



ASSET MANAGEMENT

SUSTAINABLE INVESTING



FOR PROFESSIONAL
CLIENTS ONLY,
NOT SUITABLE FOR
RETAIL INVESTORS.

SUSTAINABLE INVESTING

Being a responsible investor remains a core part of how we operate and Royal London Asset Management (RLAM) has been dedicated to constructing and managing sustainable funds for over 25 years. We are a long-standing proponent of sustainable investing and the positive impact it can have on investment performance and society. We also promote best practice in corporate governance.

Our Sustainable Investment Team has extensive experience in running sustainable funds and we can evidence that this style of investment, done well, can outperform the investment markets and other styles of investment, producing strong risk adjusted returns.

Sustainable investing at RLAM

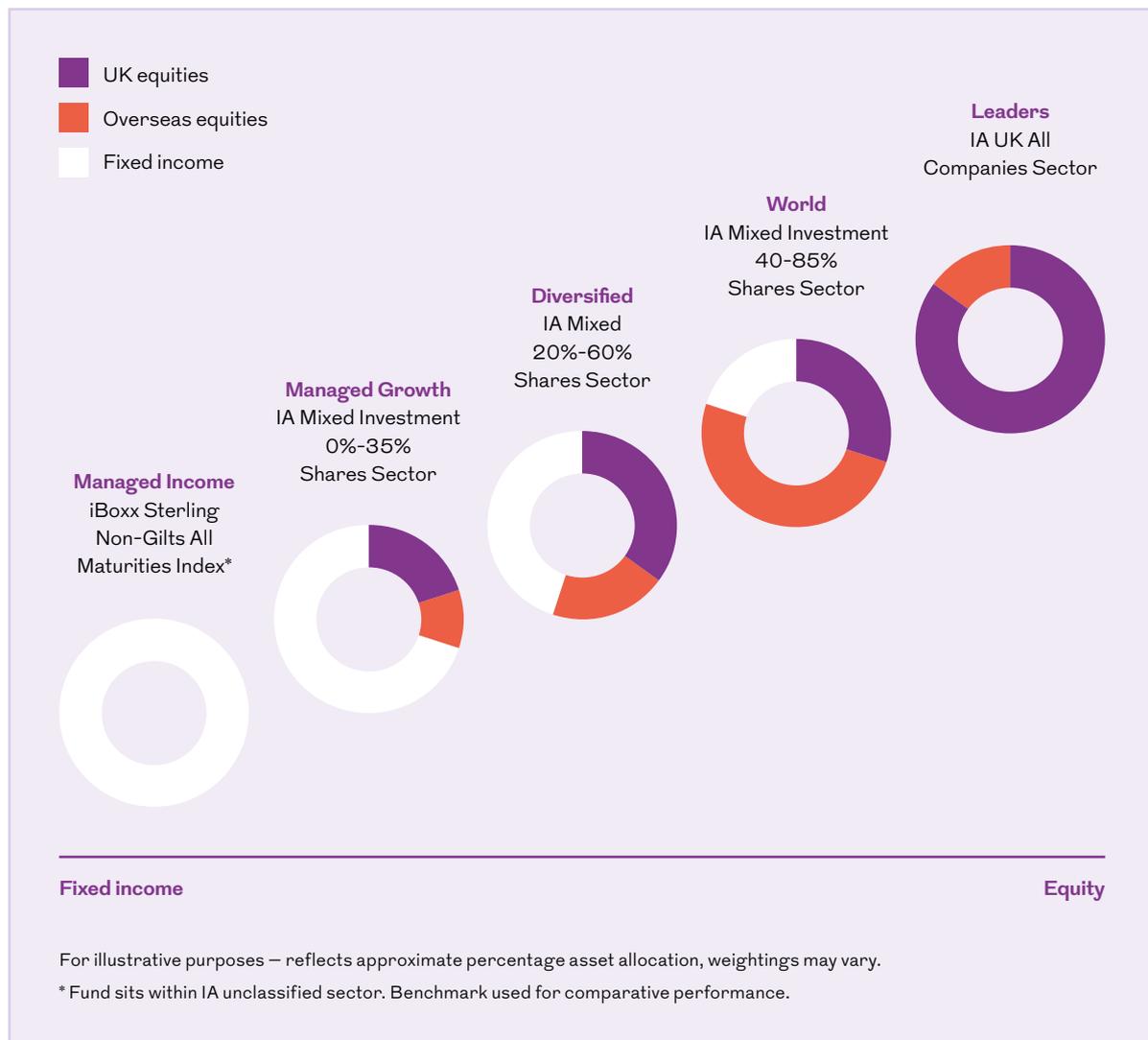
At RLAM we believe that companies that offer a tangible benefit to society, through environmental, social and governance (ESG) leadership and the products and services they provide, are frequently undervalued by markets. We would argue this is because markets are ineffective in discounting non-financial factors. By incorporating ESG analysis into our investment process we assert that we can identify opportunities and risks missed by others.

