

# ROYAL LONDON EMERGING MARKETS ESG LEADERS EQUITY TRACKER FUND

Royal London Asset Management (RLAM) has been offering passive funds since 2003 and currently manages £22.2 billion of equity tracker fund assets (as at 31 January 2019). The RL Emerging Markets ESG Leaders Equity Tracker Fund provides a low cost solution for investors who want emerging market (EM) exposure whilst aiming to reduce inherent stock level risk by investing in EM companies with high environmental, social and governance (ESG) ratings.

## Key points

- **Passive, cost effective and straightforward approach:** the fund aims to track the net total return of the MSCI Emerging Markets ESG Leaders Index.
- **Environmental, social and governance exposure:** the fund will provide investors with the opportunity to invest in EM companies with high scores in corporate governance, environmental and social factors relative to their sector peers. We believe that companies with higher ESG scores have exhibited better and more stable financial performance when compared to low rated ESG companies.
- **Portfolio optimisation:** the fund uses an optimised portfolio to track the net total return of the index without the fund necessarily having to hold all of the constituents in their exact benchmark weights. This gives the investment manager flexibility not to trade every index or cash flow event in cases where trading would create disproportionate costs.
- **Experienced team:** the fund benefits from a well-established team and an extremely experienced fund manager with over 20 years of industry experience.

## The case for emerging markets

- Significant amounts of growth and high returning stocks are often found in countries in an emerging growth phase. These countries tend to be resource rich with large labour forces.
- Approximately 87%\* of the global population live in emerging markets. The younger demographic of these markets combined with their increasing wealth, can lead to greater consumption and economic growth.
- Emerging markets may present investors with an opportunity to benefit from the growth and diversification potential.
- Investing in emerging markets may provide greater rewards but carries greater risk due to possibility of high volatility, low liquidity, high currency fluctuation, the adverse effect of social, political and economic instability, weak supervisory structures and weak accounting standards.

## The benefits of ESG investing

- The quality of company ESG data has improved and strategies that incorporate ESG can be shown to enhance returns (please refer to graph overleaf).
- We believe that companies with strong corporate governance are more likely to exhibit growth with lower inherent risk than those companies with poor corporate governance. This is particularly the case for emerging markets companies where governance risks are higher.
- We believe that companies that monitor and manage their ESG risks are more likely to capitalise on emerging global trends such as population growth and sustainable development while being resilient in the face of issues like resource depletion, global climate change and labour market disruption.

Past performance is not a reliable indicator of future results. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

## Fund facts

<b>Launch date</b>	12.06.2017 (R Share Class) <sup>†</sup> 05.03.2018 (Z Acc Share Class)
<b>Domicile</b>	GBR
<b>IA sector</b>	IA Global Emerging Markets
<b>Fund structure</b>	OEIC
<b>Benchmark</b>	MSCI Emerging Markets ESG Leaders Index
<b>Size of fund</b>	£1.18 billion (as at 31 January 2019)
<b>Typical number of holdings</b>	350-450
<b>Minimum investment</b>	£1,000,000
<b>Annual management charge</b>	GBP Z Acc: 0.25%
<b>Ongoing charges figure</b>	GBP Z Acc: 0.32% <sup>‡</sup>

<sup>†</sup> The R Share Class is used for internal purposes and available only at the discretion of the manager. The fee for this share class is payable outside of the fund.

<sup>‡</sup> The ongoing charges figure shown is an estimate of the charges because the fund only launched on 5 March 2018. The annual report for each financial year will include details on the exact charges made. This figure may vary from year to year and does not include portfolio transaction costs. Ongoing charges are the same for all investors in the same share class.

