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Royal London Sustainable Managed Growth Trust

Quarterly Investment Report

31 March 2025

Quarterly Report

The fund as at 31 March 2025

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.

Fund value

	Total £m
31 March 2025	712.58

Asset Mix

	Holdings	Weight
Fixed Income	230	76.38%
Equity	51	22.84%
Cash	62	0.77%

Fund analytics

	Fund
Fund launch date	4 December 2012
Fund base currency	GBP

Performance and activity

Performance

	Fund (%)
Quarter	0.66
1 Year	3.64
3 Years (p.a.)	2.10
5 Years (p.a.)	4.14
10 Years (p.a.)	4.62
Since inception (p.a.)	5.58

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 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 fund saw a positive return during the quarter, despite a small move higher in gilt yields and the widening in credit spreads. Gilt yields ended slightly higher on concerns over UK public finances, while the credit spreads were wider on a mixture of concerns over the global economy as well as some profit-taking follow a sustained period of tightening spreads.

Credit sector positioning and stock selection were the main drivers of performance. For structured bonds, exposure to the sector was helpful in a quarter where these generally outperformed the market. In this sector, the fund benefitted from exposures to critical infrastructure such as bonds issued by Telereal Securitisation Plc, a transaction secured on a pool of telephone exchanges operated by BT Group plc that are a critical component of the UK fixed-line telecommunications network serving communities across the UK. Exposure to the banking and insurance sectors was also helpful, with subordinated bonds from HSBC performing well, as did bulk annuities players Legal & General and Rothesay Life, which carry out pension risk-transfers by taking on the liabilities of pension schemes and committing to secure the retirement benefits of scheme members.

The fund's equity performance was negative over the period, reflecting the fall in wider equity markets. Oil majors BP and Shell were among the key negatives, providing better than expected updates and benefitting from re-allocation of flows towards more value-oriented sectors. Defence stocks such as British Aerospace and Rolls-Royce were also headwinds to performance. The shares rallied on expectations of higher defence spending in Europe. The fund does not hold these stocks. Financial companies were the most notable positive contributors. W. R. Berkley, a new position for the fund, proved resilient as full year financial results showed strong growth in its underwriting volumes and improving returns from the investment portfolio which it holds to pay future claims. Standard Chartered, a pan-Asian UK-listed bank continued to do well, benefiting from the higher rate environment. .

Performance and activity

Top 10 holdings

	Weighting (%)
LEGAL & GENERAL GROUP PLC 5.5 27 Jun 2064	1.64
AVIVA PLC 6.875 20 May 2058	1.43
M&G PLC 6.34 19 Dec 2063	1.22
UK CONV GILT 4 22 Oct 2063	1.15
HSBC BANK FUNDING STERLING LP 5.844 31 Dec 2079	1.04
ROTHESAY LIFE PLC 3.375 12 Jul 2026	0.90
VIRGIN MONEY UK PLC 8.25 31 Dec 2079	0.83
HSBC HOLDINGS PLC 8.201 16 Nov 2034	0.79
FRESHWATER FINANCE PLC 5.182 20 Apr 2035	0.76
SGSHR_21-1X 4.4558 17 Nov 2051	0.74
Total	**10.51**

Fund activity

Gilt activity was higher than normal during the quarter, due to a growing inefficiency. Market pricing on many corporate bonds often remained focused on credit spread, failing to reflect the difference in yields between low and higher coupon gilts of similar tenors. At times, this meant that bonds with similar credit spreads and maturities could have different yields. During a period of tight credit spreads and higher volatility, this gave us opportunities to sell a corporate bond referenced to a low coupon gilt, and buy a high coupon gilt. In these cases, we were able to remove credit risk on our exposure for very little drop in yield.

Examples of these trades in the quarter included sales of bank bonds which had performed strongly, including Banco Santander, BNP Paribas and National Australia Bank, but outside of financials, we made similar moves in bonds that had also performed strongly, including social housing bonds from Myriad Capital.

