

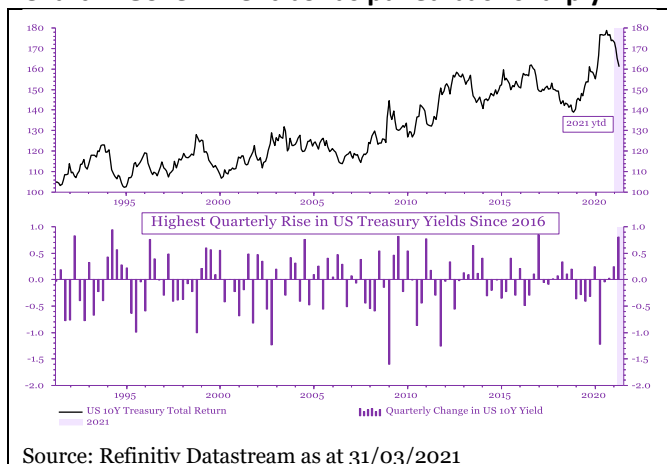


2021 Q1 REVIEW: THE RE-OPENING TRADE

A year on from the March 2020 low, vaccine optimism, fresh fiscal stimulus from President Biden and the prospect of a re-opening of the world economy into 2022 saw stocks move to record levels. Meanwhile, fear of eventual monetary tightening triggered a sharp sell off in government bonds with US Treasuries experiencing their greatest quarterly rise in yield since Donald Trump's 2016 election victory (chart 1). Commodities rallied to thirteen-year highs, leading cross-asset returns, as oil continued its rebound. Value stocks were a big beneficiary of the re-opening trade as leadership rotated away from the highly valued technology shares which performed so strongly last year (chart 2).

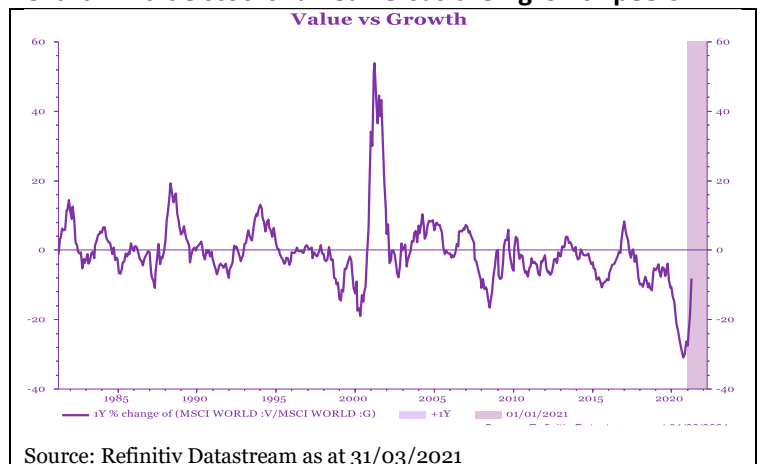
Our multi asset funds performed well given a broadly diversified asset mix less exposed to US technology and government bonds. Tactical positioning overweighting stocks, commodities and value sectors such as financials and energy also paid off. We remain optimistic as we expect strong cyclical recovery to continue. A service sector catch up may push yields higher but do less for the profits of the quoted sector, however, and we are mindful of the impact of rising yields. Please see the [Investment Clock blog](#) for our latest views.

