

3D Fund Profile:

Royal London Asset Management Sustainable Growth

June 2023



3D Rating:



BRONZE

3D Fund Classification: Sustainable Solutions

The managers of this fund seek to invest in companies that are providing solutions to social and environmental challenges through their core products and services in the belief that this will realise long-term financial benefits.

Fund Summary

The managers of the Royal London Asset Management Sustainable Growth fund seek to invest in the debt and equity of companies which either offer solutions to environmental or social challenges, or evidence strong integration of ESG factors into their business operations. We believe that through the team's proprietary sustainable investment process that this objective has been achieved, evidenced by a commendable exposure to both solutions-based companies and those which have strongly integrated ESG factors.



Key Facts as at 31/05/2023	
Manager	Mike Fox, Sebastien Beguelin and George Crowdy
The Fund's Objective	The fund's investment objective is to achieve capital growth over the medium term (3-5 years). The IA Mixed Investments 40-85% Shares sector is considered an appropriate benchmark for performance comparison.
Launch Date	24/05/2022
Structure	OEIC
ISIN Code	GB00BMV92360
Currency	GBP
Size	£104.27m
Sector	IA Mixed Investment 40-85%
The Fund's Official Benchmark	N/A
3D Benchmark	Global 100 Equity Index
Number of Holdings	210
Ongoing Charges	0.77%

Source: Royal London Asset Management, Square Mile Research & Refinitiv

RI Approaches Employed:

Ethical Exclusions



Avoids industries and company practices that cause harm to people or the planet.

Responsible Practices



Considers the operational practices of investee companies and supports 'best practice' in their respective industries, and may encourage them to improve their environmental and social performance.

Sustainable Solutions



Seeks to invest in companies that are providing solutions to social and environmental challenges through their core products and services in the belief that this will realise long-term financial benefits.

Impact



Clear intent to make a wider positive social or environmental impact, substantiated by investment in companies providing solutions to social and environmental challenges through their core products and services, with evidence provided of the social and environmental impact.

Engagement



The fund manager seeks to raise standards on environmental, social and governance issues through dialogue with investee companies; or by participating in collaborative initiatives with other stakeholders.

The Royal London Asset Management Sustainable Growth fund is co-managed by Mike Fox, Sebastien Beguelin and George Crowley, who jointly seek to invest in securities which make a positive contribution to the environment or society. These managers are supported by the wider Royal London Asset Management Sustainable Investment team. The Sustainable Growth fund is a high-conviction portfolio of c.200 debt and equity securities from companies and issuers who aim to tackle important environmental and social challenges. Additionally, the team also invests in those companies and issuers which have effectively integrated ESG factors into their business operations. Their investment process combines a sustainability score, which is marked out of 50, and a more traditional financial score, also scored out of 50. These scores, as well the fund's exclusionary policy, are the key drivers in whether a company meets the necessary threshold to be included in the portfolio.

Although the principle aim of the fund is to create a portfolio of companies which either offer solutions to sustainability challenges or are leaders in integration of ESG-factors into their operational practices, the Sustainable Investment team do enforce an exclusionary screen on their investable universe. The aim of this is to align the portfolio to their "Do No Significant Harm" principle.

Once the investible universe has had its exclusions removed, the Sustainable Investment team are then able to apply their proprietary sustainability-specific analysis. This process involves the scoring of each company out of 50, with 50% of the score based on its products & services, and the other 50% based on its operations. In the products & services section, the team assesses how well aligned a company's products or services are to a more sustainable society. Contrastingly, the operations section assesses how well a company has moulded its business operations to factor in environmental and social issues. Central to each of these pillars are three sub-pillars, which are outlined below:

Products & Services:

- 1) Industry Impact
- 2) Company Impact
- 3) Avoidance Criteria

Operations:

- 1) Corporate Governance
- 2) SASB Materiality
- 3) Climate

The second scoring metric is the financial score, which is similarly divided into two pillars with subsequent sub-pillars. The two core pillars, value creation and valuation, are equally weighted in the combined maximum score of 50.

With regards to the fixed-income segment of this portfolio, the Sustainable Investment team conduct their own research to identify issuers with socially and environmentally positive products and services, which in turn is supplemented by third-party data provided by MSCI. Similar to the equity portion, this process has the aim of identifying those issuers that have strong competitive advantages and long-term value creation abilities. At present there are five key sustainability themes which the fixed-income analysts give preference to, which are:

- 1) Community Funding
- 2) Financial Inclusion & Resilience
- 3) Social & Environmental Infrastructure
- 4) Energy Transition
- 5) Social Housing

Once a prospective company or issuer has been assessed against the teams sustainability metrics, and they achieve the necessary score or credentials, they are permitted to be invested in by the fund managers.

