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Royal London Sustainable Managed Growth Trust

Quarterly Investment Report

30 September 2024

Quarterly Report

The fund as at 30 September 2024

The purpose of this report is to provide an update on the Royal London Sustainable Managed Growth 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve a total return over the medium term (3-5 years) by investing mainly in sterling-denominated bonds, with some exposure to shares, 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 0-35% Shares sector is considered an appropriate benchmark for performance comparison.

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Fund value

	Total £m
30 September 2024	761.98

Asset Mix

	Holdings	Weight
Fixed Income	222	73.00%
Equity	49	26.15%
Currency	2	0.00%
Cash	59	0.86%

Fund analytics

	Fund
Fund launch date	4 December 2012
Base currency	GBP

Performance and activity

Performance

	Fund (%)
Quarter	1.87
YTD	5.31
1 Year	13.60
3 Years (p.a.)	0.28
5 Years (p.a.)	3.07
10 Years (p.a.)	5.38
Since inception (p.a.)	5.72

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 RL Sustainable Managed Growth Trust (C Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 4 December 2012.

Performance commentary

All issuers within our sustainable holdings offer a net benefit to society through either their products/services or their operations. As well as reducing risk, we seek out opportunities that are under-researched e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets. Key themes in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

The third quarter was positive for fixed income investors, with strong absolute returns from sterling credit markets and the portfolio. Within the banking sector, our exposure to subordinated bonds was again helpful while in insurance, our exposure to selected long-dated bonds was also beneficial. Selected tenders such as Aviva, as well as the early redemption of bonds by Stagecoach, contributed to our outperformance, with the companies buying back bonds at above market levels.

Against this, our exposure to structured bonds was a small negative. This was largely due to ongoing volatility in the water sector, with bonds in Thames Water weaker over the quarter. This followed a harsher than expected draft outcome of the regulatory review by Ofwat, and rating agencies downgrading Thames bonds earlier in the quarter. While there are undoubtedly issues in the sector, we do believe that a resolution will be found. We continue to review the holdings we have in the sector and believe that the market more than discounts most negative outcomes for the sector. Nonetheless, patience is likely to be necessary before the final resolution is clear. While this underperformance is disappointing, it does highlight the benefit of diversification in our approach, given that the overall effect of our exposure to the structured sector has been positive this year.

Our equity exposure was broadly flat over the quarter. Positive contributors over the quarter came from not owning oil majors, who saw share price weakness in the period. We do not invest in the oil & gas sector due to its environmental impact, with the sector also experiencing near-term volatility tied to oil prices. Pest control and hygiene business Rentokil detracted from performance. They have recently acquired a company called Terminix, which was another large player in pest control, however the organic growth has been quite disappointing which is putting short term pressure on the business. Another detractor was ASML, a provider of semiconductor manufacturing equipment.

Performance and activity

Top 10 holdings

	Weighting (%)
Legal & General Group Plc 5.5% 27-jun-2064	1.54
Hsbc Holdings Plc 8.201% 16-nov-2034	1.52
Aviva Plc 6.875% 20-may-2058	1.40
Prudential Plc 6.34% 19-dec-2063	1.22
Hsbc Bank Capital Funding (sterling 1) Lp 5.844% Perp	1.02
Rothesay Life Plc 3.375% 12-jul-2026	0.82
Standard Chartered PLC	0.80
Microsoft Corporation	0.79
Compass Group PLC	0.78
IMCD N.V.	0.78
Total	**10.67**

