Royal London Unit Trust Managers

Assessment of Value 2022

Contents

Independent Non-Executive directors' introduction

Welcome to your 2022 Assessment of Value report, which gives investors an update on the funds we manage on your behalf, any issues that we have identified, and appropriate actions to rectify those issues, all with a view to ensure that investors receive value for money.

Royal London Unit Trust Managers Limited (RLUTM) has a responsibility to ensure that your funds are managed proficiently and they deliver value for money to you as a fund investor. Ultimate responsibility for this lies with the Board of Directors – not just as an annual exercise, but as an ongoing activity. Each year, we gather data on the funds and their competitors, hear from fund managers and report our findings to investors in this annual report. In theory, this covers the 12 months to 31 March 2022, but in reality we are also looking at the longer-term picture – with examples of this discussed later in this report.

The importance of independent oversight

The RLUTM Board has a duty to ensure the appropriate management of its funds. This relates to all aspects of management – from the fund manager taking investment decisions, to ensuring that assets are properly looked after, accounted for and reported on. The Board is made up of two independent directors from outside Royal London, plus five directors who work for Royal London. You can read details of the individual members of the Board on page 15.

The insight and knowledge of the directors who are Royal London employees is an essential element in our monitoring, given their day-to-day involvement in the management of the funds. However, having independent directors brings an external perspective to fund 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. This is the starting point for our regular meetings, focusing on performance, costs and service, and tracking progress on these areas, particularly those identified as part of this annual process.

As a Board, we meet four times a year formally, but will invariably discuss matters informally as part of 'business as usual'. We also have formal discussions as part of the Assessment of Value process to provide a clear record of what we have looked at and why, and the decisions we make. But whether formal or informal, the objective of these meetings has the same underlying principle: to make sure that the funds deliver for you, our investors.

Throughout this report we will refer to Royal London. From a legal point of view this is not quite accurate – in fact, RLUTM appoints Royal London Asset Management (RLAM) to manage the funds, with both ultimately owned by The Royal London Mutual Insurance Society Limited (RLMIS). But for most investors, they see the fund name with 'Royal London', and hence we believe it is simpler to use that term in this report.

What is value?

Value, and delivering value, is the theme of this report. Value often means different things to different people, and 'value for money' is subjective. For the Assessment of Value, we started with the principles laid out by the Financial Conduct Authority (FCA) and created three pillars that we think collectively deliver value, these being Performance, Cost and Service.

Many investors focus on Performance, on the basis that if they're better off, then all is good. Performance of most of our funds has been good over the review period, and over the long term. Considering the backdrop of the last few years, this is a pleasing result, but our discussions with fund managers showed that they are not complacent, and that conditions during the next review period will be just as testing given the ongoing invasion of Ukraine, rising inflation, rising interest rates and nervous markets.

We want to go deeper than just performance because we believe that there is more to a good investment than a number showing returns. What risk was taken to generate those returns? How much did investors pay for those returns? For more explanation of how we define 'good' and what we found, see the Methodology section on page 6 and the Results section starting on page 8. And value can sometimes be broader still: this year we made changes to our tracker funds (see insert) that we believe will benefit all investors and wider society at no additional cost to investors.

Bringing ESG into our tracker funds

In 2021, we converted most of our tracker equity funds into ones which integrated an Environmental, Social and Governance ('ESG') 'tilt'. This change, which was approved by the investors in those funds, means that the funds' performance targets are now to deliver the performance of an index, whilst seeking to achieve a carbon intensity reduction of at least 10% (UK) and 30% (all others) compared to the index whilst also considering a company's ability and willingness to transition and contribute to a lower carbon economy. By doing this we have moved away from investing passively to taking an active approach, ensuring that we invest and engage with companies with good ESG practices and reduce the funds' holdings in companies with poorer practices.

Listening to you

We continue to look at the best way to create and deliver this Assessment of Value report. As well as industry-wide feedback from the FCA, we also commission market research to get adviser input into a wide range of Royal London products, services and communications, including this report. If you have questions or suggestions on ways to improve it, please contact us on **AssessmentofValue@rlam.co.uk.** We hope you find the report useful, and thank you for your continued investment.

John Brett and Jill Jackson
Independent Non-Executive Directors, RLUTM

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 we are adding value and what measures we are 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 previous years' reports and the other work which we have done as part of our ongoing reviews of our funds.