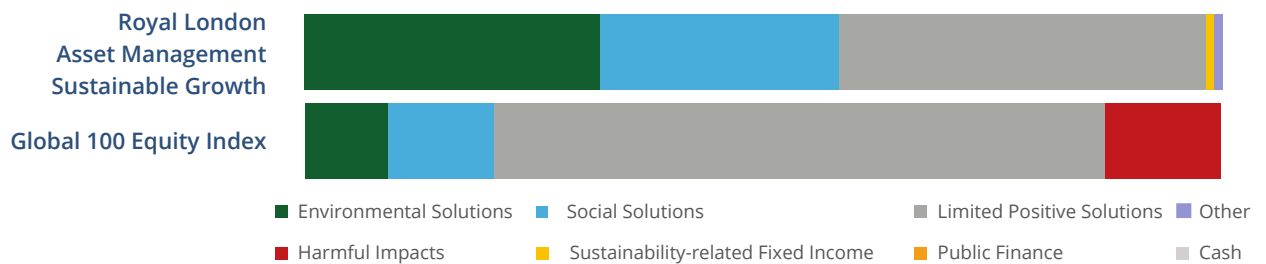
There is also an independent External Advisory Committee which is responsible for the independent oversight of all of the Sustainable Investment funds, including the Sustainable Growth fund. This committee is made up of academics and industry experts, and meets three times a year to review reports on sectors, companies, exclusions and topical issues. This process is purely advisory, meaning that stock selection may be, but is not strictly, influenced by the committees' decisions.

Royal London Asset Management are firm believers in the effectiveness of active ownership to positively influence investee companies. The firm have specifically targeted the engagement themes of climate risk, diversity, innovation & technology, circular economy, governance, and social & financial inclusion over the course of 2019-2021, as per their Stewardship and Responsible Investment Report (2022). Although the team does not provide fund-level case studies on engagement topics, this report does provide substantive evidence that Royal London Asset Management actively pursue engagements on ESG topics.

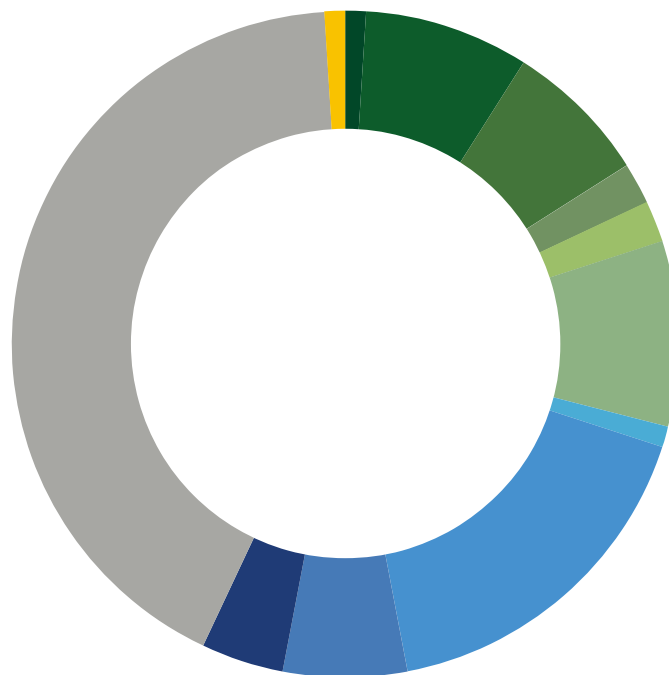


The Royal London Asset Management Sustainable Growth fund has a c.57% exposure to companies whose core products and services provide solutions to social or environmental challenges. This is made up by the respective c.30% and 27% exposures to Environmental and Social Solutions, as well as the smaller 0.5% exposure to the classification of sustainability-related Fixed Income. The remaining allocation to 3D classifications, discounting cash, is to Limited Positive Solutions.