Fund activity

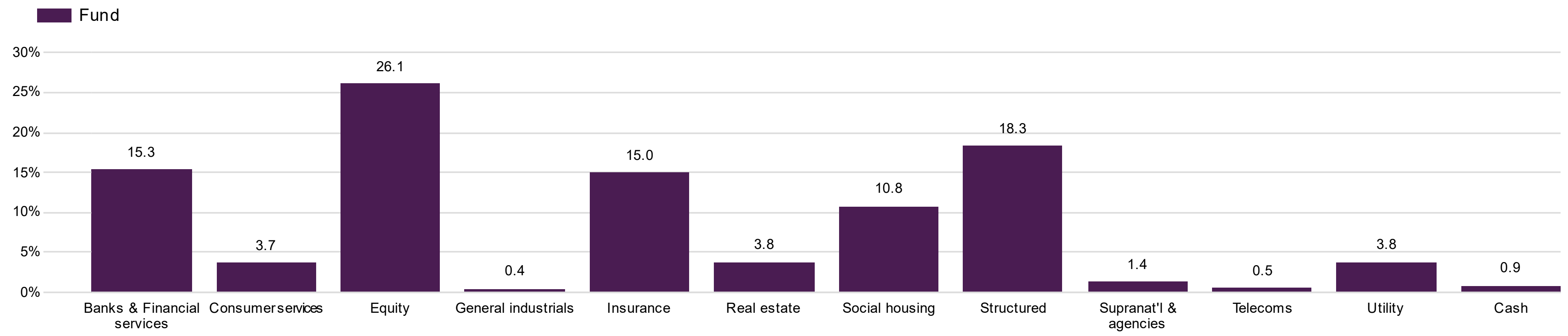
Financials remain the focus of activity across both new issue and secondary markets. In the insurance sector, we added the new issue of subordinated bonds from Just Group, the insurer looking stronger with an improved balance sheet and solvency ratios. Their existing bonds were tendered at just 35bps over gilts with the new issue coming at just over 300bps over gilts.

Within the bank and insurance sectors, so-called ‘legacy bonds’ are those that no longer meet the current requirements of today’s regulatory environment, and as such can become inefficient for issuers to leave outstanding. As a result, we continue to expect to see old bonds called and new ones reissued. We hold a number of positions in these bonds, as the call price is typically above market levels – meaning we receive a higher price than prevailing for the existing bond, and often an attractive price and allocation to the new bond. This has supported performance over the past few years and the most recent example this quarter was Aviva, who called their 2036 bonds at a premium to market pricing. We then added the new 2054 replacements, which came to market with an attractive yield premium.

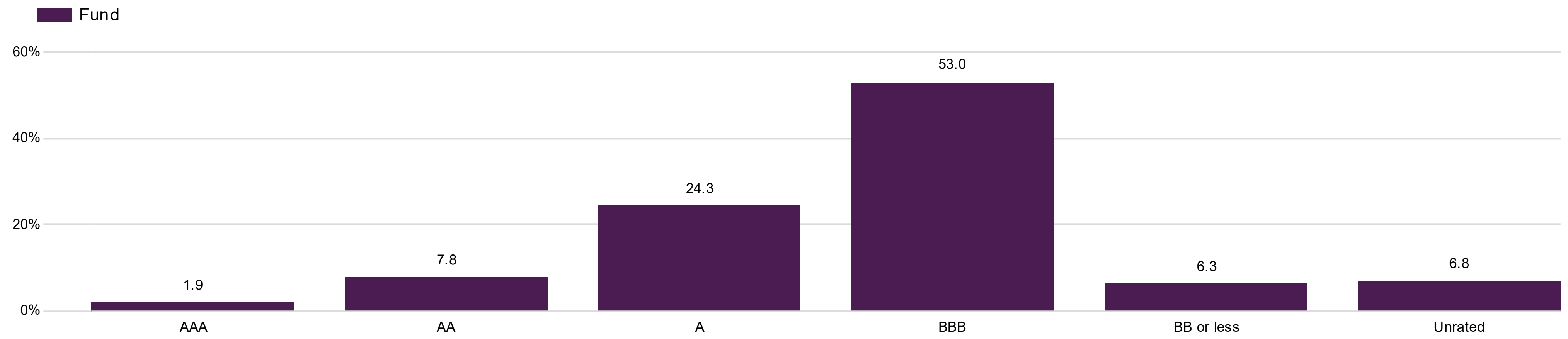
While areas such as financials and structured bonds remain the largest in our portfolios, we look for opportunities in other areas to aid overall portfolio diversification. The real estate sector has struggled in recent years, but has recently started to close the valuation gap with European assets while also benefiting from expectations of falling interest rates. During the quarter we added a new issue from Great Portland Estates – prime West End London properties with a low loan-to-value and strong environmental credentials. In the transport sector, we added East Japan Railway, attractive long-dated bonds supporting critical infrastructure.

