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Royal London Sustainable World Trust

Quarterly Investment Report

31 December 2024



Quarterly Report

The fund as at 31 December 2024

The purpose of this report is to provide an update on the Royal London Sustainable World Trust. The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

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The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term (3-5 years) by investing mainly in the shares of companies globally listed on stock exchanges that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Adviser's ethical and sustainable investment policy. The IA Mixed Investments 40-85% Shares sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2024	3,345.33

Asset Mix

	Holdings	Weight
Equity	47	84.36%
Fixed Income	204	14.07%
Cash	55	1.57%

Fund analytics

	Fund
Fund launch date	21 September 2009
Base currency	GBP

Performance and activity

Performance

	Fund (%)
Quarter	3.29
1 Year	12.17
3 Years (p.a.)	2.88
5 Years (p.a.)	9.34
10 Years (p.a.)	11.86
Since inception (p.a.)	12.29

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on C Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 21 September 2009.

Performance commentary

The fund produced a positive return over the quarter, with a positive return within our equity exposure and a flat return from the allocation to sterling corporate bonds.

We continue to apply our tried and tested investment process focusing on finding the most attractive companies from a sustainability and financial standpoint as we believe these companies can offer high and more durable long-term growth as well as being more resilient.

The fund's equity performance lagged broad global markets, with a negative impact from its underweight position in the US market, especially among the largest companies which were the main drivers of market in the fourth quarter. Japanese bike component manufacturer Shimano was a negative contributor to performance as it continues to be negatively impacted by destocking post a boom in bike sales during the pandemic. Precision dispensing system manufacturer Nordson also detracted from performance after reporting results below expectations due to cyclical weakness.

US distributor of water products Core & Main was a positive contributor. The company is well positioned to support investments into the ageing water infrastructure in the US. Another positive contributor included Taiwan Semiconductor Manufacturing – the leading foundry supporting the manufacturing of most advanced semiconductors.

We have a portfolio exposed to some exciting and powerful multi-year structural growth themes – the key ones being the ongoing digitalisation of society through things such as cloud computing and Artificial Intelligence (AI), which we think we're incredibly early in. We also have exposure to companies enabling the development of a more sustainable and resilient physical world. These include areas such as HVAC (heating, ventilation, and air conditioning), building electrification and more sustainable transport such as rail. We also continue to be excited by the opportunities in the healthcare sector where we observe advancements in computing are accelerating new drug discovery combined with large disease categories such as obesity emerging.

The final quarter of 2024 was turbulent for fixed income investors amid a series of headwinds coming from rising government bond yields, ongoing political volatility – domestic and abroad – and differences in central bank policies. Credit spreads are at all-time tight levels, across markets, and gilt yields are at multi-decade highs. But we still believe all-in yield from credit is attractive and that the risk of downgrade or default is still well compensated at current spread levels. In our credit exposure, our bias to insurance and structured bonds, and underweight exposure to supranationals, all contributed positively. Our exposure to subordinated bonds from **Direct Line** was also helpful, benefiting from a re-rating following the announcement of the takeover by Aviva.

Performance and activity

Top 10 holdings

	Weighting (%)
AMAZON COM INC	3.34
BROADCOM INC	3.33
MICROSOFT CORP	3.26
ALPHABET INC CLASS A	3.17
VISA INC CLASS A	3.11
STANDARD CHARTERED PLC	2.92
ASML HOLDING NV	2.86
CORE & MAIN INC CLASS A	2.80
LONDON STOCK EXCHANGE GROUP PLC	2.74
TAIWAN SEMICONDUCTOR MANUFACTURING	2.68
Total	30.23

Fund activity

Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries, or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

