

# Tilt funds



Investments | Governed Range



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# Contents

- 3** Focus on climate and ESG factors
- 4** Approach to tilting
- 5** Impact of the tilt strategies on the funds
- 6** The benefits of a tilted approach
- 7** How your clients can invest in the tilt funds

## Focus on climate and ESG factors

We believe that considering climate and environmental, social and governance (ESG) factors in the investment decision-making process can help deliver better financial outcomes for our customers, as well as better outcomes for society more generally. But the traditional passive investment approach doesn't generally take these factors into account.

That's why in 2021 we transitioned our equity index-tracking funds to tilt funds, which actively integrate climate and ESG factors into the investment process.



# Approach to tilting

## How the tilt funds work

The tilt funds track a benchmark index, but actively adjust (tilt) to be overweight in some companies and underweight in other companies, compared to the benchmark.

The funds' financial objective is to generate returns in line with the benchmark index over rolling three-year periods after the deduction of charges. Their climate objective is to achieve a carbon footprint of at least 10% lower than that of the benchmark index, although this isn't guaranteed. The tilting helps the funds meet this climate objective.

It's important to note that the funds' financial objective is prioritised over their climate objective.

In addition, the funds have an intrinsic investment goal to align to net zero by 2050, with an interim 50% carbon reduction target by 2030.

## Royal London Asset Management's process

The tilt funds are managed by Royal London Asset Management. It uses its own internal tools and models, together with external data, to decide whether to increase or reduce the level of holdings in the companies making up the benchmark index.

This active management approach gives it the flexibility to reduce exposure to companies with poor E, S or G practices, and increase exposure to those with better practices.

It makes these adjustments within a controlled risk framework looking to ensure that the funds' tracking error isn't more than 1% relative to the benchmark. In other words, the majority of the time the return produced by the funds will be within 1% of that produced by the benchmark index.

This framework also looks to limit the maximum tilting compared to the benchmark for individual stocks to  $\pm 0.25\%$ . Tilting for individual market sectors, such as energy, utilities and industrials, will typically remain between  $\pm 0.20\%$ .



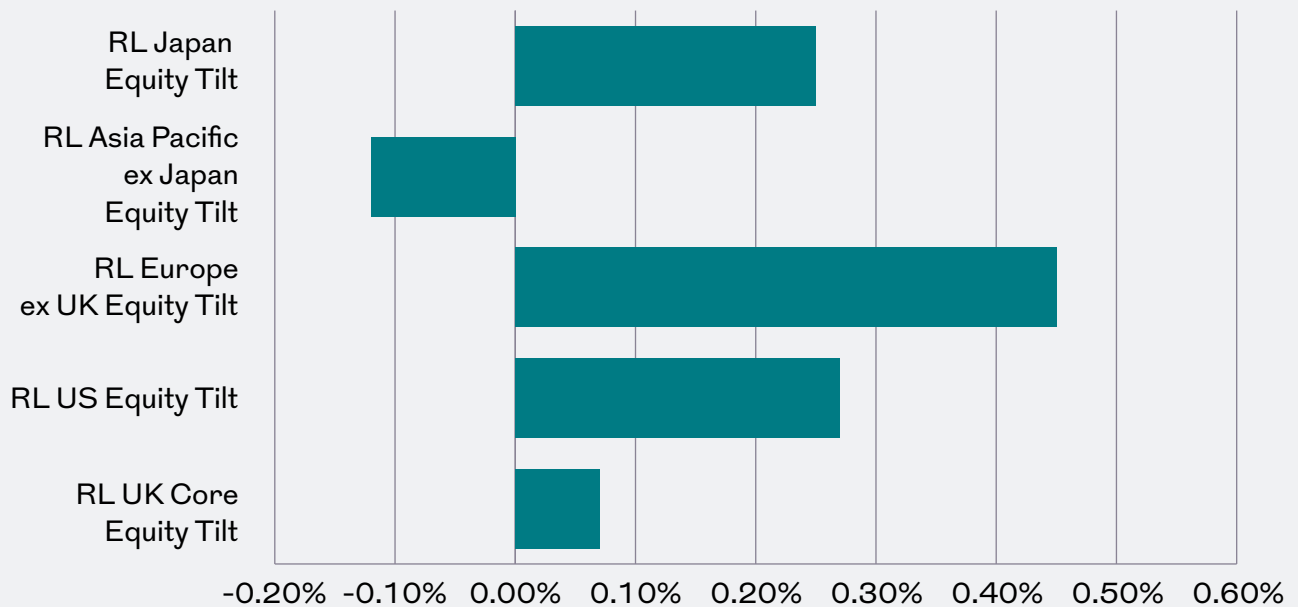
# Impact of the tilt strategies on the funds

Since launch, the tilt funds have, on average, reduced their WACI by approximately 28%<sup>1</sup>. WACI (weighted average carbon intensity) is a way of measuring the rate of greenhouse gas emissions attributable to an investment portfolio.

The chart below shows how each of the tilt funds which we include in the Governed Portfolios and GRIPs have performed relative to their benchmarks over the last five years<sup>2</sup>. All are comfortably within the tracking error of +/-1%. And all, apart from the Royal London Asia Pacific ex Japan Equity Tilt Fund, have outperformed their benchmark.

## Tilt funds five-year growth relative to fund benchmark

30 June 2025



Past performance is not a guide to future performance. The value of all investments can go down as well as up, and your clients could get back less than they paid in.

<sup>1</sup> Source: Royal London Asset Management Stewardship and Responsible Investment Report 2024.

<sup>2</sup> Source: Royal London Asset Management Sustainable Investment team. Five-year annualised performance from 30 June 2020 to 30 June 2025.

# The benefits of a tilted approach

## Helps to achieve long-term climate targets

We're committed to reducing emissions from our investment portfolio by 50% by 2030 from a baseline of 2020, and to achieving net zero by 2050. By reducing the carbon footprint of the tilt funds, we've taken a vital step in meeting our long-term climate targets and embedding climate considerations in our core investment solutions.

## Enhanced focus on E, S and G factors

In addition to carbon reduction, the funds reduce exposure to companies with poor social practices or companies where there are corporate governance concerns. These issues can increase risk and possibly reduce returns for investors.

All of this comes at no extra cost to your clients.



# How your clients can invest in the tilt funds

We include the following tilt funds as standard in the Governed Portfolios (GPs) and Governed Retirement Income Portfolios (GRIPs):

- Royal London Asia Pacific ex Japan Equity Tilt Fund
- Royal London Europe ex UK Equity Tilt Fund
- Royal London Japan Equity Tilt Fund
- Royal London UK Core Equity Tilt Fund
- Royal London US Equity Tilt Fund

Your clients can also invest in these tilt funds on a standalone basis:

- RLI American Tilt Fund (ISA)
- RLP American Tilt Fund (Pension)
- RLI Japan Tilt Fund (ISA)
- RLP Japan Tilt Fund (Pension)
- RLI Pacific Tilt Fund (ISA)
- RLP Pacific Tilt Fund (Pension)
- RLS Emerging Markets Equity Tilt Fund (ISA and pension)
- RLS Far East (Ex Japan) Tilt Fund (ISA and pension)



To find out more about the tilt  
funds and the benefits for  
your clients, speak to your usual  
Royal London contact.



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**We're happy to provide your documents in a different format,  
such as braille, large print or audio, just ask us when you get in touch.**

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