

# ROYAL LONDON SUSTAINABLE LEADERS TRUST - GBP

INVESTMENT RESEARCH NOTE  
FEBRUARY 2024

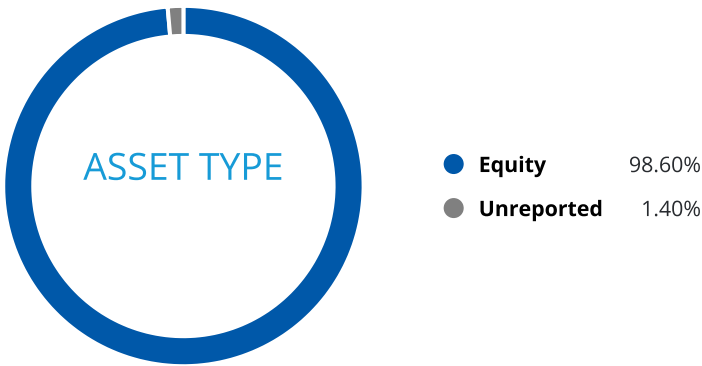
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Royal London Asset Management was formed in 1988 and is a subsidiary of the Royal London Group. The Group is the UK's largest mutual life, pensions and investment company. The Group manages some £120bn of assets, of which over £12bn are in the 'Sustainable' franchise, spread across equity, fixed income and multi-asset.

Mike Fox heads up the Sustainable team, originally acquired by Royal London from the Co-Op Asset Management, and has managed this strategy since 2003. He is considered a specialist in sustainable investing having spent a large part of his career managing such strategies. The fund is co-manged by George Crowdy and Sebastian Beguelin. A bottom-up, long-only equity strategy with a large-cap bias. The firm has an established sustainable history led by the 7 person Sustainable Equities Team.

The fund seeks to provide above-average capital growth through investment in companies that have a positive effect on the environment, human welfare, and quality of life. The Trust invests predominantly in the UK but with some exposure to the US. The core of the investment portfolio consists of shares in companies involved wholly or in part in the manufacture of products, industrial processes or the provision of services associated with improving the environment and the enhancement of human health and safety. The fund manager also invests in companies whose management are making above-average efforts in corporate responsibility. The fund holds c40 names typically with low turnover of c.20-30% in normal conditions.



INVESTMENT PROCESS

The Royal London sustainable team is experienced having managed such funds since 2003. There is a dedicated sustainable team of four fund managers and 3 analysts. Additionally there is the 15 person responsible investment team and an external ESG committee who advise on ideas. ESG is fully integrated into the investment process with the aim of investing in companies able to deliver a 'sustainable competitive advantage' over a cycle. The firm has this integrated approach in place for nearly 20 years.

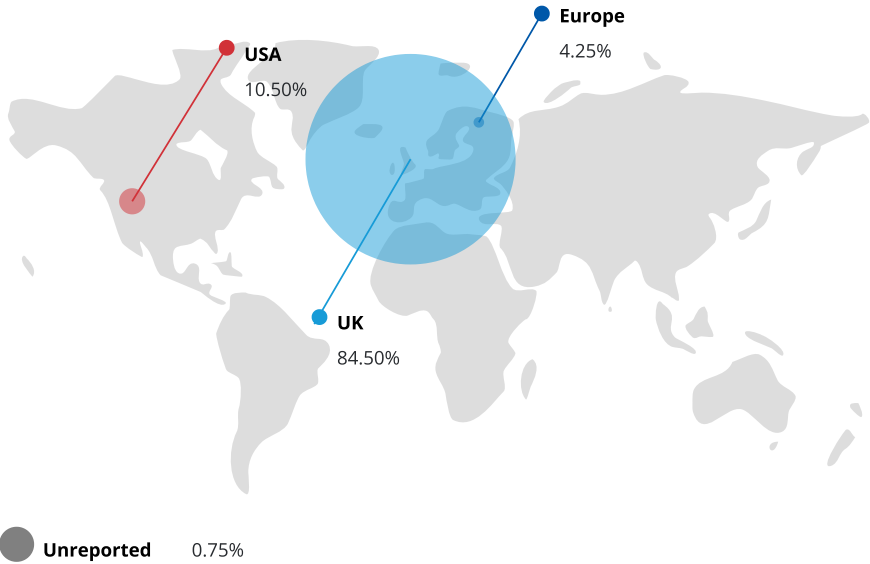
The initial screening applies an equal weighting ESG and financial metrics, with one lead analyst covering both aspects for a company. This ensures that the analyst has to consider both factors equally when assessing whether a company is good enough for the portfolios and ensures that ESG factors have the same degree of importance as financial ones. The fund managers then either reject or accept a company unanimously. Usually they make the key decision and often can push a good idea through quickly; the external advisory committee acts more of an oversight. The team view ESG data as "not great", and cite the benefits of having an internal analytical resource to do a full and proper analysis and scoring, enabling them to assert control over the investment process.

