



ROYAL LONDON GOVERNED RANGE TACTICAL ASSET ALLOCATIONS – 8TH FEBRUARY 2018

We are adding to our moderate overweight position in equities on market weakness, buying stocks in the emerging markets in particular, and deepening the underweight in government bonds. We have also taken this opportunity to move commodities further overweight.

The Investment Clock model that guides our asset allocation has moved into the Overheat phase of the global business cycle characterised by strong growth and rising inflation. Commodities are usually the best performer at this time as higher than average demand depletes inventories and bids up prices. Bonds usually suffer on inflation worries.

Stocks can do reasonably well at this stage of the cycle but volatility often picks up as there is a two way pull – strong earnings growth is good news as we saw in January, but interest rate hikes can cause valuations to drop, as we have seen in February.

We went into the sell off only moderately overweight equities, holding back from a larger position on valuation grounds. Investor sentiment has swung rapidly from excessively bullish to excessively bearish.

Our composite sentiment indicator is now at levels last seen during the China devaluation panic of summer 2015. Leveraged investors have been forced to sell equities in greater quantities as the price has dropped. As long term investors we can take advantage of the rout to add to equity positions.

We have added to commodities and the emerging markets as we expect the current period of strong global growth to persist.

We expect stocks to remain volatile for the next few weeks, depending on the run of inflation data in the US, and there could be some more scary moments. However, we are buying dips as we don't expect markets to peak out until the current expansion in the world economy comes to an end. With US interest rates below the rate of inflation and the two largest non-US central banks still printing money it's hard to argue monetary policy is tight enough for that to happen just yet.

Trevor Greetham, Royal London Asset Management

LATEST TACTICAL POSITIONS

	Overweight	Neutral	Underweight
Equities	↑		
Property			↓
Commodities	↑		
High Yield	−		
Gilts			↓
Index Linked			↓
Corporate Bonds	−		
Absolute Return Strategies (including cash)			↑

Directions of arrows show overall change from previous tactical change. For individual portfolios changes, please see factsheets.

GOVERNED PORTFOLIOS – TARGET CASH

The target cash portfolios are designed to match your clients risk attitude to a suitable mix of assets and funds. There are nine portfolios to choose from so you can select the one that best suits your clients risk attitude and time to retirement. The target cash portfolios are available stand alone or as part of our pre-set lifestyle arrangements which are built to target the RLP Deposit fund at retirement.

Investment returns may fluctuate and are not guaranteed. The value of your clients investment can go down as well as up and they may not get back the value of their original investment.

Long

Governed Portfolio 7

- 82.40% Equities
- 11.00% Property
- 6.60% Commodities

Medium

Governed Portfolio 8

- 77.50% Equities
- 13.25% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.33% Gilts (10yr)
- 0.38% Index Linked Bonds (10yr)
- 1.34% Corporate Bonds (10yr)

Short

Governed Portfolio 9

- 51.00% Equities
- 10.00% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 1.16% Gilts (5yr)
- 9.17% Index Linked Bonds (5yr)
- 10.17% Corporate Bonds (5yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 4

- 75.00% Equities
- 15.75% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.50% Gilts (15yr)
- 0.50% Index Linked Bonds (15yr)
- 1.05% Corporate Bonds (15yr)

Governed Portfolio 5

- 62.50% Equities
- 15.00% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.50% Gilts (10yr)
- 1.25% Index Linked Bonds (10yr)
- 6.00% Corporate Bonds (10yr)
- 1.00% Absolute Return Gov Bond
- 3.00% Cash Plus

Governed Portfolio 6

- 38.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 3.66% Gilts (5yr)
- 11.67% Index Linked Bonds (5yr)
- 12.67% Corporate Bonds (5yr)
- 4.20% Absolute Return Gov Bond
- 5.80% Cash Plus

Governed Portfolio 1

- 60.00% Equities
- 17.50% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.50% Gilts (15yr)
- 3.31% Index Linked Bonds (15yr)
- 5.25% Corporate Bonds (15yr)
- 1.00% Absolute Return Gov Bond
- 1.69% Cash Plus

Governed Portfolio 2

- 48.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 1.16% Gilts (10yr)
- 9.17% Index Linked Bonds (10yr)
- 10.17% Corporate Bonds (10yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 3

- 21.00% Equities
- 5.00% Property
- 7.00% Commodities
- 9.25% Global High Yield
- 2.25% Short Duration Global HY
- 8.66% Gilts (5yr)
- 16.67% Index Linked Bonds (5yr)
- 17.67% Corporate Bonds (5yr)
- 5.70% Absolute Return Gov Bond
- 6.80% Cash Plus

Latest tactical allocations as at 8th February 2018.

The mix of assets held within each portfolio is reviewed regularly by our Investment Advisory Committee as part of our governance process. For minutes of the committee meetings, please refer to our website at royallondon.com/pensioninvestments.

The Governed Portfolios are rebalanced on a monthly basis. Further information on the Governed Portfolios and our Target Lifestyle Strategies can be obtained from our website at royallondon.com.