Fund breakdown

Sector weights



Credit ratings



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)	10,626	n/a	n/a
Financed emissions coverage	54.63%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	10.53	n/a	n/a
Carbon footprint coverage	54.63%	n/a	n/a
Weighted average carbon intensity (tCO2e/$M sales)	35.50	n/a	n/a
Weighted average carbon intensity coverage	92.68%	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	55.19	n/a	n/a
% of portfolio below 2°C ITR	42.00	n/a	n/a
% of portfolio below 1.5°C ITR	20.73	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	17.10	n/a	n/a
SBTi Near-Term committed	5.71	n/a	n/a
SBTi Near-Term targets set	22.26	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	25	55
Number of engagements	33	125

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.

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.

Total engagements by theme and topic

Biodiversity	6
Climate	7
Climate - Transition Risk	5
Climate - Physical Risk	2
Diversity	2
Ethnic Diversity	1
Gender Diversity	1
Governance	13
Remuneration	9
Corporate Governance	2
Board	1
Strategy	1
Health	5
Health - Community	4
Mental Health	1
Social & Financial Inclusion	7
Just transition	5
Labour & Human Rights	1
Social & Financial inclusion	1
Technology, Innovation & Society	3
Technology & Society	2
Cybersecurity	1

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

Fund Engagement

Engagement outcomes

Ashtead Group Plc - Governance

Purpose:

Our engagement with Ashtead was in response to a lack of consultation on its plans for some controversial pay changes, including an increase in Performance Share Units (PSU) award level for the CEO from 350% to 700% of salary, combined with an introduction of a restricted stock unit award of 150% of salary without traditional performance conditions attached.

Outcome:

Multiple factors including the fact that the company had not engaged with one of its largest shareholders at the consultation stage, that the controversial proposals were now final, the high threshold vesting for the PSU awards and the lacklustre recent operating performance led to a decision to maintain our vote Against the policy. The company acknowledged our feedback, apologised for omitting us from the engagement process and subsequently announced that it would delay the grant of the incremental PSU awards until later in September.

HSBC Bank Plc - Just transition

Purpose:

Our engagement purpose was to encourage HSBC to disclose its plans for integrating social issues into its decarbonisation strategy, in line with the just transition considerations outlined in the Paris Agreement.

Outcome:

Since publishing its net zero report, the company has been strategically embedding just transition principles. It prioritised innovation in sustainability-related lending, aiming to extend services to a broader customer base, including smaller businesses. The company is exploring the development of sustainability-linked bonds and loans and assessing the necessity of just transition-linked products. In emerging markets, it continues to work on the Just Energy Transition Partnership project. The company is also increasing integration across its retail bank and asset management divisions. While it faces challenges in applying universal principles to both emerging and developed markets, it is committed to supporting just transition while meeting climate targets. The company is enhancing relationship managers' understanding of just transition and incorporating specific questions into climate transition plans for high-emitting sectors. Although further details on its plans are pending, the company has an ambitious work plan for the next five months and plans to include initial disclosures in existing reports, with potential for a standalone plan in the future.

Fund Engagement

Engagement outcomes

NatWest - Just transition

Purpose:

We engaged with NatWest as part of a collaborative engagement with banks to integrate just transition principles into their climate transition plans. The aim was to address any questions regarding our recently published investor expectations on just transition and the banking sector. We aimed to encourage the bank to align its strategies accordingly.

Outcome:

NatWest initially expressed concerns about being evaluated solely on financial returns, which it felt constrained its incentives for ESG activities. However, the bank recognised the value of aligning with our just transition investor expectations for the sector. It found these guidelines beneficial in setting ambitious goals and taking subsequent actions. NatWest discussed the establishment of a new energy transition fund with a different risk appetite and committed to a social housing fund. The company acknowledged the importance of integrating just transition principles into its plans to enhance credibility and was receptive to our feedback on improving its communication around the issue.

SSE Plc - Multi-thematic

Purpose:

We communicated with SSE through a stewardship letter to outline key sustainability issues identified in our recent analysis. The letter aimed to prioritise areas for progress and arrange a meeting for further discussion.

Outcome:

In the area of health and safety, we highlighted that contractor safety had fallen below expected standards and urged SSE to improve performance. On climate issues, we expressed support for SSE's climate approach and voted for its net zero transition report at the latest AGM, while recommending a more detailed Scope 3 emission reduction plan and alignment of thermal generation assets with a net zero pathway. Regarding nature, we suggested focusing on reducing environmental incidents and incorporating biodiversity considerations in construction project locations. Lastly, we raised concerns about potential share dilution from issuing shares without pre-emptive rights, as reflected in our voting record. SSE has been invited to discuss these issues further in an upcoming meeting.