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 continue to review and improve the 'methodology' used in this assessment. For example, this year we have gathered and examined an even larger set of numerical data to tell us how much it costs us to run the funds and we have used this information to evolve our guidelines for judging whether the fees we charge investors in each share class continue to be fair. We will also continue to gather feedback on how we present the results to best illustrate how we measure the value provided by our funds.

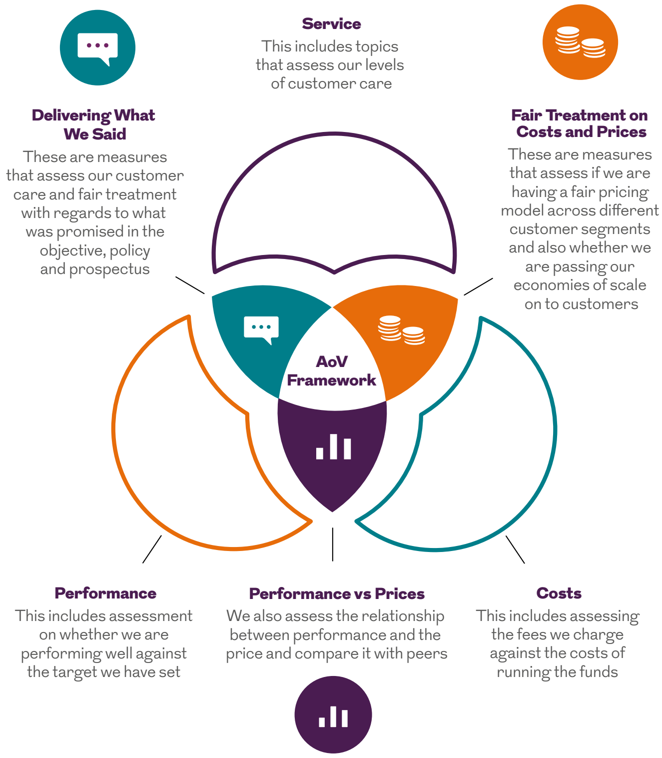
Understanding this Assessment of Value report

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 fund's investment objective and performance target or benchmark is. That target 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 multi-asset or other type of fund, you will be able to clearly see if our 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. 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 want to ensure that customers continue to receive the range and quality of the information they need.

To gauge our service, we look closely at feedback we have received from investors and at how well our teams that service investors have been performing. We also reflect on what advisers have told us about our services, as 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.

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 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 did during the pandemic.

What questions are we asking on 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?
- Are the differences in fee rates for different types of shares in a particular fund fair? Could investors be eligible to switch to a cheaper share class?
- Are we as efficient as we can be in managing our costs and do we keep them under review? Are we achieving economies of scale for the benefit of investors?
- How do the fees we charge compare with similar funds and share classes available from our competitors and with what we charge for similar services 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 the fund, or one of its share classes, 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.

● **Amber**

An amber rating means our review has captured a potential issue in the value for the fund (or one of its share classes) 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. For example, this could take the form of a change to the investment process, focusing additional effort on a service issue or reducing our fees.

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 at AssessmentofValue@rlam.co.uk

Results

An overview of our Assessment of Value findings

Performance

What were we looking for?

Performance is perhaps the first and most obvious factor that all of us look at when considering a fund and whether it has provided value. Different funds have different performance objectives, but most aim to beat a market comparison such as the FTSE 100. As well as headline performance, we also look at the risk taken by each fund to ensure that it is in line with the objective – essentially to ensure that the fund is neither taking too much nor too little.

With Assessment of Value being an annual checkpoint, it would be easy to focus on 12 months' performance. In reality, the Board will always look across a range of time periods. Most of our funds are designed to be held for longer than 12 months, typically at least three-to-five years. But any proper assessment has to look at both, as short-term performance can be informative: for instance, a fund with poor long-term returns may have made changes, and annual returns may give a clue as to how successful those changes have been. Similarly, a fund with a great long-term record may have had a hard year – and this can be a prompt to check that the fund has the right resources and process to weather any difficult times.

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 a year 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?

Performance across Royal London's range of funds to the end of March 2022 was generally good – with most delivering positive returns overall, and generally doing well compared to their objectives. On the whole, those that were equity funds saw positive returns since our last review, as markets were buoyant through most of 2021, while bond funds saw negative returns due to fears of rising inflation and interest rates.

We are pleased to note that since our last review several funds that received an amber rating 12 months ago have received a green rating this time around. However, we did still have several funds with amber or red ratings.