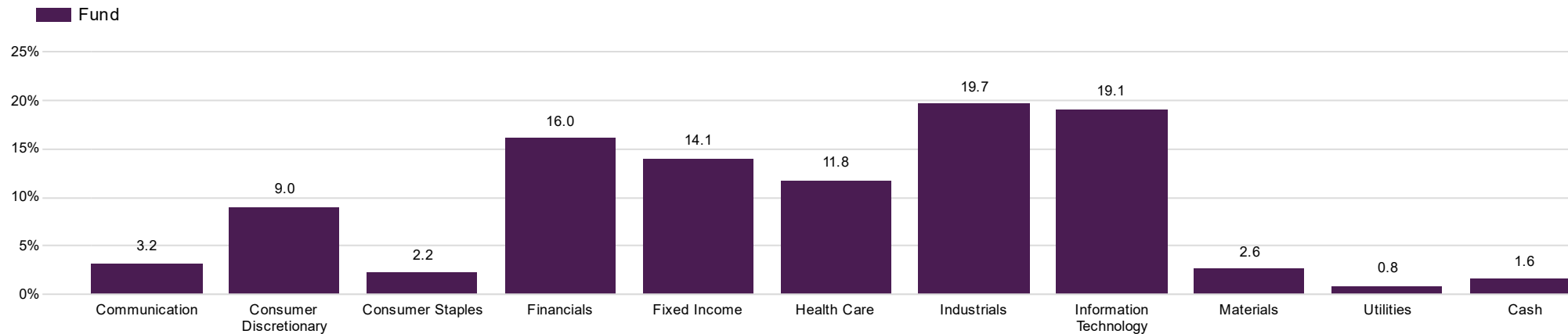
In Q4, we started a new position in leading US hospital operator HCA, taking advantage of recent share price weakness. We also initiated a new position in British supermarket retailer Tesco, which demonstrated leading sustainability practices. These purchases were funded by exiting our positions in North American railroad operator Canadian National, and TE Connectivity, a provider of connectors to the automotive and industrial sectors.

Within our fixed income exposure, the new issue market was relatively subdued during the fourth quarter, and indeed for 2024 as a whole. However, we continued to find interesting opportunities in the secondary market, including bonds from **Yorkshire Water**. Yorkshire is seen as a weaker issuer in the sector, but following the final determination, we feel it has a more favourable outlook than is priced into current spread levels. From a sustainability perspective, we remain supportive of the UK water sector. Despite the negative headlines surrounding pollution events, it's easy to take for granted the level of water treatment we have in our country. Peer developed countries often do not provide the same level of data or treatment. The societal benefits are clear, as effective water treatment contributes to a healthier society by removing and treating waste, thereby reducing the spread of illness. Additionally, the benefit of easy access to water provided by these companies should not be overlooked. This is a sector we continue to engage with, and we will persist in pushing for better practices.

Supranationals are a relatively small part of the portfolio compared to the much higher weighting this sector has in most broad all-maturities indices. Our portfolios tend to have a low weighting as we believe that we can achieve a better yield elsewhere in the market without taking excessive risk. However, we are still open for opportunities in this space – for example adding a new issue from **Saltaire Finance**, the bonds part of the UK's Affordable Homes Guarantee Scheme and guaranteed by the government yet still paying around 50bps over equivalent gilts.

Fund breakdown

Sector weights



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.royallondon.com/existing-customers/your-products/manage-your-isa-or-unit-trust/rlum-isa-overview/

ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:

www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective	✓	
Additional exclusions	✓	

Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Fossil fuels	✓	Tobacco	✓
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	30,623	n/a	n/a
Financed emissions coverage	90.06%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	7.47	n/a	n/a
Carbon footprint coverage	90.06%	n/a	n/a
Weighted average carbon intensity (tCO2e/\$M sales)	32.54	n/a	n/a
Weighted average carbon intensity coverage	94.88%	n/a	n/a

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	89.69	n/a	n/a
% of portfolio below 2°C ITR	51.37	n/a	n/a
% of portfolio below 1.5°C ITR	32.86	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	28.02	n/a	n/a
SBTi Near-Term committed	10.52	n/a	n/a
SBTi Near-Term targets set	42.03	n/a	n/a

Fund Engagement

Engagement definition

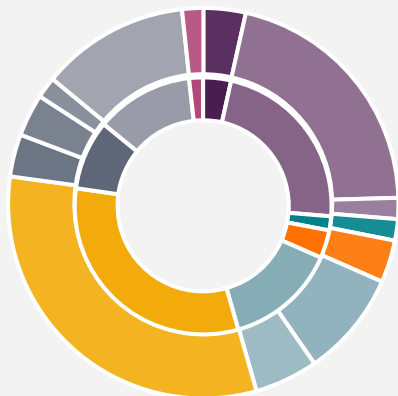
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	36	63
Number of engagements	50	141