GOVERNED PORTFOLIOS – TARGET ANNUITY

The target annuity portfolios are the building blocks of our target annuity lifestyle strategies. In keeping with this the lifestyles target the RLP Annuity fund which is designed to deliver above inflation growth for customers approaching retirement who intend to take up to 25% tax free cash and purchase an annuity.

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Long

Governed Portfolio 7

- 82.40% Equities
- 11.00% Property
- 6.60% Commodities

Medium

Governed Portfolio 8 (Annuity)

- 77.50% Equities
- 13.25% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.25% Gilts (15yr)
- 0.08% Gilts (10yr)
- 0.28% Index Linked Bonds (15yr)
- 0.10% Index Linked Bonds (10yr)
- 1.00% Corporate Bonds (15yr)
- 0.34% Corporate Bonds (10yr)

Short

Governed Portfolio 9 (Annuity)

- 51.00% Equities
- 10.00% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 0.58% Gilts (15yr)
- 0.58% Gilts (10yr)
- 4.59% Index Linked Bonds (15yr)
- 4.58% Index Linked Bonds (10yr)
- 5.09% Corporate Bonds (15yr)
- 5.08% Corporate Bonds (10yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 4

- 75.00% Equities
- 15.75% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.50% Gilts (15yr)
- 0.50% Index Linked Bonds (15yr)
- 1.05% Corporate Bonds (15yr)

Governed Portfolio 5 (Annuity)

- 62.50% Equities
- 15.00% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.38% Gilts (15yr)
- 0.12% Gilts (10yr)
- 0.94% Index Linked Bonds (15yr)
- 0.31% Index Linked Bonds (10yr)
- 4.50% Corporate Bonds (15yr)
- 1.50% Corporate Bonds (10yr)
- 1.00% Absolute Return Gov Bond
- 3.00% Cash Plus

Governed Portfolio 6 (Annuity)

- 38.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 1.83% Gilts (15yr)
- 1.83% Gilts (10yr)
- 5.84% Index Linked Bonds (15yr)
- 5.83% Index Linked Bonds (10yr)
- 6.34% Corporate Bonds (15yr)
- 6.33% Corporate Bonds (10yr)
- 4.20% Absolute Return Gov Bond
- 5.80% Cash Plus

Governed Portfolio 1

- 60.00% Equities
- 17.50% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.50% Gilts (15yr)
- 3.31% Index Linked Bonds (15yr)
- 5.25% Corporate Bonds (15yr)
- 1.00% Absolute Return Gov Bond
- 1.69% Cash Plus

Governed Portfolio 2 (Annuity)

- 48.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 0.87% Gilts (15yr)
- 0.29% Gilts (10yr)
- 6.88% Index Linked Bonds (15yr)
- 2.29% Index Linked Bonds (10yr)
- 7.63% Corporate Bonds (15yr)
- 2.54% Corporate Bonds (10yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 3 (Annuity)

- 21.00% Equities
- 5.00% Property
- 7.00% Commodities
- 9.25% Global High Yield
- 2.25% Short Duration Global HY
- 4.33% Gilts (15yr)
- 4.33% Gilts (10yr)
- 8.34% Index Linked Bonds (15yr)
- 8.33% Index Linked Bonds (10yr)
- 8.84% Corporate Bonds (15yr)
- 8.83% Corporate Bonds (10yr)
- 5.70% Absolute Return Gov Bond
- 6.80% Cash Plus

Latest tactical allocations as at 8th February 2018.

The mix of assets held within each portfolio is reviewed regularly by our Investment Advisory Committee as part of our governance process. For minutes of the committee meetings, please refer to our website at royallondon.com/pensioninvestments.

The Governed Portfolios are rebalanced on a monthly basis. Further information on the Governed Portfolios and our Target Lifestyle Strategies can be obtained from our website at royallondon.com.

GOVERNED PORTFOLIOS – TARGET DRAWDOWN

The target drawdown portfolios are the building blocks of our target drawdown lifestyle strategies. In keeping with this the lifestyles target our Governed Retirement Income Portfolios which aim to deliver growth above inflation to support regular income withdrawals in retirement. Further details on the Governed Retirement Income Portfolios can be found on the following page.

Investment returns may fluctuate and are not guaranteed. The value of your clients investment can go down as well as up and they may not get back the value of their original investment.

Long

Governed Portfolio 7

- 82.40% Equities
- 11.00% Property
- 6.60% Commodities

Medium

Governed Portfolio 8 (Drawdown)

- 77.50% Equities
- 13.25% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.25% Gilts (15yr)
- 0.08% Gilts (10yr)
- 0.28% Index Linked Bonds (15yr)
- 0.10% Index Linked Bonds (10yr)
- 1.00% Corporate Bonds (15yr)
- 0.34% Corporate Bonds (10yr)

Short

Governed Portfolio 9 (Drawdown)

- 51.00% Equities
- 10.00% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 0.58% Gilts (15yr)
- 0.58% Gilts (10yr)
- 4.59% Index Linked Bonds (15yr)
- 4.58% Index Linked Bonds (10yr)
- 5.09% Corporate Bonds (15yr)
- 5.08% Corporate Bonds (10yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 4

