specific findings

The European Growth Fund's M and A share classes have underperformed the FTSE World Europe ex-UK Index over five years. Given that the fund's performance target is to outperform the index over rolling five-year periods, our Assessment of Value has raised an amber alert level.

What actions are being taken to resolve these issues?

In 2020, another European equities fund (the European Opportunities Fund) was merged into this fund, providing benefits of scale and allowing the investment team to concentrate its focus on a single fund. Additionally, the team has made adjustments to its approach for generating investment ideas, for example with closer collaboration and sharing of insights with colleagues managing other international equity strategies. Following these changes, we believe that the fund is well positioned to generate improved performance. We will continue to monitor this closely and take further action if necessary.

Glossary

Glossary

absolute return – an investment approach that aims to achieve a return that is not benchmarked against any index.

ACD – authorised corporate director. The officially designated manager of an OEIC or ICVC, who is obliged to comply with FCA regulations.

active management – an investment style that is designed to exceed the return of a benchmark index. Active managers base their decisions to deviate from a benchmark's composition on their judgment and analysis.

AMC – annual management charge. An annual fee paid to the fund management company for the management and administration of a fund.

Assessment of Value – introduced by the Financial Conduct Authority in 2019, the Assessment of Value rules require fund management companies to assess the value of each of their funds, take corrective action on any funds that do not offer good value, and explain their fund assessments annually in a publicly available report.

asset class – a category of investments, such as shares or bonds, that display similar characteristics.

benchmark – a performance target for investments. This is usually an index or a peer group (an acknowledged selection of similar investments).

bonds – sometimes referred to as fixed income – are investments issued as debt by corporations and public bodies to raise finance. Bonds pay out a previously agreed, non-variable interest payment (or coupon) until a maturity date when the initial investment (or principal) is repaid.

bond fund – a portfolio composed of fixed income investments.

capital growth – the rise over time of an investment's value.

capital preservation/protection – investment techniques/approaches that aim to maximise the return of an investment's original capital value.

capital return – the measured performance of an investment according to its change in value over time, without factoring in dividends or any other income.

commodities – resources-related physical investments like oil, gold or wheat.

common stock – a share that represents partial ownership of a company. Common stock gives the owner a lower level of ownership from holders of preferred stocks.

corporate bonds – fixed income investments issued by a company as a way to raise finance.

derivatives – investments that derive their value from another closely related underlying investment.

developed markets – countries with more advanced economies. Developed markets according to MSCI classification include the UK, US, Hong Kong and most eurozone countries.

domicile – the country where the fund was first set up, and the jurisdiction that applies for tax and regulation purposes.

diversification – investing in multiple asset classes or sectors in order to reduce risk.

duration – an investment's sensitivity to interest rate changes.

emerging markets – markets in the developing world that are more advanced than frontier markets. Emerging markets according to MSCI classification include China, Russia, India and Brazil.

equities – stocks listed on an exchange.

equity fund – a portfolio that invests in equities.

ESG – environmental, social and governance. A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

ethical criteria – predefined restrictions on sectors or asset classes that a manager may invest in.

FCA – Financial Conduct Authority. The UK's regulator of the finance industry.

fixed income investments – also known as bonds. Fixed income investments pay out a previously agreed, non-variable interest payment until that investment reaches maturity.

FMF – fund management fee. This is intended to make it clearer and simpler for investors to understand the total fees charged for managing a fund.

FTSE 100 – Financial Times Stock Exchange 100 Index. A list of the top 100 UK companies, ranked by market capitalisation.

government and public bonds – bonds issued by governments or public bodies, not by corporations.

growth – a style of investing that aims to increase the original capital invested.

hedging – reducing risk by protecting an investment with another related investment.

ICVC – investment company with variable capital. An open-ended investment vehicle that can create new shares to accommodate additional investors.

income – a form of payment generated by an investment, such as dividends or bond coupons.

income investing – investment style that looks for income rather than capital growth.

index-linked bonds – fixed income investments that are closely tied to an index of consumer prices/inflation.

inflation – the average rise in prices of a predetermined list (or 'basket') of goods.

interest rates – the cost of borrowing and using money. These are set by central banks and are expressed as a percentage owed of the amount borrowed.

interest rate risks or exchange rate risks – risks associated with changes in the level of interest rates or the difference between the comparative value of different countries' currencies.

investment-grade bonds – bonds that have been assessed by credit ratings agencies, and which are deemed to be higher quality (and less likely to default).

large-cap – large capitalisation. Stocks of companies with a large market capitalisation (over £2 billion). These generally make up the FTSE 100.

liquidity – the availability of money for lending or ease of use/buying/selling an investment.

market capitalisation – the number of a company's shares multiplied by their value.

maturity – the time at which the principal and all interest related to a bond are to be paid.

mid-cap – stocks of companies with a medium market capitalisation (between £250 million and £2 billion). These generally make up the FTSE 250.

multi-asset/multi-asset strategies – investment approaches that use different asset classes – like shares, bonds and cash – in one portfolio.

overseas corporate bonds/overseas government bonds – bonds from countries other than the UK.

passive strategy – fund that sticks closely to an index in terms of its composition and expected returns.

secondary market – market where investments are bought and sold by those who already own them as opposed to primary market (issuance).

securities – investments, basically.

small-cap – stocks of companies with a market capitalisation of below £250 million.

sovereign bonds – fixed income investments issued by governments.

stocks/shares – two words that mean the same thing, i.e. equities.

share class – funds issue can offer different classes of shares to investors that charge different fees and expenses, while still giving exposure to the same underlying set of investments

sub-investment grade securities/non-investment grade – bond with a lower rating than investment grade. A greater risk of default usually means a higher yield.

total return – the capital gain (including income) or loss generated by an investment over a specific period.

tracking error – the difference between the return of a passive fund and the index it tracks.

transferable securities – investments that can be bought or sold.

treasury bills – government securities issued by the US Federal Reserve.

unit trust – an investment vehicle (fund) that can issue a limitless number of units to investors, the value of which is linked directly to the investments held within the fund.

UK government bonds – also known as 'gilts' and issued by HM Treasury.

value investing – an investment style targeting stocks that are being bought and sold at prices lower than their intrinsic value, i.e. that are undervalued by the market.

volatility – movements up or down in a market index.

yield – a measure of the income return earned on an investment. For a bond, the yield is usually seen as the annual income paid as a percentage of the current market price.

Contact us

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