

Investment Advisory Committee (IAC)
Quarterly Meeting

17 June 2025

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	N
Vidur Bahree (VB)	RLMIS	Group Investment Director	Y
Piers Hillier (PH)	RLAM	RLAM Chief Investment Officer	Y

Others in attendance

Name	Organisation	Role
Catherine Hughes (CH)	RLMIS	Assistant Company Secretary
Karen Burgess (KB)	RLMIS	Board Support Co-ordinator
Iain McLeod (IM)	RLMIS	Director of Investment Propositions
Gareth Trainor (GT)	RLMIS	Head of Investment Proposition Development
Etienne Burger (EB)	RLMIS	Group Strategy Director
Euan Craig (EC)	RLMIS	Senior Proposition Manager, Investment Solutions
Raymala Navaratnam (RN)	RLMIS	Senior Investment Actuary
Phil Beamish (PB)	RLMIS	Head of Oversight (Investment Office)
Hiroki Hashimoto (HN)	RLAM	Senior Fund Manager
Stuart Waldron (SW)	RLMIS	Investment Oversight Manager

This note presents a summary of the discussion that was had at the Investment Advisory Committee in June 2025.

The Committee discussed:

- Strategic Report
- Fund Reporting
- Global Managed Framework
- Communications

Strategic Report

The Committee reviewed the quarterly Governance Strategic Report and noted that, based on LEAF's March 2025 assumptions, all Governed Portfolios met their volatility targets and remained in the 'green' range, with GP Dynamic the only exception. After the recently agreed Strategic Asset Allocation (SAA) had been implemented, GP Dynamic's equity allocation would rise.

The Committee noted that there had been a drop in the GRIPs' income sustainability scores compared to the previous quarter owing to a rise in annuity rates. The Committee highlighted the sensitivity of income sustainability to market changes and customer behavior, especially given the recent volatility and noted that GRIPs solutions offered customers tangible flexible benefits.

Fund Reporting

Volatility continued into Q2 with negative returns from global equities, particularly in the US, however there had been some strong rebounds in May. Short-term performance was challenging, especially in the active equity space, impacting on 1 year numbers.

The 1-year performance outcomes for the Matrix Funds, relative to their respective benchmarks, did not meet expectations. Additionally, the short-term figures had started to adversely affect the 3 year and 5 year performance metrics. Whilst it was expected that performance issues would be similar across active management peers, the Committee noted that some newly chosen funds had underperformed and flagged potential concerns. Referring to the original purpose of the Matrix Funds as a value proposition, the Committee questioned whether there had been an adequate response to the industry shifting over time. A wider review of the Matrix Funds was in the process of being planned, and the Committee would expect to see regular updates.

Global Managed Framework

Responding to the Committee's request, RLAM provided insight into the Global Managed Framework. The Committee observed that Global Managed's equity content made up around half of the Governed Range, necessitating liquidity at scale to accommodate fund rebalancing and tactical flows. The fund had grown from c. £10bn, ten years ago to c. £37bn and the expectation was that Governed Range assets would continue to grow. The Committee noted that there were no liquidity concerns, the fund could withstand market shocks and that active carbon tilts supported net zero commitments.

The Committee inquired about the extent of the active overlay applied to developed markets exposure and was assured by the explanation that the predominant portion of the active overlay within UK equity funds originated from allocations to Global Enhanced and Global Equity Select strategies. These funds were scalable, global, and were aligned with RL's investment philosophy and beliefs in active management where possible. In part, this was an operational decision due to the scalability advantages of a shift from traditional constrained capacity UK funds. The Committee noted that in response to customer needs and desire to achieve more than index replication, the proposition was evolving to

include more active management and tilts to achieve 'index plus' to support positive customer outcomes.

The Committee discussed the overseas position, and impact of currency movements. The changes in the US market were a step change from the last 10 years and had stimulated fund managers to reconsider appropriate global asset allocations, balanced with domestic allocation needs. This changing sentiment was also a recognition of policy developments such as the Mansion House Accord, which supported developing the UK economy to boost domestic earnings. Interest in policy decisions was high across the business with Jamie Jenkins (Policy and Technical Director) collaborating externally through targeted policy advocacy. RL was now the largest UK active equity manager.

Global Managed ran on a carefully constructed SAA benchmark to achieve balanced exposure to growth and resilience, which resulted in exposure to more defensive sectors than some peers. The Committee questioned whether balancing inflation and risk resilience led to an underused risk budget and contributed to underperformance.

Communications

The Committee noted that Asset Backed Securities (ABS) communications with advisers would be staged in line with the planned phased ABS implementation. The inclusion of ABS represented changes in the proposition and expanded functionality within RLAM, which RL intended to utilise due to its diversification benefits. The investment level was set conservatively, leading to an allocation below the levels that modelling would have allowed. The Committee discussed the importance of communicating the characteristics of ABS to advisers, focusing on the positive impact of diversification, duration, and inflation protection, while acknowledging previous negative perceptions related to ABS.