We believe that companies providing socially useful goods and services often exhibit structural growth with lower inherent risk, as such products are more valuable to their end consumers.

These companies can exhibit better long-term performance than their peers, and we seek to identify and capitalise on this before the market has valued them appropriately.

Our approach naturally leads to a number of socially relevant, long-term growth opportunities such as healthcare, cloud computing and artificial intelligence, the social and economic development of emerging markets, urban regeneration and the transition to a low carbon economy. Companies within the portfolio tend to be leaders in their field, with strong management teams and business franchises.

RLAM's sustainable fund range





RLAM’s suite of five multi asset sustainable funds range from 100% equities to 100% fixed income, and offer a flexible mix of capital growth and income.

Royal London Sustainable Managed Income Trust

Aims to produce a consistently higher level of income relative to typical cash deposit interest rates, by investing predominantly in a diverse portfolio of fixed income securities.

4.88%* five year annualised fund performance, net of management fee, in GBP.

Royal London Sustainable Managed Growth Trust

Aims to provide an attractive combination of accumulated income and capital growth, by investing predominantly in fixed income securities with some equities, mainly domiciled in the United Kingdom.

6.49%* five year annualised fund performance, net of management fee, in GBP.

Royal London Sustainable Diversified Trust

Aims to provide capital growth from a diverse range of asset classes, including UK and overseas equities, fixed income, property related investments and cash.

9.17%* five year annualised fund performance, net of management fee, in GBP.

Royal London Sustainable World Trust

Aims to provide capital growth, by investing predominantly in equities with some fixed income securities and cash on a global basis.

12.94%* five year annualised fund performance, net of management fee, in GBP.

Royal London Sustainable Leaders Trust

Aims to provide capital growth, by investing predominantly in UK companies, with some exposure to overseas equities. The fund is relatively concentrated, with typically 40-50 holdings.

10.88%* five year annualised fund performance, net of management fee, in GBP.

Past performance is not a guide to future performance. The value of investments can fall as well as rise so investors may get back less than originally invested.

* Source: RLAM as at 31 July 2018. All fund performance shown is based on the C Acc share class, except for Sustainable Diversified Trust which is C Inc share class.

Investment process

At RLAM we have created a bespoke investment process to assess and select companies for inclusion into the Sustainable Funds. This process allows us to fully integrate financial and ESG analysis in a way which provides us with insights that other investors miss.

We first screen for key ESG and financial factors. In doing this we identify companies with both strong ESG performance and value creation for investors. At this point, we also screen out companies in certain sectors or activities.