Chart 1: Government bonds pulled back sharply



Source: Refinitiv Datastream as at 31/03/2021

Chart 2: Value stocks rallied versus their growth peers



Source: Refinitiv Datastream as at 31/03/2021

Table 1: Sterling-based annual returns from major asset classes 2007-2021

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD |
|------|------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| 1 | Gilts +15.6% | EM Stocks +12.8% | Global Stocks +21.2% | Property +19.5% | Property +13.9% | EM Stocks +35.4% | EM Stocks +21.1% | Property +7.5% | Global Stocks +22.6% | Global Stocks +14.3% | Commodities +5.9% |
| 2 | Property +8.1% | UK Stocks +12.3% | UK Stocks +20.8% | Gilts +13.9% | Global Stocks +4.4% | Commodities +33.3% | Global Stocks +14.0% | Cash +0.6% | UK Stocks +19.2% | EM Stocks +11.9% | UK Stocks +5.2% |
| 3 | Multi Asset +1.6% | Global Stocks +12.1% | Property +11.0% | Global Stocks +12.2% | Multi Asset +1.8% | Global Stocks +30.3% | UK Stocks +13.1% | Gilts +0.6% | EM Stocks +15.9% | Gilts +8.3% | Global Stocks +3.8% |
| 4 | Cash +0.6% | Multi Asset +7.1% | Multi Asset +7.3% | EM Stocks +7.9% | UK Stocks +1.0% | UK Stocks +16.8% | Property +11.2% | Multi Asset -1.2% | Multi Asset +8.9% | Multi Asset +2.2% | EM Stocks +1.9% |
| 5 | UK Stocks -3.5% | Gilts +2.7% | Cash +0.5% | Multi Asset +6.5% | Gilts +0.6% | Multi Asset +12.1% | Multi Asset +6.3% | Global Stocks -3.1% | Gilts +6.9% | Cash +0.3% | Multi Asset +1.1% |
| 6 | Global Stocks -6.9% | Property +2.3% | Gilts -3.9% | UK Stocks +1.2% | Cash +0.5% | Gilts +10.1% | Gilts +1.8% | Commodities -5.7% | Commodities +3.5% | Property -1.0% | Property +0.5% |
| 7 | Commodities -12.7% | Cash +0.6% | EM Stocks -5.3% | Cash +0.5% | EM Stocks -10.3% | Property +2.6% | Cash +0.3% | EM Stocks -7.6% | Property +2.1% | Commodities -6.1% | Cash +0.0% |
| 8 | EM Stocks -18.4% | Commodities -5.4% | Commodities -11.2% | Commodities -11.8% | Commodities -20.3% | Cash +0.4% | Commodities -7.1% | UK Stocks -9.5% | Cash +0.7% | UK Stocks -9.8% | Gilts -7.2% |

Past performance is not a reliable indicator of future results.

Source: RLAM, DataStream as at April 2021; property as at February 2021. 'Multi Asset' returns are based on the benchmark weights of Royal London Global Multi Asset Portfolio (GMAP) Growth Fund / Governed Portfolio 5. Indices used are FTSE All World Ex-UK, FTSE All Share, FTSE

FOR PROFESSIONAL CLIENTS ONLY, NOT SUITABLE FOR RETAIL CLIENTS.



British Govt Fixed All Stocks, JPM Cash UK 1 month Index, Bloomberg Commodity Index, MSCI UK Monthly Property Index and the FTSE Emerging Markets Index. Total returns in sterling terms.

MARKETS: VACCINE SPURS VALUE ROTATION

As of 31-Mar-21

- Global stocks made fresh highs on vaccine optimism and fiscal stimulus; Japan outperformed the emerging markets as the US dollar strengthened
- Commodities rallied led by energy, as oil regained its pre-pandemic heights.
- UK government bonds suffered losses as yields in the US led sovereign rates higher.
- The pound strengthened after a thin Brexit trade deal; the safe haven Swiss franc and Japanese yen weakened.
- Value stocks such as financials and energy outperformed tech and consumer sectors.

| FX | 1 GBP buys | Q1 2021 (vs GBP) | 2020 |
|-----|------------|------------------|------|
| USD | 1.38 | -1.1 | -2.8 |
| EUR | 1.17 | -4.9 | 5.8 |
| CHF | 1.30 | -7.1 | 6.1 |
| JPY | 152.6 | -7.6 | 2.1 |
| AUD | 1.81 | -2.1 | 6.4 |
| CAD | 1.74 | 0.5 | -1.2 |

| CB rates | Rate (%) | chg in Q1 2021 (%) | Ytd 2020 (%) |
|----------|----------|--------------------|--------------|
| Fed | 0.25 | 0.00 | -1.50 |
| BoE | 0.10 | 0.00 | -0.65 |
| ECB | -0.50 | 0.00 | 0.00 |
| BoJ | -0.04 | -0.01 | 0.04 |

| Bond Yield | Yield (%) | chg in Q1 2021 (bps) | Ytd 2020 chg (bps) |
|------------|-----------|----------------------|--------------------|
| US 10 Year | 1.74 | 83 | -100 |
| UK 10 Year | 0.85 | 65 | -63 |
| EU 10 Year | -0.29 | 28 | -38 |
| JP 10 Year | 0.10 | 7 | 3 |

Multi Asset

| | Local Currency | GBP |
|---------------------|----------------|------|
| | Q1 2021 | 2020 |
| UK Stocks | 5.2 | -9.8 |
| Global ex UK Stocks | 6.2 | 15.8 |
| Gilts | -7.2 | 8.3 |
| UK Cash | 0.0 | 0.3 |
| UK Property | 1.1 | -2.0 |
| Commodities | 6.9 | -3.1 |

Equity Regions

| | Local Currency | GBP |
|------------------|----------------|------|
| | Q1 2021 | 2020 |
| UK | 5.2 | -9.8 |
| North America | 5.8 | 20.1 |
| Europe ex UK | 8.2 | 2.7 |
| Japan | 9.3 | 8.9 |
| Pacific ex Japan | 7.4 | 14.6 |
| Emerging Markets | 4.1 | 17.4 |