Typically the investible universe starts with around 700 names factoring in social and governance considerations. This drops to 500 via the screens (ESG + Financials). ESG management is positively screened according to four themes: Community (covering education, health and social care), Housing (with a focus on social and affordable housing), Utilities & Environment and Infrastructure. Financial screens seek to identify superior cash returns through the cycle and strong balance sheets. The combination of positive and negative screens produces a portfolio with a strong quality/growth bias.

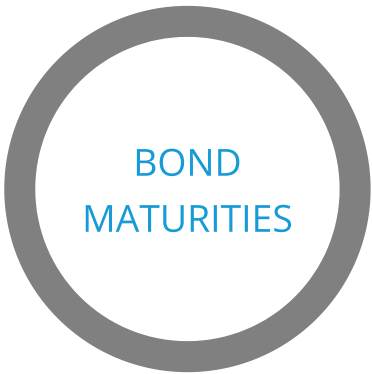
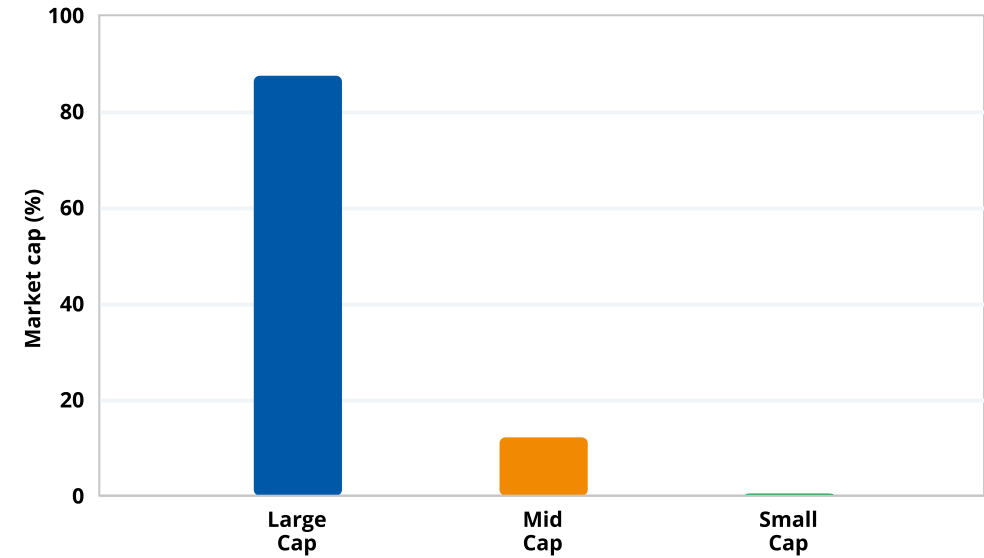
Each sustainable fund has a different risk mandate ranging from defensive (100% fixed income in the managed income fund) to more aggressive (100% equities in the Leaders fund). That said, there is as much commonality as possible among holdings across the portfolios but weighted differently. The funds are generally more large cap focused. Whilst overwhelmingly UK focused, the fund has also tended to allocate around 10% to US stocks.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