Fund Engagement

Engagement outcomes

Vodafone – Ethical AI

Purpose:

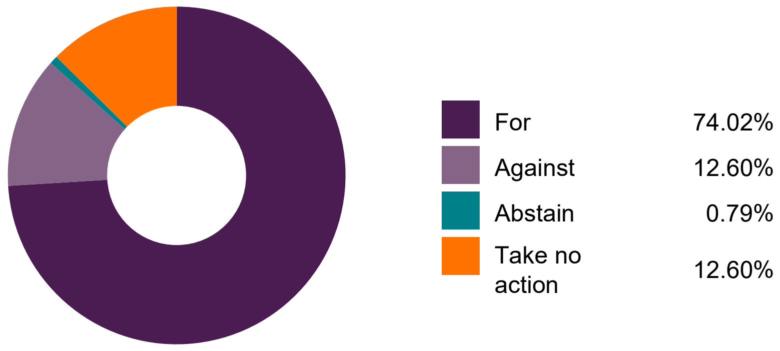
A meeting was organised to discuss Vodafone's approach to ethical AI, focusing on the history, current practices, and future strategies for AI deployment within the company as part of the World Benchmarking Alliance's (WBA) collaborative engagement.

Outcome:

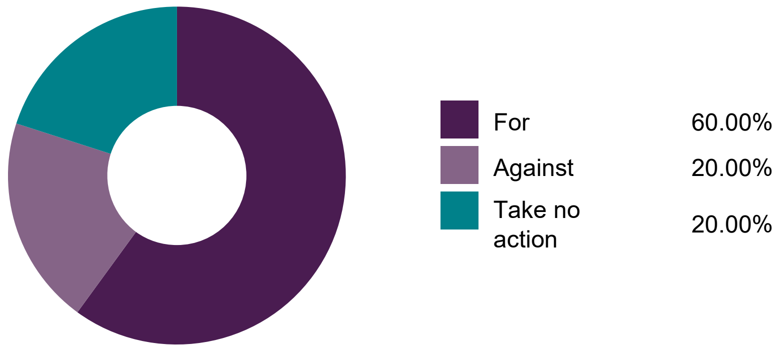
Vodafone has established a comprehensive AI governance structure, ensuring AI is a recognised role within the organisation. A dedicated team manages AI compliance and ethics, embedding new EU data regulations. The governance board oversees AI projects from ideation to implementation, incorporating risk assessments. Vodafone aims to avoid 'shadow AI' (the use of generative AI without the control or knowledge of the business) by embedding AI into its technology architecture which adheres to GDPR and the EU Privacy Directive. The company focuses on responsible AI, complying with the EU AI Act, and participates in forums to stay ahead in AI governance. Ethical principles such as transparency, fairness, and DEI guide its AI development, supported by an AI assessment platform and role-based training for reskilling. We will evaluate the company's performance in comparison to its peers as part of the broader WBA collaborative engagement and identify potential areas for improvement.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

Ashtead Group Plc

Remuneration Policy - against: We have concerns over the level of vesting for threshold performance, as well as the lack of engagement during the shareholder consultation process ahead of finalizing the proposed changes.

Autodesk Inc

Adoption of Right to Call a Special Meeting - abstain: The company will introduce a 25% right which would be a significant improvement. However, given the shareholder proposal requesting that the Company adopt a 15% special meeting right, we are minded supporting a lower threshold instead.
Shareholder Proposal Regarding Right to Call Special Meeting - for: We are supportive of the proponent's request to adopt a 15% threshold for calling special meetings.

Market commentary

Market overview

Markets continued to focus on central bank actions during the quarter, as both the Federal Reserve (Fed) and Bank of England (BoE) followed the European Central Bank (ECB) in making the first rate cuts after raising these significantly through 2022 and 2023 as part of efforts to reduce inflation. Along with a stimulus package in China, this generally helped markets, with bond markets seeing yields fall to reflect lower central bank interest rates, and equity markets recovering from initial weakness with the US S&P 500 index hitting an all-time high. Despite guidance from central banks that further cuts will be measured, markets are still pricing in material rate cuts over the next year or so.