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Total engagements by theme and topic



Biodiversity	2	Social & Financial Inclusion	5
Climate	13	Labour & Human Rights	2
Climate - Transition Risk	12	Social & Financial inclusion	2
Climate - Physical Risk	1	Just transition	1
Diversity	1	Technology, Innovation & Society	7
Gender Diversity	1	Technology & Society	7
Environment	2	Other	1
Governance	8		
Remuneration	5		
Corporate Governance	3		
Health	18		
Mental Health	18		

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Fund Engagement

Engagement outcomes

Adobe Inc - Ethical AI

Purpose:

The meeting aimed to discuss ethical innovation at Adobe, a US computer software company, specifically focusing on governance and AI ethics as part of the World Benchmarking Alliance's (WBA) Ethical AI collaborative engagement programme.

Outcome:

The meeting highlighted Adobe's commitment to ethical AI practices, governance structures, and the importance of diverse perspectives and human rights in its AI initiatives. Adobe has established an AI Ethics Committee and Review Board and developed an AI ethics assessment tool to help teams evaluate ethical implications. In 2022, Adobe conducted a human rights impact assessment led by its ESG teams, considering harmful uses of AI. The company aligns its AI governance with the National Institute of Standards and Technology (NIST) AI Risk Management Framework and the AI US Safety Institute's standards. We will continue to engage with Adobe on AI model deployment and monitoring, and contribute to the WBA's collaborative engagement to establish best practices and provide feedback to Adobe on ethical AI.

Lloyds Banking Group Plc - Just transition

Purpose:

We met with Lloyds Banking Group, UK-based financial services group, as part of our collaborative engagement with banks on just transition, aiming for the bank to integrate this issue throughout its climate transition plan and demonstrate implementation at product, sector, and regional levels.

Outcome:

Lloyds Banking Group continues to view just transition as integral to the company's purpose and growth strategy. The positive call highlighted several innovative projects, supporting its alignment with just transition principles. Lloyds found our investor expectations helpful but noted that a sector lens might miss interdependencies, advocating for a system-based approach instead. The company provided examples of just transition integration across various systems, such as sustainable farming, greening the built environment, low carbon transport, and energy transition.

Lloyds has launched several innovative products aligned with just transition, including a £500mn social housing retrofit product. Lloyds have developed a roadmap with the Green Finance Institute and NatWest for property-linked finance for retrofit projects. The bank's regional approach to lending addresses challenges in across the UK, with initiatives like working with local authorities to tackle local issues, expected to create jobs and reduce regional inequalities. Combined with balance sheet lending for regional projects, Lloyds' approach appears relatively advanced.

Fund Engagement

Engagement outcomes

Rentokil Initial Plc - Mental health & climate

Purpose:

We met with Rentokil Initial, a UK business services group that provides pest control, hygiene, and facilities management services, to discuss its corporate mental health performance and various sustainability initiatives, aiming to understand its challenges and progress in these areas.

Outcome:

The discussion with Rentokil Initial was positive. The company is open to increasing disclosure on its mental health initiatives, highlighting the success of its resilience training in the UK and the 'RUOK' programme outside in the Asia Pacific region. Rentokil Initial publishes 'Speak up' scores and tracks complaints, and may explore further disclosure to better understand its workforce. The company is focused on improving reporting under the Corporate Sustainability Reporting Directive (CSRD), concentrating on impactful areas while running business programmes, and enhancing customer and employee retention.

The company faces challenges with including Scope 3 emissions in its net zero targets, particularly due to travel by its global workforce. However, environmental efforts, such as adopting low emission vehicles, have been well received and positively impacted company culture. We will continue to monitor the company's disclosures and engagement on these topics, providing feedback and support as needed.