Financials are a major part of credit indices. Earlier in the quarter we added new issues of senior bonds from Credit Agricole, Leeds Building Society and Nationwide Building Society. We also bought new tier 2 bonds from Legal & General at a very attractive spread level and new AT1 issues from Lloyds Bank and NatWest Bank at very attractive yields.

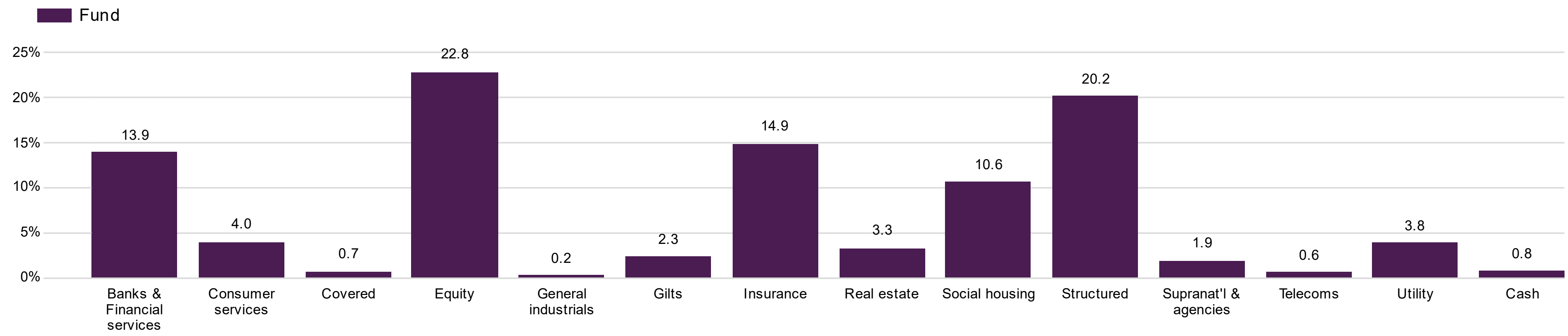
Structured bonds remain a key exposure for the portfolio. With some other areas looking more expensive, we were happy to take advantage of both secondary market opportunities to add secured bonds that often offered more attractive spreads than similar unsecured bonds. One example during the quarter was Tesco Property Finance – these available with a more attractive credit spread than that on a new unsecured issue we passed on from Sainsburys – demonstrating the value in this area.

The fund also added a new issue from frequent sterling issuer Motability Operations Group plc. As the organisation in charge of delivering the Motability Scheme, Motability Operations enables disabled people who receive a qualifying mobility allowance to lease a vehicle at favourable terms. Its service provides considerable value to people with a qualifying disability or illness, improving mobility for over 800k people at a cost that is reported to be 45% lower compared to alternatives.

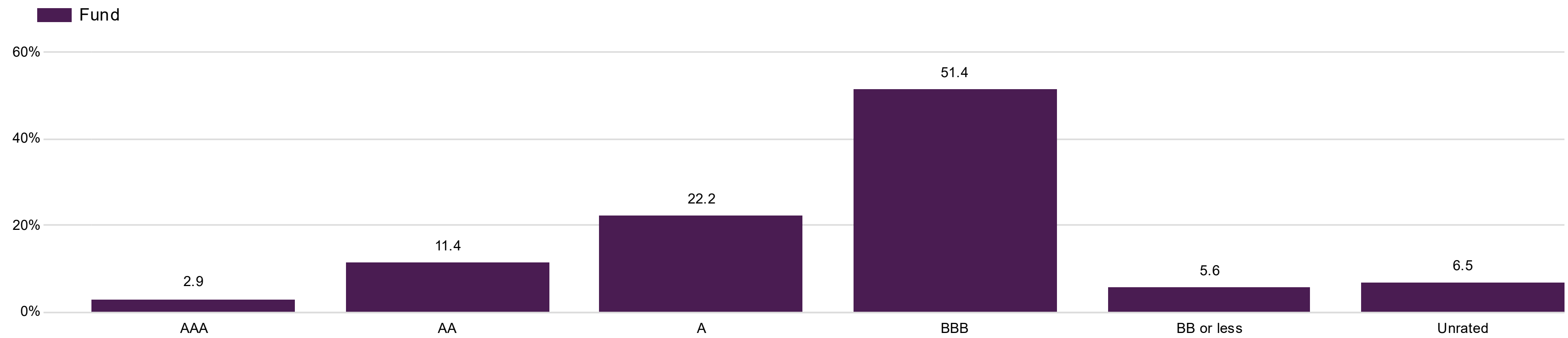
Within equities, given our expectation for ongoing market volatility, effective portfolio construction remains our focus and we have made a number of changes to the portfolio to ensure it is appropriately diversified and resilient across a range of potential market outcomes. During the quarter, we began positions in five new companies including two US financial companies, specialty property & casualty insurance provider W. R. Berkley and student loan provider SLM Corporation. We also began to build small positions in financial technology and payments processor Fiserv.