While specifics are covered in the following pages, we were satisfied that for those funds that previously had an amber or red rating and that still do, we can see that changes we put in place in recent years are starting to have an effect.

The Board will continue to monitor these funds closely until their long-term performance is sustained at the level required.

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?

We looked at several areas, including:

- 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

This year the Board also looked at investment processes and integration of Environmental, Social and Governance (ESG) matters as an important part of our overall service to investors.

What did we find?

Providing a first-class service for investors is of great importance to Royal London as we recognise it is an essential element in the investor experience. The Board keeps this under close review on an ongoing basis and assessed that we were offering a good level of service across the range, and was happy to keep the green rating we had last year.

We continue to work to improve our service. For example, we have been enhancing the quality of our support for those investors contacting us who are experiencing difficult circumstances or who have sensitive matters that they wish to discuss with us.

An important element in our assessment process is a regular survey of Independent Financial Advisers (IFAs) and wealth managers. This is something we have done for more than six years now, as part of our 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 220 IFAs and wealth managers to understand how they saw Royal London overall, but also compared to our competition. Royal London again scored more highly than many competitors when rated on 'offers value for money', and to be 'experienced' and 'trustworthy'. We also continue to score well on Communication – which has remained vital to help advisers as concerns over Covid-19 gave way to Ukraine and the rise in inflation and interest rates later in the period.

Assessment of investment process and effectiveness of ESG processes is ongoing, but as part of the Assessment of Value, the Board looked for forms of validation where possible. For instance, Royal London continues to win a high number of external awards for various funds and strategies, and a number of strategies continue to receive buy ratings from external investment consultants. Internally, the Board regularly reviews the output of the independent Risk team – which looks at funds to ensure that these are being managed in line with expected risk tolerances – to ensure, for instance, that a good return isn't just the result of taking an excessive amount of risk.

On ESG, the Board noted that Royal London continues to win awards for its activities, while also being a signatory to the Financial Reporting Council's Stewardship Code. The FRC introduced the Code to advance engagement between companies and institutional investors in order to improve long-term shareholder returns and the efficient application of governance responsibilities. As part of this, Royal London has to submit an annual report covering its activities in this area before being confirmed as a signatory. Not all asset managers met the required level, and the Board therefore see this as a real example of our ESG capabilities.

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.

The first way we ensure that we factor costs into our thinking is at the Performance stage: we look at net performance to ensure that we see what investors get after paying fees as this is the first 'hurdle' for investors in receiving those returns .

Next, we looked 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 – as with every industry, we will charge those buying more a lower percentage fee. We ask ourselves:

- How do our fees compare to those of 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?
- Are fund fees reasonable given the costs of providing those funds?

What did we find across our range of funds?

Our findings show that the funds are priced competitively and are providing investors with value for money. We are not complacent, however. We are continuing to improve our framework for addressing these questions throughout the year, and not just when we do this assessment.

We use a 'fund management fee' (FMF) model for charging for our funds. The key advantage of the FMF model is that it provides greater certainty – with charges fixed rather than floating monthly. Cost pressures have generally been increasing over the past year, reflecting wage growth generally and increased emphasis on compliance and security. These costs have been borne within existing pricing.

The Board is particularly focused on the fairness of our fees across different types of share classes. Earlier this year, we took action to reduce the fees on several share classes in two of our funds.