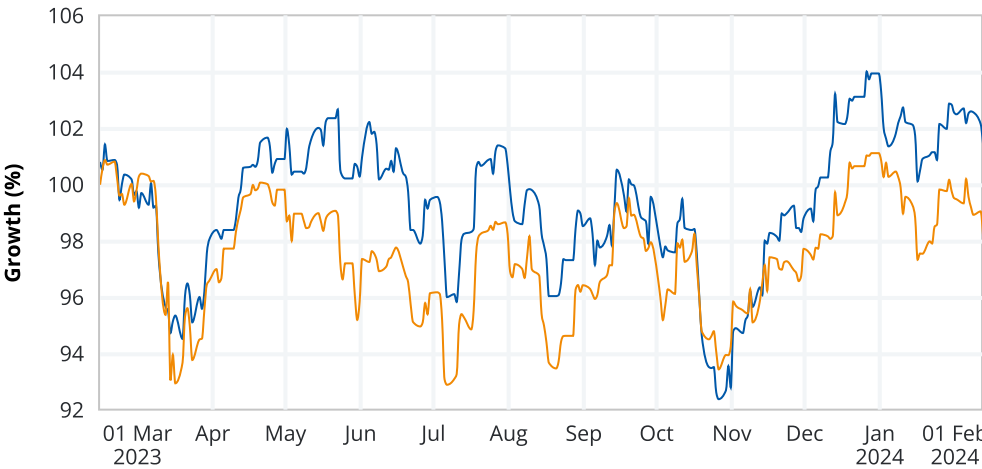
Not Applicable

# OVERALL PERFORMANCE

Royal London Sustainable Leaders Trust C Inc FTSE All-Share Total Return GBP

## GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



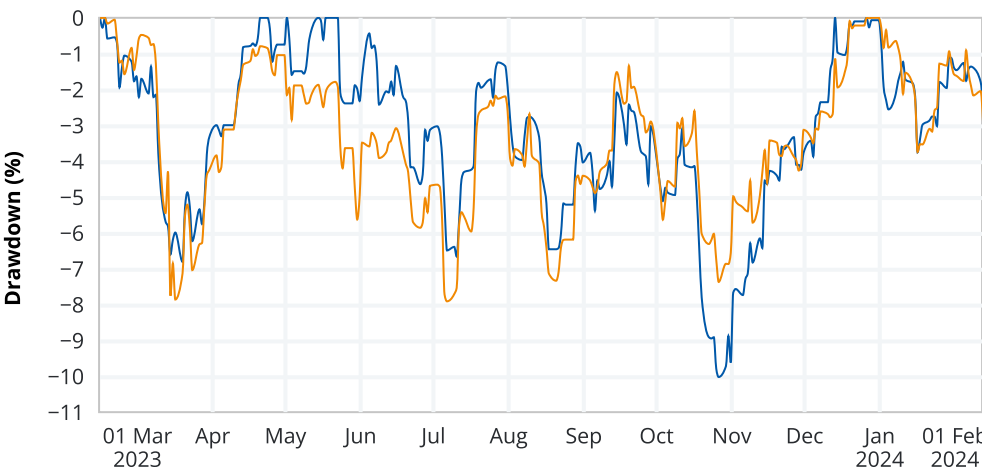
## GROWTH (%) - FROM INCEPTION

5 Aug 2008 - 13 Feb 2024



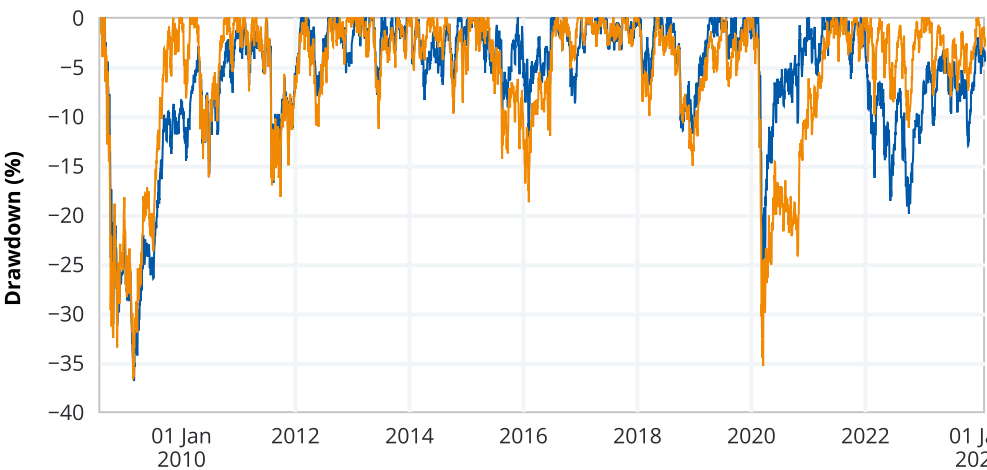
## DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



