

Investment Advisory Committee (IAC) **Quarterly Meeting**

7 June 2024

Members

Name	Organisation	Role	Present
Candia Kingston (CK)	Independent	Chair	Y
JB Beckett (JB)	Independent	Non-Exec member	Y
Ewan Smith (ES)	RLMIS	CEO Office Director	Y
Vidur Bahree (VB)	RLMIS	Group Investment Director	N
Piers Hillier (PH)	RLAM	RLAM Chief Investment Officer	Y

Others in attendance

Name	Organisation	Role
Catherine Hughes (CH)	RLMIS	Assistant Company Secretary
Karen Burgess	RLMIS	Board Support Coordinator
Ken Scott (KS)	RLMIS	Head of Investment Solutions
Euan Craig (EC)	RLMIS	Proposition Manager, Investment Solutions
Trevor Greetham (TG)	RLAM	Head of Multi-Asset
Michael Clarkson (MC)	RLAM	Fund of Funds Manager
Rory Sturrock (RS)	RLMIS	Senior Investment Actuary
Andrew Hislop (AH)	RLMIS	Investment Actuary
Phil Beamish (PB)	RLMIS	Head of Oversight (Investment Office)

This note presents a summary of the discussion that was had at the Investment Advisory Committee in June 2024.

Alongside standing items to review performance and strategic management information, the Committee discussed:

- Team Priorities
- Retirement Income Fund
- RLP Global Growth Matrix Fund

Team Priorities

The Committee received an outline of the Investment Solutions teams' key objectives. Recent efforts centered on Consumer Duty for the Longstanding Customer Book, Anti-Greenwashing Guidance, and TCFD Reporting. Although support was provided at both the Group and strategic levels, there was an eagerness to cultivate direct propositional sustainable investment experience.

Performance Pack

The Committee was presented with a review of the Quarterly Governance Report. The increasing popularity of model portfolios over fund ranges was highlighted, with the latter losing c5% per annum for the past 3-4 years. This was in-line with general industry trends. Understanding this pattern was informative for the future of a Matrix range and pointed to a more consolidated group of external funds.

Overall, the Governed Range had performed fairly strongly over the period and in-line with expectations. The following funds were considered in more detail:

- RLP UK Smaller Companies Fund: the small cap sector as a whole had performed poorly over the last 2-3 years. The funds underperformance had been reviewed by various Group forums, including RLUTM, who found no fundamental weaknesses in the investment process. Positive signs in the mid cap sector could lead to more opportunities for small caps if market conditions improved. From a propositional perspective, the Committee agreed that it was appropriate to continue to offer a fund with active management in the UK small cap sector in line with the firm's investment beliefs, as opposed to any passive alternatives.
- RLP Global High Yield Fund: this fund had underperformed for the last three quarters; however, the underperformance was minimal. This fund had a higher exposure to investment grade credit comparative to its peers and had therefore taken less risk relative to the index. There was limited appetite by the fund managers to take on excessive default risk and a cautious approach had been adopted against the elevated geopolitical backdrop. The nominal returns were attractive.
- RLP Short Duration Global High Yield: the performance was discussed comparative to the Sterling Extra Yield fund. The regular refinancing was noted to be helpful in times of rising interest rates.
- The Baillie Gifford UK fund and Japanese funds: both funds had significantly underperformed. The Investment Office had been monitoring the funds. The Mercer report had provided an A rating for these funds.
- Fidelity European Blended Equity Fund: the underperformance was noted to be greater in the sustainable elements of the fund. The Committee challenged the extent of the fundamental responsible and sustainable investment commitment as there was a half and half approach balanced against its core fund, which was did not have a sustainable lens. A further review was planned.

A number of funds were in the process of being replaced, as agreed earlier in the year. Customers would be provided with 90 days' notice mid-July.

RLP Global Growth Matrix Fund

The Committee received an update on the recent performance of this fund directly from the fund manager, who offered the Committee greater insight into the funds' strategy and screening capabilities. The fund manager advised that a new blending tool had been adopted to optimise the ability to blend weights to the desired risk level. Additional analytical tools were also being considered to finesse the asset allocation.

Retirement Income Fund (RIF)

The Committee previously supported the proposal for the RIF when it was presented in October 2023. The Committee reflected that the RIF presented an attractive proposition as it provided better value and flexibility than a fixed term annuity. The RIF also had IHT benefits. The framework of the RIF sought to mitigate the risk of customers needing to crystallise losses at the point of retirement. Market testing had been carried out with advisers who had provided positive feedback. The Committee extended its support again to the product in principle.

Strategic Pack

The Committee was advised that equity allocation discussions for the Governed Portfolios had taken place internally. A lifestyles review had also been planned for 2025 which could potentially move customers to a higher risk allocation. Customer impact would be considered. The Committee reiterated its previous view that they would be pleased to see more growth opportunities.

The property allocation was discussed. This asset allocation was slightly underweight; however, TAA opportunities were being explored.

The Committee was presented with competitor SAA comparisons. Reflecting, the Committee agreed that they were comfortable with the position tactically against RL's competitors. RL's peer position would continue to be monitored.