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

Below 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 2022. Where we believe an aspect of a given fund or any of its 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 Equity Tilt Fund	🟢	🟢	🟢	-
RL Cautious Managed Fund	🟢	🟢	🟢	-
RL Corporate Bond Fund	🟢	🟢	🟢	-
RL Diversified Asset Backed Securities Fund	🟢	🟢	🟢	-
RL Emerging Markets ESG Leaders Equity Tracker Fund	🟢	🟢	🟢	-
RL Ethical Bond Fund	🟢	🟢	🟢	-
RL Europe ex UK Equity Tilt Fund	🟢	🟢	🟢	-
RL European Growth Fund	🟢	🟢	🟢	-
RL Global Equity Diversified Fund	🟢	🟢	🟢	-
RL Global Equity Income Fund	🟢	🟢	🟢	-
RL Global Equity Select Fund	🟢	🟢	🟢	-
RL Global Index Linked Fund	🟢	🟢	🟢	-
RL Global Sustainable Equity Fund	🟢	🟢	🟢	-
RL GMAP Adventurous Fund	🟡	🟢	🟢	Page 12
RL GMAP Balanced Fund	🟡	🟢	🟢	Page 12
RL GMAP Conservative Fund	🟢	🟢	🟢	-
RL GMAP Defensive Fund	🟡	🟢	🟢	Page 12
RL GMAP Dynamic Fund	🔴	🟢	🟢	Page 12
RL GMAP Growth Fund	🟡	🟢	🟢	Page 12
RL Index Linked Fund	🟢	🟢	🟢	-
RL International Government Bond Fund	🟢	🟢	🟢	-
RL Investment Grade Short Dated Credit Fund	🟢	🟢	🟢	-
RL Japan Equity Tilt Fund	🟢	🟢	🟢	-
RL Multi Asset Strategies Fund	🟡	🟢	🟢	Page 13
RL Property Fund (incl feeder: RL Property Trust)	🔴	🟢	🟢	Page 13
RL Short Duration Credit Fund	🟢	🟢	🟢	-
RL Short Duration Gilts Fund	🟢	🟢	🟢	-
RL Short Duration Global Index Linked Fund	🟢	🟢	🟢	-
RL Short Term Money Market Fund	🟢	🟢	🟢	-
RL Short Term Fixed Income Fund	🟡	🟢	🟡	Page 12
RL Short Term Fixed Income Enhanced Fund	🟡	🟢	🟢	Page 12
RL Sterling Credit Fund	🟢	🟢	🟢	-
RL UK All Share Tracker Fund	🟢	🟢	🟢	-
RL UK Core Equity Tilt Fund	🟢	🟢	🟢	-
RL UK Broad Equity Tilt Fund		🟢	🟢	-
RL UK Dividend Growth Fund	🟢	🟢	🟢	-
RL UK Equity Fund	🟢	🟢	🟢	-
RL UK Equity Income Fund	🟢	🟢	🟢	-
RL UK Government Bond Fund	🟢	🟢	🟢	-
RL UK Mid Cap Growth Fund	🟢	🟢	🟢	-
RL UK Opportunities Fund	🟡	🟢	🟢	Page 13
RL UK Real Estate Fund (incl feeder fund)	🟢	🟢	🟢	-
RL UK Smaller Companies Fund	🟢	🟢	🟢	-
RL US Equity Tilt Fund	🟢	🟢	🟢	-

Findings and actions for individual funds

This section covers funds where one or more of Performance, Service or Cost was identified as not reaching the standard we would expect.

Short term fixed income funds

Short Term Fixed Income Fund
Short Term Fixed Income Enhanced Fund

Issue	Rating
Performance	

Specific findings

These two funds both target returns above those available on cash (cash defined as the Bank of England's Sterling Overnight Index Average, or SONIA), over rolling 12-month periods. Although both have strong long-term records, both have underperformed the target in the past 12 months and hence are rated amber.

These funds use core exposure to money market instruments (which tend to be very short dated, very secure, and have very low returns), and then add other types of instruments to provide a higher overall return. Those other instruments include covered bonds, floating rate notes, and (for the enhanced fund) short dated corporate bonds and mortgage backed securities. The net effect is that both funds have an element of interest rate risk (because these instruments have longer maturities than money market instruments) and credit risk.

Over the past 12 months, yields have gone up (which pushes the price of bonds down). This has led to negative returns for these funds. This is an expected outcome – all bond prices fall when yields and interest rates rise. The negative performance is therefore a function of the interest rate risk in the fund, which is also necessary to hit the performance target over the longer term. The Board noted that alongside performance, these funds target security (i.e. not having underlying holdings default) and liquidity (providing investors with next-day access) and have continued to meet these aims throughout the review period.

What actions are we taking?

No action will be taken at present. As with all funds that have short-term performance issues, the Board will pay closer attention. However, we are satisfied that the recent performance is because of market conditions, rather than poor investment process or decision-making.

Short Term Fixed Income Fund

Issue	Rating
Cost	

Specific findings

We identified that investors in the 'M' share class of this fund are eligible to be switched to another share class in the fund that has a lower fee.

What actions are we taking?

In the next few months, we will be writing to the relevant investors to inform them that we intend to switch their holding to the cheaper share class.