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

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	8,262	n/a	n/a
Financed emissions coverage	63.29%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	9.30	n/a	n/a
Carbon footprint coverage	63.29%	n/a	n/a
Weighted average carbon intensity (tCO2e/$M sales)	37.48	n/a	n/a
Weighted average carbon intensity coverage	93.23%	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	62.11	n/a	n/a
% of portfolio below 2°C ITR	42.26	n/a	n/a
% of portfolio below 1.5°C ITR	21.21	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	12.31	n/a	n/a
SBTi Near-Term committed	4.96	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	26	61
Number of engagements	37	164

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
Climate	9
Climate - Transition Risk	7
Climate - Physical Risk	2
Environment	4
Governance	18
Corporate Governance	9
Remuneration	4
Strategy	4
Board	1
Health	3
Health - Community	3
Social & Financial Inclusion	6
Just transition	3
Social & Financial inclusion	3
Technology, Innovation & Society	2
Technology & Society	2
Other	1

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

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.

Fund Engagement

Engagement outcomes

Ferguson Enterprises Inc – Net zero

Purpose:

We met with Ferguson, a US distributor of plumbing, heating, ventilation and air conditioning (HVAC) appliances, as part of RLAM's net zero engagement programme to discuss its climate transition strategy.

Outcome:

We asked the company to disclose Scope 3 emissions for additional categories beyond the four currently published. Despite tracking these emissions internally, the company initially withheld disclosure, citing accuracy concerns. We followed up with a letter to Ferguson's Chair, reiterating the importance of comprehensive Scope 3 GHG emissions reporting. In response, Ferguson confirmed refining its Scope 3 data collection processes and calculation methodologies. The company expects to include additional categories, such as Category 11 (use of sold products), in its next Sustainability Report.

Steris Plc – Environment

Purpose:

We met with Steris, a global provider of products and services focused on infection prevention and sterilisation, to gain more information on the Ethylene Oxide lawsuit, understand its management processes, and discuss alternatives to ethylene oxide in sterilisation.

Outcome:

Overall, the call with Steris gave us confidence that its monitoring of Ethylene Oxide exceeded the US' Environmental Protection Agency (EPA) requirements. In response to new EPA requirements, the company has further enhanced its operations to meet these standards. Steris engages with regulators and lobbies for better industry practices, although the company noted pushback from Original Equipment Manufacturers to design products compatible with alternative sterilisation techniques. Despite this, Steris has invested in other methods, such as x-ray sterilisation, and estimates that approximately 15% of items currently sterilised with Ethylene Oxide could transition to x-ray sterilisation.

Fund Engagement

Engagement outcomes

Visa Inc – Ethical and sustainable AI

Purpose:

We initiated an engagement with Visa, a global payments company, to better understand its approach to sustainable and ethical AI. This meeting was in response to a questionnaire we sent to the company.