Although the fund has large exposures to Healthcare (17.3%), Resource Efficiency (9.1%) and Enabling Infrastructure (8.1%), we do believe that the balance between the categories illustrated below is in alignment to the managers' investment philosophy. Both the products & services and operations score are equally considered in the managers' own sustainability score, owing to the belief that companies which adequately consider ESG issues into their business practices will benefit financially over the long-term. This has resulted in a relatively balanced exposure between solutions and non-solutions. This is, unsurprisingly, a reflection of the underlying holdings. Examples of the underlying holdings include companies such as AstraZeneca and Thermo Fisher Scientific, which are classified as Healthcare solutions, and Visa and Microsoft, which are classified as Limited Positive Solutions but are considered to be leaders in the integration of ESG-factors into their business practices.



Source: Royal London Asset Management, Square Mile & Refinitiv. Holdings as at 30/09/2022.



0.8%	■ Circular Economy	0.1%	■ Education	0.0%	■ Harmful Impact
8.1%	■ Enabling Infrastructure	17.3%	■ Healthcare	0.0%	■ Cash
7.4%	■ Low Carbon Transport	6.1%	■ Inclusive & Ethical Finance	0.0%	■ Public Finance
1.6%	■ Natural Capital	0.0%	■ Safety & Security	0.2%	■ Other
1.9%	■ Renewable Energy	3.6%	■ Social Infrastructure		
9.1%	■ Resource Efficiency	42.3%	■ Limited Positive Solutions		
0.9%	■ Sustainable Food	0.5%	■ Sustainability-related Fixed Income		

Source: Royal London Asset Management & Square Mile Research, Holdings as at 30/09/2022.

Controversial Activities Exposure

Royal London Asset Management has a set of exclusion criterion which applies to the entirety of their Sustainable Investment range, including the Royal London Sustainable Growth fund. These exclusions cover alcohol, gambling, tobacco production, non-medical animal testing, nuclear power and military weapons. The latter excludes companies directly involved in the production of weapons as well and those companies that materially contravene the UN Global Compact. Additionally, the Sustainable Investment team have a policy for fossil fuels whereby they avoid companies with a high environmental impact unless there are strong mitigating factors in which case an investment may be considered. For example, companies involved in the extraction of coal, oil and gas mining companies are avoided as are power generators who do not show a demonstrable way of transitioning to low carbon alternatives; and power services if the prospective company does not evidence material improvements to environmental impact.

Our analysis identified exposures to the 3D controversial activities of fossil fuel power generation & production, hazardous chemicals and military weapons. However, we note that these exposures are in compliance with the managers' sustainability objectives and their own exclusionary screen criteria. Additionally, it has exposure to minor controversial activities, such as animal welfare and animal testing. Three

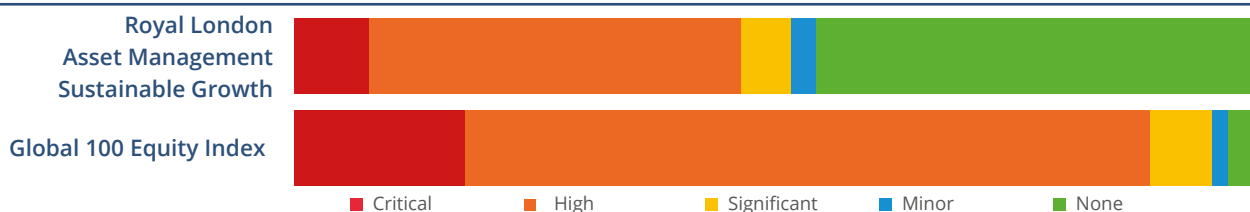
examples of investee companies which have exposure to controversial activities but were in keeping with the fund's exclusionary screen are SSE plc, Thermo Fisher Scientific, and AstraZeneca. These companies all offer solutions to environmental or social challenges, but are materially engaged in 3D controversial activities, with those being fossil fuels, hazardous chemicals and animal testing, respectively.

Controversial Practices Exposure

Controversial Practices analysis allows us to assess the strength of the fund manager's analysis towards mitigating ESG risks within a company's operations. If a fund is flagged as having exposure to more serious controversial practices, it indicates that there may be issues with how the companies are being managed. We would anticipate that sustainable funds would have less exposure to these types of companies. Therefore, although the fund does have less exposure to critical and high-level controversies than the benchmark, this was higher than we anticipated, given the managers' screening process.

To achieve a maximum score of five in this section we would anticipate no exposure to major controversial activities and a significant reduction in exposure to controversial practices when compared to the 3D assigned benchmark.