Global Multi-Asset Portfolio (GMAP) funds

Issue	Rating	
Performance	**GMAP Adventurous Fund**	
	GMAP Balanced Fund	
	GMAP Defensive Fund	
	GMAP Dynamic Fund	
	GMAP Growth Fund	

Specific findings

The rating assigned to these GMAP funds reflects their under-performance against their composite benchmarks over the full six-year period since the funds were established. Over more recent time periods, however, a clear improvement trend is now evident as result of actions previously taken.

What actions have we taken?

In 2020 we conducted a review of the strategic asset allocation of each fund and implemented this in early 2021. This reduced exposure to UK property and UK equities and increased exposure to global equities; all of these changes have been supportive. The funds have also delivered strong capital growth and continue to work well as a range – so investors choosing a lower-risk GMAP fund experience lower risk.

What further actions will be taken?

The Board has recognised the changes made to the funds and the improvements in performance that are starting to come through, but needs to see this on a longer-term basis before ratings move to green.

Multi-Asset Strategies Fund (MAST)

Issue	Rating
Performance	Amber

Specific findings

The fund was launched at the end of 2018, with an investment objective to deliver annual returns of 4% above that on cash, over five-year periods. The fund does not have a five-year record yet. Since launch, it has produced an annual return above cash, but not by the 4% target, and hence is rated amber.

On investigation, much of the gap between performance and target was due to the impact of the Covid-19 outbreak on markets in the first half of 2020. Prior to and since this period, performance has been in line with expectations.

What actions are being taken?

The Board will monitor that the fund's performance continues to improve as it approaches its five-year anniversary.

Property Fund
Property Trust (Feeder)

Issue	Rating
Performance	Red

Specific findings

The Property Fund's A and B share classes and its feeder fund, the Property Trust, have significantly underperformed the AREF/ IPD UK Pooled Property Fund Index over their seven-year measurement period. However, while the long-term record remains behind target, there are signs that the changes made over the past two years are now yielding results, with improved performance returns over the last year or so.

What actions were taken to resolve these issues?

Over the past two years, we have appointed a new fund manager, made structural changes to the portfolio and also added significantly to the underlying Property team – giving the manager access to deeper and broader resources.

What further actions will be taken?

The Board will continue to closely monitor that the recent performance improvement becomes sustained and evident over the longer-term measurement cycle.

UK Opportunities Fund

Issue	Rating
Performance	Amber

Specific findings

The UK Opportunities Fund has underperformed its target which is to outperform the FTSE All-Share Index over rolling five-year periods, so we have maintained the amber rating on this fund from last year's assessment.

What actions were taken to resolve these issues?

We reviewed all of our UK equity funds in 2020 to assess whether we felt that we had the right resources and investment process and determined no actions were required. We have revisited this fund this year to ensure that this remains the case. We believe that we have the right inputs and process in place to deliver the long-term performance needed.

What further actions will be taken?

We do not believe any further actions are required at this time, although we will continue to closely monitor performance and take any actions necessary if performance does not improve sufficiently.

About Royal London

RLUTM Board

John Brett
Independent Non-Executive Director and Chair

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.

Jill Jackson
Independent Non-Executive Director

Jill joined RLUTM in April this year as an independent non-executive director. Jill has over 25 years' experience in the Asset Management industry and has held a number of senior positions during her career. Prior to joining the RLUTM Board Jill was the Chief Executive Officer of The Big Exchange, a direct to consumer impact investing platform. Jill remains a non-executive director for that business and is also a non-executive director for The Investing and Savings Alliance (TISA).

Hans Georgeson
Executive Director

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, and 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.

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 ICARA. 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, and product management. 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. He is the Chief Distribution Officer at RLAM 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.

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 34 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.

We believe that our mutuality ownership model helps to distinguish us in the asset management market, giving it the outlook, culture and values to set it apart from its competitors. All staff members are also members of the mutual through our pension scheme, and therefore have exposure to Royal London funds, aligning the interests of staff and investors.

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. So 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.

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 communicate about what we are doing with your assets in more volatile conditions. 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 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.

The high profile part of our capability is a Responsible Investment team, made up of specialists in assessing ESG factors and engaging with companies to try to encourage better management. However, we do not see responsible investment as something to be done by just one team or area: all of our investment teams look at these factors, because we believe 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.

The past few years have seen a range of events – from bushfires and droughts, to the pandemic, to the Russian invasion of Ukraine (see the box opposite) – that demonstrate the relevance and breadth of responsible investing. We can all 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.