Equity Sectors

| | Local Currency | GBP |
|------------------------|----------------|-------|
| | Q1 2021 | 2020 |
| Consumer Discretionary | 3.7 | 34.9 |
| Industrials | 9.8 | 8.5 |
| Financials | 12.9 | -5.0 |
| Consumer Staples | 0.9 | 6.1 |
| Utilities | 2.1 | 2.2 |
| Healthcare | 1.9 | 12.9 |
| Energy | 18.9 | -28.0 |
| Materials | 8.4 | 18.2 |
| Communication Services | 6.5 | -2.6 |
| Information Technology | 2.7 | 44.1 |

Bonds

| | Local Currency | GBP |
|--------------------|----------------|------|
| | Q1 2021 | 2020 |
| Conventional Gilts | -7.2 | 8.3 |
| Index Linked Gilts | -6.4 | 11.0 |
| GBP Credit | -4.1 | 7.8 |
| Global High Yield | 0.2 | 6.1 |

Commodities

| | Local Currency | GBP |
|-------------------|----------------|-------|
| | Q1 2021 | 2020 |
| Energy | 17.3 | -42.7 |
| Agriculture | 6.8 | 16.5 |
| Industrial Metals | 7.5 | 16.3 |
| Precious Metals | -9.3 | 25.6 |

| | Local Currency | GBP |
|---------------------|----------------|------|
| | Q1 2021 | 2020 |
| UK Stocks | 5.2 | -9.8 |
| Global ex UK Stocks | 6.2 | 15.8 |
| Gilts | -7.2 | 8.3 |
| UK Cash | 0.0 | 0.3 |
| UK Property | 1.1 | -2.0 |
| Commodities | 6.9 | -3.1 |

| | Local Currency | GBP |
|------------------|----------------|------|
| | Q1 2021 | 2020 |
| UK | 5.2 | -9.8 |
| North America | 5.8 | 20.1 |
| Europe ex UK | 8.2 | 2.7 |
| Japan | 9.3 | 8.9 |
| Pacific ex Japan | 7.4 | 14.6 |
| Emerging Markets | 4.1 | 17.4 |

| | Local Currency | GBP |
|------------------------|----------------|-------|
| | Q1 2021 | 2020 |
| Consumer Discretionary | 3.7 | 34.9 |
| Industrials | 9.8 | 8.5 |
| Financials | 12.9 | -5.0 |
| Consumer Staples | 0.9 | 6.1 |
| Utilities | 2.1 | 2.2 |
| Healthcare | 1.9 | 12.9 |
| Energy | 18.9 | -28.0 |
| Materials | 8.4 | 18.2 |
| Communication Services | 6.5 | -2.6 |
| Information Technology | 2.7 | 44.1 |

| | Local Currency | GBP |
|--------------------|----------------|------|
| | Q1 2021 | 2020 |
| Conventional Gilts | -7.2 | 8.3 |
| Index Linked Gilts | -6.4 | 11.0 |
| GBP Credit | -4.1 | 7.8 |
| Global High Yield | 0.2 | 6.1 |

| | Local Currency | GBP |
|-------------------|----------------|-------|
| | Q1 2021 | 2020 |
| Energy | 17.3 | -42.7 |
| Agriculture | 6.8 | 16.5 |
| Industrial Metals | 7.5 | 16.3 |
| Precious Metals | -9.3 | 25.6 |

Note: Standard indices sourced from DataStream and Bloomberg; Property data as of February 2020.

Investment Risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit Risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.



Derivative Risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

EPM Techniques: The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

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

Interest Rate Risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Emerging Markets Risk: Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Fund investing in Funds Risk: The Fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stockmarket conditions and the Fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the Fund itself, may be deferred or suspended.

Liquidity and Dealing Risk: The Fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the Fund, or receive less than may otherwise be expected when selling your investment.

For professional clients only, not suitable for retail clients. This is a financial promotion and is not investment advice. The views expressed are those of the author at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice. Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation. For information purposes only, methodology available on request.

The Funds are sub-funds of Royal London Multi-Asset Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001058. The Company is a non-UCITS retail scheme. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. For more information on the fund or the risks of investing, please refer to the Prospectus or Non-UCITS retail scheme Key Investor Information Document (NURS KII Document), available via the relevant Fund Information page on www.rlam.co.uk.

Issued in April 2021 by Royal London Asset Management Limited, 55 Gracechurch Street, London, EC3V 0RL. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.