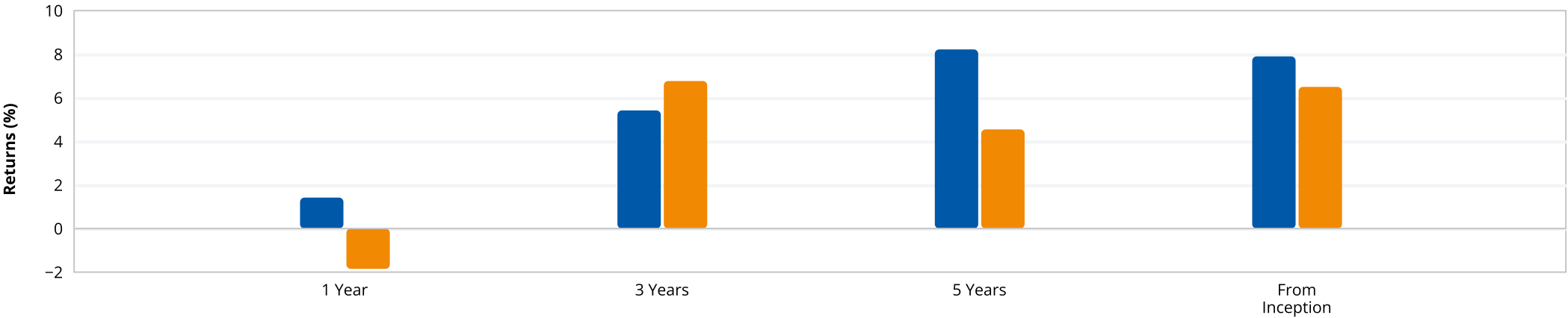
## DRAWDOWN (%) - FROM INCEPTION

5 Aug 2008 - 13 Feb 2024



# RETURNS

Royal London Sustainable Leaders Trust C Inc FTSE All-Share Total Return GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-1.06	-1.38											-2.42
2023	4.26	1.62	-1.59	2.92	-0.27	-1.17	1.84	-2.28	0.59	-6.03	5.09	5.72	10.54
2022	-7.70	-2.41	4.47	-0.77	-3.61	-5.97	8.94	-4.62	-6.78	3.60	5.48	-0.37	-10.75
2021	-1.68	-1.26	3.51	4.66	2.40	1.93	2.88	4.43	-2.34	2.43	-0.27	3.88	22.23
2020	0.66	-5.83	-10.47	10.14	2.65	1.34	-1.36	2.37	0.00	-4.42	6.74	3.10	3.27
2019	4.07	1.34	2.39	5.60	-0.75	4.35	3.54	0.09	2.14	-1.37	2.82	2.15	29.51

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
	1.42	5.42	8.22	7.90
	-1.85	6.77	4.55	6.50

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
	1.42	17.05	48.16	223.85
	-1.85	21.60	24.76	164.77

Royal London Sustainable Leaders Trust C Inc FTSE All-Share Total Return GBP

## PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	1.42	-1.85
VOLATILITY (%)	11.24	11.51
ALPHA	-0.10 *	
BETA	1.04 *	1.00
CORRELATION	0.82 *	1.00
SHARPE RATIO	-0.23	-0.48
SORTINO RATIO	-0.32	-0.64
MAX DRAWDOWN (%)	-10.02	-7.91

\*Calculated over a 3 year period where history permits.

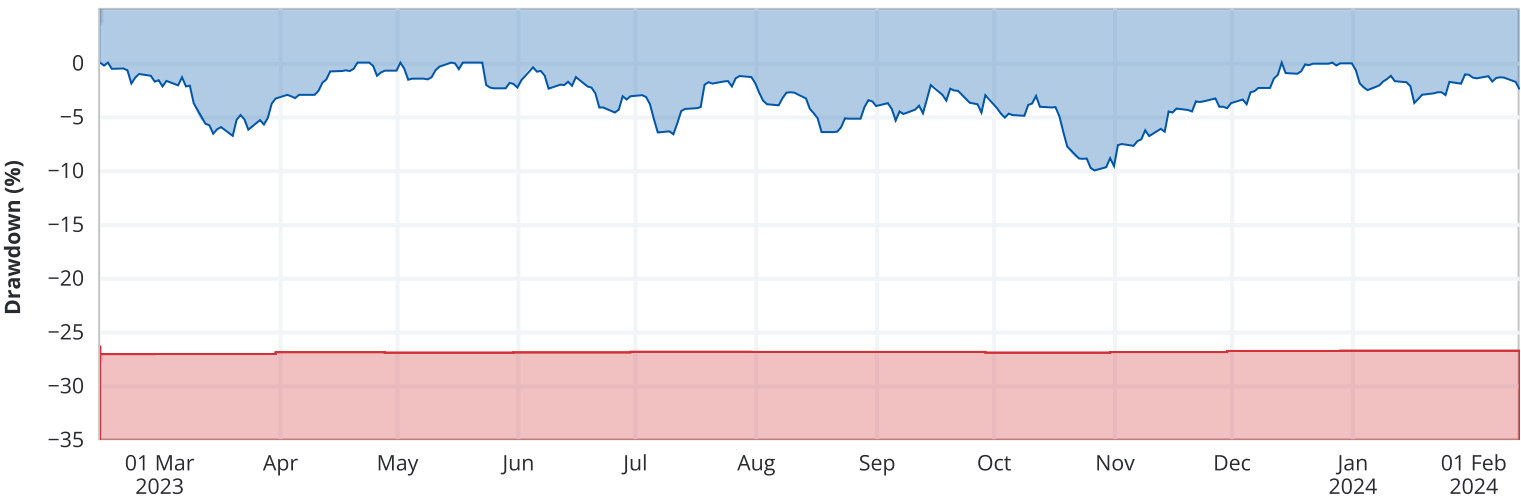
## PERFORMANCE - FROM INCEPTION

5 Aug 2008 - 13 Feb 2024

RETURNS (%)	7.90	6.50
VOLATILITY (%)	15.40	17.77
ALPHA	0.17	
BETA	0.87	1.00
CORRELATION	0.88	1.00
SHARPE RATIO	0.44	0.31
SORTINO RATIO	0.61	0.43
MAX DRAWDOWN (%)	-36.83	-36.67

## SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



### Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

# DISCLAIMER

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