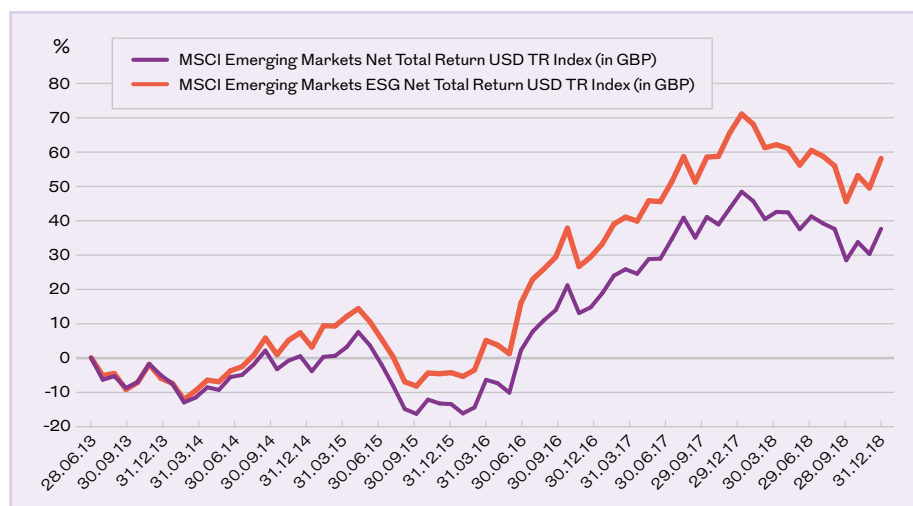
## Fund manager



**Symon Bradford** joined the RLAM Index Tracking Team in 2004. He is responsible for the management of the RL US, Asia Pacific ex Japan and Emerging Markets ESG Leaders Equity Tracker Funds. Symon has worked in quantitative investment management and research for over 20 years, previously holding roles at M&G, Wood Mackenzie/NatWest Securities and Tilney Investment Management. He has sat on several index committees and was one of the originators of the FT Actuaries World Indices (now run by FTSE Russell).



## MSCI Emerging Markets Index vs MSCI Emerging Markets ESG Leaders Index – cumulative performance



Source: MSCI as at 31 January 2019. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

### Fund performance

	Rolling 3 months %	Year-to-date %	Rolling 12 months %	Since inception p.a. %
<b>RL EM ESG Leaders Equity Tracker Fund</b>	<b>8.55</b>	<b>5.55</b>	<b>-7.37</b>	<b>3.21</b>
MSCI EM ESG Leaders Index Net Total Return	8.58	5.41	-7.56	3.72

Source: RLAM as at 31 January 2019, gross of fees and net of tax in GBP. Performance shown is for the R Share Class with the inception date of 12.06.17.

### RLAM passive equities five year fund performance

	Rolling 12 months %	3 years p.a. %	5 years p.a. %
<b>RL FTSE 350 Tracker Fund</b>	<b>-3.86</b>	<b>8.63</b>	<b>5.50</b>
FTSE 350 Capital Total Return	-7.49	4.58	1.74
FTSE 350 Index Total Return	-3.76	8.65	5.54
<b>RL All Share Tracker Fund</b>	<b>-3.93</b>	<b>8.59</b>	<b>5.48</b>
FTSE All Share Index Capital Return	-7.54	4.67	1.82
FTSE All Share Index Total Return	-3.83	8.71	5.59
<b>RL US Tracker Fund</b>	<b>4.99</b>	<b>16.43</b>	<b>15.16</b>
FTSE USA Index Capital Return	3.48	14.75	13.52
FTSE USA Index Gross Total Return	5.51	17.08	15.84
<b>RL Japan Tracker Fund</b>	<b>-4.81</b>	<b>11.38</b>	<b>10.23</b>
FTSE Japan Index Capital Return	-6.53	9.45	8.42
FTSE Japan Index Gross Total Return	-4.48	11.81	10.67
<b>RL Asia Pac ex Japan Tracker Fund<sup>#</sup></b>	<b>-3.60</b>	<b>15.76</b>	<b>9.38</b>
FTSE World AsiaPacific ex Japan Index Capital Return	-6.72	12.35	6.17
FTSE World AsiaPacific ex Japan Index Gross Total Return	-3.34	16.34	9.88
<b>RL Europe ex UK Tracker Fund</b>	<b>-8.20</b>	<b>10.20</b>	<b>6.89</b>
FTSE Europe ex UK Index Capital Return	-10.65	7.24	4.13
FTSE Europe ex UK Index Gross Total Return	-7.75	10.69	7.39

The funds are priced at mid-day, however, the above fund returns shown are unofficial, unaudited end-of-day prices which will provide a better comparison with the benchmark returns which are priced at end of day. The impact of income and the charges associated with the fund, account for the majority of the difference between the performance of the fund and its relevant index.

Source: RLAM as at 31 January 2019, fund performance net of fees and tax in GBP.

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<sup>#</sup> The RL Asia Pacific ex Japan Fund converted to a tracker fund on 22 April 2013; The RL Japan Fund converted to a tracker fund on 25 March 2013. The US Tracker Fund replaced the RL North American Growth Trust on 24 August 2007.

### 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 or Key Investor Information Document (KIID), available via the relevant Fund Price [www.rlam.co.uk](http://www.rlam.co.uk)

\* Source: [www.forbes.com](http://www.forbes.com), 2017.

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