Severn Trent Plc - Biodiversity & community health

Purpose:

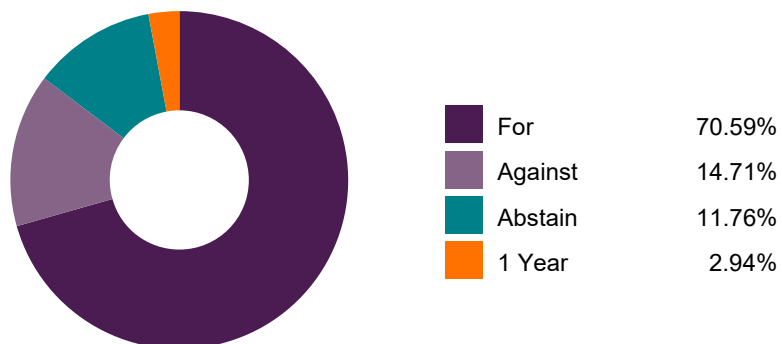
The meeting aimed to discuss Severn Trent's, a water company, performance based on its 2025-2030 business plans, focusing on areas needing improvement in its environmental and biodiversity strategy, including Sites of Scientific Interest (SSSIs), biodiversity management, and antimicrobial resistance (AMR).

Outcome:

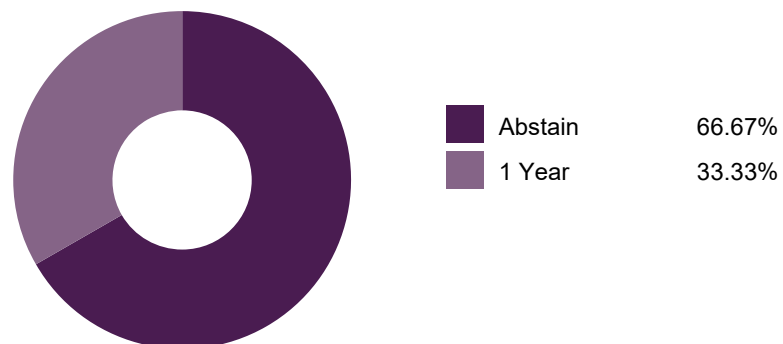
The meeting was productive, reassuring us about the company's management of SSSIs and biodiversity. Severn Trent launched its SSSI strategy in 2022, managing 500 hectares and overseeing 720 SSSIs, with a goal of 100% favourable condition by 2030. The company conducts annual assessments, reports to senior management, and has expanded its Biodiversity and Ecology team. The company has collaborated with over 60 organisations and is involved in AMR projects, exploring alternative treatments and working with academics.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

Ferguson Enterprises Inc.

Advisory Vote on Executive Compensation - against: We have concerns with the material increase in long-term incentive opportunity for both the CEO and CFO, which takes the total variable incentive opportunity towards the top end of the immediate peer group, in conjunction with a reduction in the performance-based element, though we note in mitigation this remains higher than for most of those same peers. We would also prefer to see disclosure of LTIP targets and more quantitative disclosure for the ESG goals under the STIP.
 Elect Alan J. Murray - abstain: The nominee is Chair of the Nomination Committee and we have concerns that a Senior Independent Director or equivalent has not been appointed.

Microsoft Corporation

Advisory Vote on Executive Compensation - abstain: We retain some concerns with the short performance period of long-term incentive awards.
 Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern - abstain: While we appreciate and back the aims of the proponent in this instance, we believe that the company already provides extensive disclosure and board level oversight of this issue, monitoring and engaging with the countries in which it operates and locates data centres.
 Shareholder Proposal Regarding Report on Risks of AI Data Sourcing - for: Although we recognise the company's existing and planned disclosures, we believe that support for this proposal could be warranted as a means to encourage the company to ensure that its forthcoming disclosures are robust, and provide a solid context for shareholders to allow them to assess the potential risks to the company from its use of external data in the development of its AI technology.

Market commentary

Market overview

Markets were volatile during the fourth quarter (Q4) – with the US elections and the potential for central bank rate cuts the main causes of uncertainty. With the election of Donald Trump as US President, and the Republicans having a majority in both the Senate and House of Representatives, markets moved to price in potentially higher US deficits. Nevertheless, global equities posted gains in Q4, with the US region leading the gains.

Alongside political events, attention remained on the Federal Reserve, European Central Bank and Bank of England to see if expected rate cuts would materialise. However, with inflation remaining higher than central bankers would like, expectations for rate cuts in 2025 were revised down. This backdrop pushed government bond yields higher, leading to negative returns for most investment grade credit markets, while equities ended a strong 2024 with another positive quarter, with US stocks – notably the ‘magnificent seven’ – leading the way.