Controversial Practices Breakdown



Controversial Activities and Practices Data Source: Moody's ESG Solutions.

Source: Royal London Asset Management & Square Mile Investment Research. Holdings as at 30/09/2022.

Exclusion Criteria Applied by the Fund Manager*

Addiction	Animal Welfare	Environment	Fossil Fuels	Human Welfare
Alcohol <input checked="" type="checkbox"/>	Animal Testing <input type="checkbox"/>	Inorganic Fertilisers <input type="checkbox"/> Pesticides <input type="checkbox"/>	Power Producers <input type="checkbox"/> Exploration & Production <input checked="" type="checkbox"/>	Human Rights (Countries) <input checked="" type="checkbox"/>
Gambling <input checked="" type="checkbox"/>	Animal Products <input type="checkbox"/>	Mining <input type="checkbox"/> Tropical Forests <input type="checkbox"/>	High Carbon Industries <input type="checkbox"/> Petrochemicals <input type="checkbox"/>	Human Rights (Companies) <input checked="" type="checkbox"/>
Tobacco <input checked="" type="checkbox"/>	Meat & Dairy Production <input type="checkbox"/>	Nuclear Power <input checked="" type="checkbox"/>	Distribution <input type="checkbox"/> Service Industries <input type="checkbox"/>	Military Weapons <input checked="" type="checkbox"/>

Source: Royal London Asset Management. *Avoids investments in companies involved or likely to be involved in irresponsible drinking and gambling*
For full details, please refer to the fund group, who will provide the extent of the exclusions and any revenue thresholds that may apply.



Micro Engagement (Engagement with Investee Companies)

Engagement at Royal London Asset Management is conducted at a firm-wide level, with specific engagement topics allocated over a number of years. Over the course of 2019-2021, the prioritised topics included climate risk, diversity, innovation and technology, circular economy, governance, and social & financial inclusion. Engagement statistics are published in the group's annual Stewardship and Responsible Investment Report, with data on topics, outcomes, asset classes and objectives all included. We note that the quality of progress reporting at the group level is impressive, which contributes to the score within this section.

At the fund level, the questionnaire states that 34% of fund holdings were engaged with over the review period, with 4% being related to the environment, 50% related to society, and 17% to governance.

Voting

Royal London Asset Management aim to vote on all their shares unless deemed impractical (e.g., share blocking or local power of attorney requirements). The in-house RI team discuss proposals with the fund management teams on each votable opportunity, and these discussions are supplemented by governance and voting research from IVIS and Glass Lewis. As stated within the fund questionnaire, Royal London Asset Management have voted on 1,302 out of 1,302 proposals.

Affiliated Memberships and Initiatives

Investment Association - Member of the IA Responsible Investment and Sustainability committee as well as the Climate Change and Stewardship working groups; UK Sustainable Investment and Finance Association (UKSIF); Climate Action 100+; 30% Club Investor Group; Institutional Investor Group on Climate Change (IIGCC); the Resolution and Paris Aligned Portfolios Advisory Groups; Workforce Disclosure Initiative (ShareAction); Just transition; Global Real Estate Sustainability Benchmark (GRESB); CFRF (FCA and PRA Climate Financial Risk Forum); TCFD; Net Zero Asset Management initiative.

Important Information

This Fund Profile is for the use of professional advisers and other regulated firms only and should not be relied upon by any other persons. It is published by, and remains the copyright of, Ethical Money Ltd ("EM"), which operates under the trading name 3D Investing. The Fund Profile is commissioned by the Fund Manager but all editorial rights remain with Ethical Money. EM makes no warranties or representations regarding the accuracy or completeness of the information contained herein. This information represents the views and forecasts of EM at the date of issue but may be subject to change without reference or notification to you. EM does not offer investment advice or make recommendations regarding investments and nothing in this Fund Profile shall be deemed to constitute financial or investment advice in any way and shall not constitute a regulated activity for the purposes of the Financial Services and Markets Act 2000. This Fund Profile shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Should you undertake any investment activity based on information contained herein, you do so entirely at your own risk and EM shall have no liability whatsoever for any loss, damage, costs or expenses incurred or suffered by you as a result. EM does not accept any responsibility for errors, inaccuracies, omissions, or any inconsistencies herein. Unless indicated, all figures are sourced from FE Fundinfo. Past performance is not a guide to future returns.