In particular the funds avoid investment in any company that is or is likely to be exposed to:

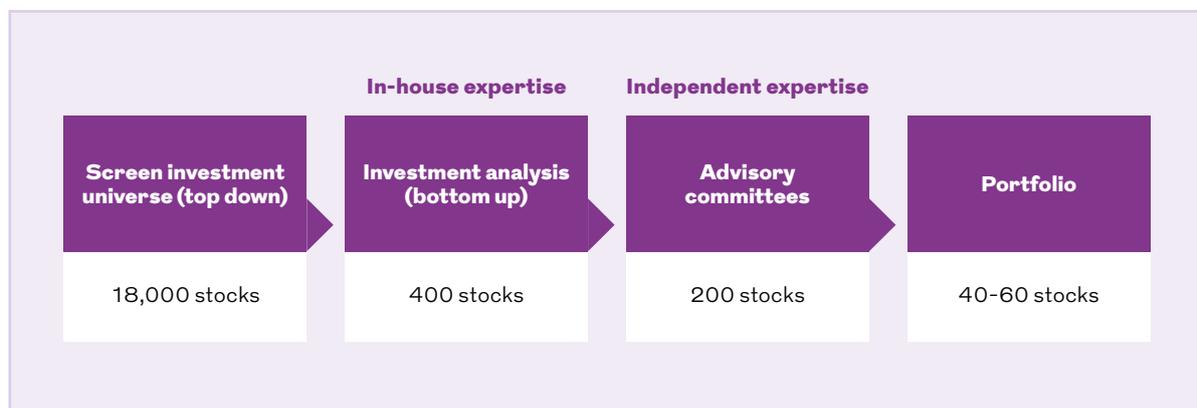
- Human rights abuses
- Tobacco and armaments manufacture
- Products which involve experiments on animals, except for those conducted for the benefit of human or animal health
- The generation of nuclear power

The funds also avoid investments in companies which derive a material proportion of their business from:

- Animal fur products
- Pornography
- Irresponsible gambling
- Irresponsible drinking
- Worker exploitation or exploitative consumer practices

This screening process then provides a smaller subset of potential investments where our team carry out bespoke, in-depth, analysis on corporate governance, environmental and social performance, business quality and valuation.

We apply a minimum threshold to both ESG and financial factors to ensure that all investments in our portfolios score highly on both.



External oversight

The fund range has had an independent external Advisory Committee since its inception, which independently oversees the investment universe to ensure it is in accordance with the funds' approach. This committee is multi-disciplinary, consisting of experts in areas such as charities, corporate governance, academia and sustainable investment.

The Committee meets quarterly to review the research process and output of the team. It receives reports on sectors, companies and topical issues, advises on the approval and exclusion of companies from the investment universe, and discusses topical issues relevant to the funds, such as the taxation debate.

Portfolio construction

When using the output of our research to create portfolios, we follow several guiding principles. We believe investors generally focus too much on short-term factors and fail to understand the value of long-term compounding of growth. As a result, our portfolios are typically low turnover with long investment holding periods. We allocate capital to our best ideas, which we believe means creating focused portfolios that are largely unconstrained by index requirements. These principles give us focused, differentiated portfolios with a quality bias and long-term investment horizon

Investment team

Our Sustainable Investment Team is a key part of the wider equities team at RLAM. The team also has access to RLAM’s expertise in fixed income. It is a team with a consistent process and a consistent skill set, led by Mike Fox since its creation. Mike helped develop the sustainable philosophy used across our range in 2003 and has retained responsibility for it ever since. The team also has access to RLAM’s expertise in fixed income through Richard Nelson.



Mike Fox
Head of Sustainable Investments



Ashley Hamilton Claxton
Head of Responsible Investment



Joe Walters
Senior Fund Manager



Victoria McArdle
Sustainable Investment Analyst



Tom Johnson
Responsible Investment Analyst



Sophie Johnson
Corporate Governance Analyst



Richard Nelson
Senior Fund Manager

Contact us

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

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For more information concerning the risks of investing, please refer to the Prospectus and Key Investor Information Document (KIID), which are legal documents that must be read before investing and are available for free in English at www.rlam.co.uk

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