Having spent much of last year worrying about economies being too strong and inflation too high, investor attitudes shifted in the quarter with concerns focusing on whether the economic slowdown was too pronounced. That led the market to take on a more cautious tone. In addition, after elections in the UK and France grabbed headlines in the second quarter, attention is moving firmly to the forthcoming US elections which is leading to significant uncertainty.

The price of WTI crude oil lost 17% over the quarter to $70.1 a barrel, stagnating after the strong gains made in the prior quarter. The geopolitical situation in the Middle East has been worsening and while this would normally lead to oil prices climbing, this was not the case following news that Saudi Arabia would not be managing its production levels to try to achieve and maintain oil prices of $100 per barrel.

Global equities were volatile during the third quarter amid heightened geopolitical tensions in the Middle East and ongoing inflationary pressures on the global economy. However, global equities have still posted gains on a year-to-date basis.

Government yields generally fell over the quarter, reflecting the start of the rate cutting cycle. Benchmark 10-year gilt yields dipped from 4.18% to 4.01%. These gilt yields had been as low as 3.75% in mid-September, many attributed the increase at the end of the quarter to concerns that the Budget might see a further increase in gilt issuance. The sterling investment grade credit market (iBoxx non-gilt index) returned 2.28% 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) ending the period unchanged at 1.07% (iBoxx).

Outlook

Despite continued geopolitical uncertainty, concerns over the Chinese economy, worries of a US recession and a US presidential election in November, equity markets hit new all-time highs. The near-term reason is the cutting of interest rates in the US and Europe, which should support future economic activity and reduce recession concerns. The long-term reason is that we are witnessing a level of innovation and investment in the global economy which is arguably unprecedented and is driving earnings of companies.

The physical world is seeing a huge amount of infrastructure investment, due to a need to support the digital world's expansion, tackle climate change through electrification, and bring back manufacturing to home countries (reshoring). The digital world continues to grow rapidly, as new technologies such as generative Artificial Intelligence (AI) are only just beginning to change the way we work. The natural world is also seeing huge potential to improve disease outcomes in areas such as cancer, Alzheimers and obesity.

Each of these areas, which can be described as atoms (physical world), bytes (digital) and genes (natural) will have a significant role to play in defining investment returns in the coming years and we believe the outlook for these remains very positive.

In an uncertain environment we will continue to follow our disciplined process which has served us well over the years and believe our portfolios are diversified and focused on high quality sustainable and financial companies that are well positioned to drive long-term performance.

Further Information

Please click on the links below for further information:

- Stewardship and responsible investment at RLAM
- Responsible investment
- Royal London Sterling credit ESG analysis
- Royal London voting and engagement
- TCFD climate report

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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This is a financial promotion and is not investment advice.

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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 30 September 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	1.87	2.44	13.60	0.84	16.37
Fund (net)	1.71	2.11	12.87	(1.11)	12.66

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	0.28	3.07
Fund (net)	(0.37)	2.41

Year on year performance (%)

	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020
Fund (gross)	13.60	10.55	(19.71)	7.04	7.81
Fund (net)	12.87	9.84	(20.23)	6.35	7.12

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 30 September 2024. All figures are mid-price to mid-price in GBP for the RL Sustainable Managed Growth Trust (C Acc).

Glossary

Asset allocation

Breakdown of the assets by asset classes. Based on RLAM asset classification scheme.

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.

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

Distribution yield

The distribution yield reflects the amounts that may be expected to be distributed over the next 12 months. It is calculated net of standard management charges. It reflects RLAM's current perception of market conventions around timing of bond cash flows.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

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 analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.

This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

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.

Glossary

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.

Gross redemption yield

Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, net of relevant fund management costs and gross of tax.

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.

SBTi

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

Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

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 tCO_2e / $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.

In line with our bespoke and targeted approach to credit analysis, we have developed an in-house carbon data tool that addresses coverage and mapping issues with third party systems. The development of this tool has been a critical element of RLAM's ESG integration into our credit process, addressing coverage and mapping issues with third party systems. This enhanced coverage is reflected in the WACI figures provided in this report, with all other metrics instead being based on data from MSCI.