Ukraine

We recognise that the Ukraine invasion is a human tragedy. We have a responsibility to investors in our funds and of course have complied with all restrictions and sanctions issued by relevant authorities. We had reduced our already limited exposure to Russian companies in our funds at the start of 2022 on ESG concerns, and subsequently sold every holding we were permitted to.

Running a responsible company

Royal London and RLAM are committed to be responsible investors. This is more obvious through the way that we engage with companies we invest in. But responsibility applies to how we manage ourselves as well. We recognise that as a leader in a major UK industry, we need to contribute to society in a wider sense, as well as investing assets for clients.

Being a diverse and inclusive company isn't something we do to tick a box – we believe that a more diverse and inclusive workforce, working in an open and friendly environment leads to better results for our clients. Ultimately we need to make sure that we get the best people, with the right values, seeking the right outcomes, working for you.

An effective approach to diversity and inclusion is therefore a key element in our success as a business. We have a number of initiatives that we believe are supporting our efforts to be a fair, diverse and inclusive employer, including programmes such as the Women in Finance initiative.

We are also aware of our own climate impact, which has led to a number of changes and initiatives, such as incorporating climate objectives into roles and responsibilities across the organisation starting with the Royal London Group Executive Committee, and including external assessment of non-investment related activites to see where we can do better. You can find out more on this in the **Royal London Annual Report**.

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.

Our Net Zero commitment

At the heart of our approach is our commitment to achieving net zero across our directly owned assets under management (AUM), and mandates where clients have made explicit commitments to Net Zero, by 2050. As part of this, we aim to reduce our financed emissions by 50% by 2030 compared to 2020 levels (through financed emissions we can attribute a company's total emissions to its investors, or 'financiers'; for example, an investor owning a 5% share in a company is said to have financed 5% of that company's total emissions). We are also seeking to develop climate solutions that will allow clients to invest in the low carbon transition.

Our objective is to evaluate and/or influence through engagement with representing 70% of our corporate financed emissions, pushing for adoption of emissions reduction targets linked to science-based sector specific alignment methodologies (such as Science Based Targets initiative (SBTI)) and climate transition plans. We will review the progress of our implementation and commitments on an annual basis as part of our continued Climate Report disclosures.

Glossary

Glossary

Absolute return: an investment approach that aims to achieve a return that is not benchmarked against any index and aims to provide positive returns regardless of financial conditions.

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.

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, bonds represent loans made by investors to corporations or public bodies (the bond issuers). Bonds pay out a previously agreed interest payment (or coupon) on their debt to investors 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 prevent loss 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 a 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.

Financed emissions: the emissions associated with the investments in the portfolio. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates.

Fixed income investments: also known as bonds. Fixed income investments pay out a previously agreed interest payment until that investment reaches maturity.

FMF: Fund Management Fee, a single fee paid to Royal London covering all the expenses of 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: companies with a large market capitalisation (value). These companies represent the top 70% of market capitalisation, according to MSCI, although the proportion can differ between large-cap indices.

Liquidity: the availability of money for lending or ease of buying/selling an investment.

Market capitalisation: the number of a company's shares multiplied by the share's value. This is the value of a company as determined by the market.

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

Mid-cap: companies with a medium market capitalisation (value). These companies usually represent around 15% of market capitalisation, although the proportion can differ between mid-cap indexes.

Multi-asset/multi-asset strategies: investment approaches that use different asset classes such as shares, bonds and cash in one portfolio.

Net zero: the term Net Zero means achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed from it.

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 existing investments are bought and sold by investors, as opposed to the primary market which relates to new investment securities.

Securities: the word 'security' can generally be used interchangeably with bond or equity/stock. It can also be used to mean both at once – 'bond and equity securities'.

Small-cap: companies with a small market capitalisation (value). These companies usually represent around 5% of market capitalisation, although the proportion can differ between mid-cap indexes.

Sovereign bonds: fixed income investments issued by governments.

Stocks/shares: another work for an equity security, which represent partial ownership of a listed company.

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: a measure of risk indicating how closely a portfolio follows an index.

Transferable securities: investments that can be bought or sold.

Treasury bills: short-term (up to one year) 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: usually made in reference to prices, volatility describes the potential for rapid, aggressive and unpredictable change.

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

For more information, please contact us.
Royal London Asset Management
55 Gracechurch Street, London EC3V 0RL
020 7506 6500
www.rlam.com

ROYAL LONDON
ASSET MANAGEMENT