The fourth quarter was dominated by the outperformance of the US market following the election of Donald Trump on a platform of low taxes and de-regulation which are viewed as pro-business. In addition, Q3 corporate results highlighted weaknesses in manufacturing activities but continued strength in the technology and financial sector. Overall, the best performing sectors were consumer discretionary, technology and communication services all driven by the megacap stocks such as Tesla, Nvidia and Alphabet. On the opposite, healthcare and rate sensitive sectors such as utilities and real estate underperformed. Healthcare stocks underperformed due to concerns about political reforms under the new Trump administration.

Government bond yields rose over the quarter, as central banks continued to struggle to bring inflation back to target levels and amid ongoing political volatility with elections across Europe and the US. In the US, 10-year treasury yields rose to 4.57% from 3.78%, while German 10-year bunds similarly saw yields rise to 2.36% from 2.06%. Benchmark 10-year gilt yields increased to 4.57% from 4.01%.

The sterling investment grade credit market (iBoxx non-gilt index) returned -0.49% over the quarter, with the average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) tightening over the period from 1.03% to 0.86% (iBoxx).

Outlook

Markets have moved significantly over the last 12 months, pricing in peak interest rates, yet history has taught us the macroeconomic environment can change quickly. We are not macroeconomic forecasters and refrain from predicting the direction of interest rates or inflation, but evidence is accumulating that we might be at peak interest rates. However, the path to lower interest rates remains in flux.

Each year has its own story, and this one has been no different. 2021 was a year of ebullience; 2022 a year for surviving; 2023 a year of shaking off recession fears; and 2024 a year for AI. For investors each year is an opportunity to increase our skills through experience and knowledge building.

One reason for optimism in 2025 is the high level of innovation we are currently seeing in the global economy. This can be best summarised with the concept of atoms, bytes and genes. In theory everything in existence is one of these. Atoms represent the physical world, bytes the digital, and genes the natural world. In our opinion, if we can understand trends in these three areas, we should be able to understand everything.

The physical world is undergoing a once in a generation investment boom, led by reshoring (as overseas manufacturing is moved back home for geopolitical reasons), decarbonisation and the need to build out data centres to support the increased use of artificial intelligence. The digital world is also seeing an unusual level of growth as cloud computing combined with generative AI becomes more pervasive. Not to be left behind, in the natural world new treatments are being created for diseases such as Alzheimer’s and obesity. Any one of atoms, bytes and genes could be enough to drive economic growth but all three together are a powerful tailwind that could exist for many years to come. We think that sustainable investing is a great way to invest in all three of these areas. When we add base rate probabilities to a high level of innovation, we believe that the potential for 2025 to be another good year for equity investors is high.

UK investment grade markets mostly mitigated the negative impact of higher underlying yields with higher carry and tightening credit spreads. As this point, with these back towards pre-GFC levels, it is reasonable to ask whether spreads have moved too far. In our view, given current expectations for the global and UK economies, we continue to believe that current spread levels more than compensate investors for default risk as evidenced by historic default rates in investment grade markets. However, the compression seen in credit markets over the last two years has shifted the relative attraction of higher beta exposure compared to lower risk government related exposure. We are conscious of the significant nature of moves and continue to be mindful of this within our corporate bond selection.

Further Information

Please click on the links below for further information:



Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the Trust or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

The portfolio has no index as a comparison.

Risks and Warnings

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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

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

This fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

EPM techniques risk

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. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

Liquidity risk

In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

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.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 31 December 2024

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	3.29	3.43	12.17	8.90	56.34	2.88	9.34
Fund (net)	3.10	3.04	11.34	6.48	50.60	2.11	8.52

Year on year performance (%)

	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020
Fund (gross)	12.17	16.05	(16.34)	18.54	21.11
Fund (net)	11.34	15.18	(16.97)	17.66	20.21

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 31 December 2024. All figures are mid-price to mid-price for the Royal London Sustainable World Trust C Acc GBP share class.

Glossary

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO₂e/\$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO₂e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

Armaments: Companies who manufacture armaments or nuclear weapons or associated products.

Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

Nuclear Power: Companies who generate energy from Nuclear Power.

Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

Tobacco: Companies which are growing, processing or selling tobacco products.

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Performance

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

Glossary

Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) sector relative to the benchmark index.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO₂e / \$M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.