Outcome:

From the meeting, we gained confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated its expertise in AI governance, aligning with the EU AI Act and US National Institute of Standards and Technology (NIST) standards. Since 2017, the company has tracked generative AI and enhanced its governance to ensure safety and compliance. The company's AI systems undergo thorough reviews and encourage experimentation within secure zones. Its governance process includes regular assessments and a dedicated model risk management team. Visa also regularly tests AI system security and robustness. The company is committed to transparency and fairness, conducting safety testing for bias and ensuring compliance with ethical standards. Additionally, Visa aims to achieve net zero targets by 2040, using clean electricity for data centres and partnering with suppliers to meet sustainability goals and monitor its environmental footprint.

Wessex Water Ltd – Water project

Purpose:

Wessex Water responded to our request for a meeting following the release of its updated company scores which were derived from our scoring methodology based on public disclosures and company engagement in 2024. The meeting provided an opportunity to discuss areas for improvement, including pollution management, antimicrobial resistance (AMR), biodiversity, and climate-related physical risks.

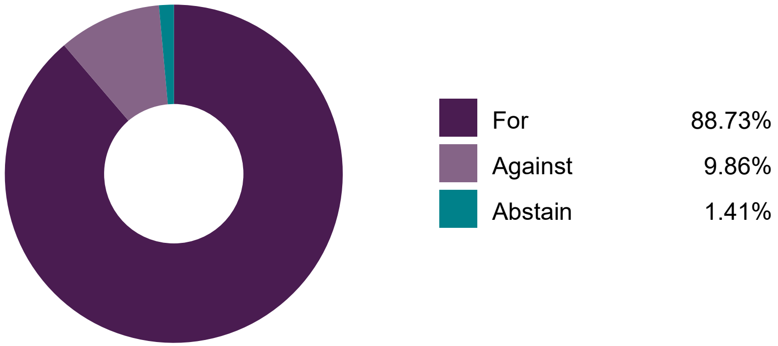
Outcome:

The company highlighted its pollution control efforts, including the use of machine learning to detect sewer changes during rain and the importance of predictive analytics in preventing spills. Wessex Water also addressed antimicrobial resistance (AMR), emphasising its participation in the Chemicals Investigations Programme, a UK water industry initiative that investigates trace chemical substances in the water environment to comply with current and emerging legislation, and the need for green prescribing, which supports people to engage in nature-based interventions and activities to improve their mental and physical health.

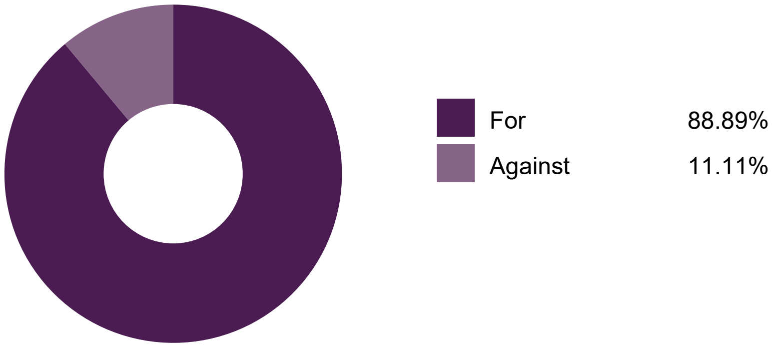
Wessex Water discussed its approach to managing Sites of Special Scientific Interest (SSSIs) and the challenges posed by nutrient programmes. The company outlined the near-term opportunities and risks associated with its £850m total expenditure. The discussion also covered physical climate risks, particularly the importance of sustainable drainage to manage increased rainfall. Wessex Water plans to initiate the funding process for 2025-2030 and conduct a double materiality assessment, with updates to be provided in the next investor roadshow.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

Visa Inc

Advisory Vote on Executive Compensation - against: There are long-standing concerns over the discretionary nature of the bonus plan, which can call into question the link between pay and performance. We would also prefer to see longer performance periods for performance share awards.
Elect Denise M. Morrison - against: The nominee serves as Chair of the Remuneration Committee, and we have long-standing concerns with remuneration at the company.
Shareholder proposal regarding mandatory director resignation policy - for: The adoption of this proposal would benefit shareholders by promoting board accountability and ensuring responsiveness to shareholder concerns.