- 75.00% Equities
- 15.75% Property
- 6.25% Commodities
- 0.35% Global High Yield
- 0.60% Short Duration Global HY
- 0.50% Gilts (15yr)
- 0.50% Index Linked Bonds (15yr)
- 1.05% Corporate Bonds (15yr)

Governed Portfolio 5 (Drawdown)

- 62.50% Equities
- 15.00% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.38% Gilts (15yr)
- 0.12% Gilts (10yr)
- 0.94% Index Linked Bonds (15yr)
- 0.31% Index Linked Bonds (10yr)
- 4.50% Corporate Bonds (15yr)
- 1.50% Corporate Bonds (10yr)
- 1.00% Absolute Return Gov Bond
- 3.00% Cash Plus

Governed Portfolio 6 (Drawdown)

- 38.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 1.83% Gilts (15yr)
- 1.83% Gilts (10yr)
- 5.84% Index Linked Bonds (15yr)
- 5.83% Index Linked Bonds (10yr)
- 6.34% Corporate Bonds (15yr)
- 6.33% Corporate Bonds (10yr)
- 4.20% Absolute Return Gov Bond
- 5.80% Cash Plus

Governed Portfolio 1

- 60.00% Equities
- 17.50% Property
- 7.00% Commodities
- 2.12% Global High Yield
- 1.63% Short Duration Global HY
- 0.50% Gilts (15yr)
- 3.31% Index Linked Bonds (15yr)
- 5.25% Corporate Bonds (15yr)
- 1.00% Absolute Return Gov Bond
- 1.69% Cash Plus

Governed Portfolio 2 (Drawdown)

- 48.50% Equities
- 12.50% Property
- 7.00% Commodities
- 2.25% Global High Yield
- 1.75% Short Duration Global HY
- 0.87% Gilts (15yr)
- 0.29% Gilts (10yr)
- 6.88% Index Linked Bonds (15yr)
- 2.29% Index Linked Bonds (10yr)
- 7.63% Corporate Bonds (15yr)
- 2.54% Corporate Bonds (10yr)
- 2.70% Absolute Return Gov Bond
- 4.80% Cash Plus

Governed Portfolio 3 (Drawdown)

- 21.00% Equities
- 5.00% Property
- 7.00% Commodities
- 9.25% Global High Yield
- 2.25% Short Duration Global HY
- 4.33% Gilts (15yr)
- 4.33% Gilts (10yr)
- 8.34% Index Linked Bonds (15yr)
- 8.33% Index Linked Bonds (10yr)
- 8.84% Corporate Bonds (15yr)
- 8.83% Corporate Bonds (10yr)
- 5.70% Absolute Return Gov Bond
- 6.80% Cash Plus

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GOVERNED RETIREMENT INCOME PORTFOLIOS

Our Governed Retirement Income Portfolios aim to deliver growth above inflation to support regular income withdrawals. There are five portfolios to choose from, each increasing in risk from 1 to 5, so you can select the one that best suits your clients risk attitude.

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GRIP 1

- 16.00% Equities
- 5.00% Property
- 7.00% Commodities
- 2.95% Global High Yield
- 1.05% Short Duration Global HY
- 2.50% Sterling Extra Yield Bond
- 12.00% Gilts (10yr)
- 20.00% Index Linked Bonds (10yr)
- 21.00% Corporate Bonds (10yr)
- 3.00% Absolute Return Gov Bond
- 9.50% Cash Plus

GRIP 3

- 36.00% Equities
- 7.50% Property
- 7.00% Commodities
- 6.70% Global High Yield
- 1.05% Short Duration Global HY
- 6.25% Sterling Extra Yield Bond
- 2.00% Gilts (10yr)
- 10.00% Index Linked Bonds (10yr)
- 11.00% Corporate Bonds (10yr)
- 3.00% Absolute Return Gov Bond
- 9.50% Cash Plus

GRIP 5

- 57.50% Equities
- 10.00% Property
- 7.00% Commodities
- 9.20% Global High Yield
- 1.05% Short Duration Global HY
- 8.75% Sterling Extra Yield Bond
- 0.50% Gilts (10yr)
- 0.50% Index Linked Bonds (10yr)
- 3.50% Corporate Bonds (10yr)
- 1.00% Absolute Return Gov Bond
- 1.00% Cash Plus

GRIP 2

- 26.00% Equities
- 7.50% Property
- 7.00% Commodities
- 4.20% Global High Yield
- 1.05% Short Duration Global HY
- 3.75% Sterling Extra Yield Bond
- 7.00% Gilts (10yr)
- 15.00% Index Linked Bonds (10yr)
- 16.00% Corporate Bonds (10yr)
- 3.00% Absolute Return Gov Bond
- 9.50% Cash Plus

GRIP 4

- 47.50% Equities
- 10.00% Property
- 7.00% Commodities
- 7.95% Global High Yield
- 1.05% Short Duration Global HY
- 7.50% Sterling Extra Yield Bond
- 0.50% Gilts (10yr)
- 0.50% Index Linked Bonds (10yr)
- 6.00% Corporate Bonds (10yr)
- 2.50% Absolute Return Gov Bond
- 9.50% Cash Plus

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