ASSET MANAGEMENT

OCTOBER 2017

Listening to you

The summer period has been bookended by new fund launches. We're cautious when it comes to new products – we want to make sure that when we go into a new market we have a differentiated solution to a problem highlighted by our clients, rather than firing 'me too' funds into an overcrowded market.

At the start of the summer, we launched our new Multi Asset Credit Fund. This marked an evolution of our existing credit capability and helps clients who want to look beyond traditional investment grade credit as part of their investment strategy. Azhar Hussain and his team have a wealth of experience in managing this sort of strategy, and initial interest from clients has been strong.

Early October saw the launch of the Royal London UK Real Estate Fund (RLUKREF), one of the biggest UK property investment funds ever, worth over £2.7 billion*. This was created through the merger of two existing Royal London Property life funds into a single tax transparent fund.

We've also just launched two global equity strategies – one a focused portfolio of around 60 stocks and one more diversified. Both harness the Life Cycle strategy of Peter Rutter and the Global Equities Team that joined us earlier this year – so this 'new' fund is built on a proven and unique philosophy. Over the past few years attention has often moved beyond equity investing, but this remains a key component of many client portfolios and complements our very successful UK Equities and Sustainable ranges.

Changing market attitudes

In fact, interest in our Sustainable range has arguably never been greater, and we believe that this marks a structural change in how many clients want to invest. In my experience it is relatively easy to run a fund that simply screens out sectors such as armaments or tobacco, but assessing whether a company has a net benefit to society, and integrating this with analysis of financial, environmental, social and governance factors is more complex. Mike Fox and the team have been doing this for over a decade and the strength of the process is reflected in their track record.

Looking ahead

As we move into October, thoughts start to turn towards the end of the year. January 2018 sees the implementation of the MIFID II regulations. These have highlighted the issue of investment research costs and whether these are charged to funds or clients. As you would expect from a mutual, client-focused company such as Royal London, I'm pleased to say that we will bear all such costs, across all asset classes. Work on implementing MIFID II changes continues, and we remain on track to be ready by the end of the year.

Markets and the uncertainty around them will also be a factor as we approach 2018. North Korea and elections across Europe this year have demonstrated that geopolitical risks are still a factor to consider.

Looking at things from a purely economic sense, we've had three rate rises from the Federal Reserve in the past 12 months, with both the Bank of England (BoE) and European Central Bank hinting at some pull back from current very loose monetary policies. The BoE hints led to a sharp rise in gilt yields late in September and we'll be watching this carefully across our sterling fixed income portfolios. As ever, look to our blogs – Income Activists, Bonds and Beyond, and Investment Clock to keep abreast of our thinking.