Market commentary

Market overview

The year kicked off with relative stability, following a turbulent fourth quarter of 2024, with the global economy seeing modest growth and central banks easing monetary policy. As the quarter progressed, however, we have seen heightened volatility, primarily due to elevated policy uncertainty in the US, with President Donald Trump pivoting away from Europe; the spectre of aggressive tit-for-tat tariffs; and Europe's fiscal regime change, led by Germany looking to alter decades of fiscal policy stability and ramp up spending.

A very uncertain US policy backdrop and related disruptions to global trade seem likely to weigh on growth in the US and beyond. Fiscal stimulus may provide something of a shield in economies like the euro area and China. A few more rate cuts seem likely in major economies (except in Japan), albeit more gradual, careful ones, as the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

The result of this environment was global equity indices seeing weaknesses particularly in the US with technology stocks selling-off following the release by Chinese company, DeepSeek, of a large language model, which claimed to have been trained at a significantly lower costs than comparable US models. UK and European stocks gained ground, benefiting from a rotation away from the US and helped also by over indexing towards financial companies. During the quarter, the European Stoxx 600 index delivered a total return of nearly 6%, while the S&P 500 index of the largest US companies fell by 4.6% in local currency terms. Relative weakness in the dollar further lowered returns on US stocks for UK investors.

Government bond markets also saw heightened volatility over the quarter, amid ongoing political noise across Europe and the US. In the US, 10-year treasury yields fell to 4.21% from 4.57%, while German 10-year bunds yields rose to 2.70% from 2.36%. Benchmark 10-year gilt yields increased to 4.68% from 4.57%.

The sterling investment grade credit market (iBoxx non-gilt index) returned 0.70% 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) widening over the period from 0.85% to 0.95% (iBoxx). Most sectors saw positive returns, with the exceptions of utilities, consumer services and social housing. These exceptions were driven more by the greater exposure to long-dated bonds than issues with the sectors themselves.

Outlook

The last few weeks have seen a significant dislocation in equity markets from the trends of recent years. This rotation can be thought of as the belief that US exceptionalism and US growth are weakening, at the same time as Europe is awakening from its slumber and China is emerging from a property bust. Most investors are not positioned for a world where Europe and China lead equity returns and were this to continue and will need to make significant adjustments.

We have begun to see this with European equities seeing their biggest weekly inflow in 10 years. 'Will this trend continue?' is the question every investor is trying to answer. No one knows for sure of course but here are some observations which may inform.

The consensus view today is the US is waning, Europe is rising and China is re-emerging. As investors, the questions are what are our views relative to this, and how does this look in the future? A reasonable view would be too much caution is now baked into view on the US economy, but perhaps not enough optimism regarding a real positive change in Europe and China where investment allocations remain low. If true, this suggests that investors are too cautious about all key regions of US, China and Europe over the long term, and that would be a positive thing for future equity returns.

In our view, what we are witnessing is a fundamental re-ordering of the global economy, from which there will be significant investment opportunities. Understanding this re-ordering and the economic framework that will come out from it will be critical. Although it is early days, there are some comments which can be made about this. It would appear we are moving to a multi-polar world, where three economic regions (North America, Europe and Asia) trade more within themselves than with each other. This suggests investors should think about these three regions separately rather than interlinked. Investing regionally as opposed to globally, even if investing globally, will be skillset that many investors will have to learn and relearn. Globalisation isn't completely gone, but it may now matter which markets a company is listed on and operating in, in a way that it hasn't for some time.

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

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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 March 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	0.66	1.16	3.64	6.45	22.51
Fund (net)	0.50	0.84	2.97	4.40	18.61

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	2.10	4.14
Fund (net)	1.44	3.47

Year on year performance (%)

	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
Fund (gross)	3.64	11.54	(7.91)	1.06	13.88
Fund (net)	2.97	10.82	(8.51)	0.41	13.15

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 March 2025. All figures are mid-price to mid-price for the Royal London Sustainable Managed Growth Trust C Acc GBP share class.

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.

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

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.

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.

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.

Glossary

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)

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.

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.