

# Investment Advisory Committee (IAC) Quarterly Meeting Summary

2 June 2023

## 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	Y
Piers Hillier (PH)	RLAM	RLAM Chief Investment Officer	N

## Others in attendance

Name	Organisation	Role
Charlotte Dalton (CD)	RLMIS	Secretary (by VC)
Michelle Charlesworth (MC)	RLMIS	Coordinator (by VC)
Ken Scott (KS)	RLMIS	Head of Investment Solutions
Euan Craig (EC)	RLMIS	Proposition Manager, Investment Solutions
Ryan Hamill (RH)	RLMIS	Investment Actuary, Investment Solutions
Simon Rubingh (SR)	RLAM	Senior Fund Manager - Multi-Asset
Michael Clarkson (MC)	RLAM	Fund of Funds Manager (for part)
Jo Walker (JW)	RLMIS	Head of Group Sustainability & Stewardship
Rosie Bichard (RB)	IGC	Independent Member of IGC



This note presents a summary of the discussion that was had at the Independent Advisory Committee in June 2023.

Committee members and standing attendees were joined at this meeting by representatives from the Royal London Sustainability and Stewardship team and from the Independent Governance Committee.

Alongside standing items to review performance and strategic MI, the Committee were presented with papers on:

- the initial outcomes from a strategic review of the investment proposition;
- recommendations on the management of the Matrix Range of funds;
- proposals for investment mappings for legacy investments being moved to more modern solutions;
- an update on the successful implementation of revisions to the SAAs across the Governed Range; and
- minor adjustments to the Committee's Terms of Reference for approval.

### **Strategic Review**

This project brought together insight into customers' evolving behaviors and needs; advisers' processes; regulatory change; and market insights to make recommendations about how the Royal London investment proposition needs to evolve to remain relevant for customers and their advisers.

The work recognized the increasing need for DC pensions to support holistic retirement needs, and acknowledged that innovation in the decumulation market needed to be a focus. The work also focused on the ongoing need to develop and evidence the integration of ESG considerations into investment solutions. Finally, the work highlighted that, to support Royal London's packaged solutions and the typical customers and advisers who use them, it was critical that all developments carefully considered the tools and communications that supported them.

IAC will be closely involved in challenging future developments to ensure these are aligned with the needs of key stakeholders.

### **Matrix Range Review**

Market conditions since the Covid pandemic – and more recently as a result of the cost of living crisis – have been challenging for active equity managers. The Matrix range, which hosts 26 external funds across a range of geographical regions and taking varying levels of active risk, has suffered as a result. Seven funds have been highlighted by Royal London's internal performance framework as under-performing. These were:

- Ninety One UK Smaller Companies
- Baillie Gifford UK Equity Alpha
- Fidelity UK Opportunities
- RLP Global Growth
- Fidelity Emerging Markets
- Baillie Gifford Japanese
- Baillie Gifford Japanese Income

It was also noted that a number of the funds had been operating with increased tracking error relative to the target ranges they have. A key reason for this was the more volatile market conditions, which meant similar sized bets by fund managers were resulting in bigger movements away from benchmark.

The Committee agreed that proper analysis was required before action was taken, noting that basing decisions on past performance alone could be costly to customers if they were transferred out of funds at the bottom of the market.

The team took actions to initiate a formal review of the funds listed above; and to consider whether the backward-looking tracking error metrics used to monitor risk relative to benchmark remained appropriate.

### **Legacy Mappings**

To improve outcomes and oversight for legacy workplace customers, Royal London is embarking in a project to migrate customers in legacy products into the flagship Retirement Solutions product and its more modern investment solutions.

The Committee were presented with recommendations for the investment mappings of products in the first phase of this work. There are legal limitations to ensure customers are no worse off which limit the range of potential options available. However, within the confines of what was permitted, the Committee was supportive of the recommendations.

The Committee did note that, for customers not currently in lifestyle strategies, it would be good to offer this. It was agreed that, post-migration, this is something that we should seek to make employers and advisers aware of.

### **SAA Implementation**

The Committee were given a brief update on the successful implementation of the revised SAAs that were implemented across the Governed Range. In April 2023, cross-asset class changes were made with the most significant changes to bond allocations and the structure of the bond funds. In June 2023, there were further changes made to the regional allocations within the equity funds.

The Committee were pleased to hear that the changes had been successfully implemented and for a lower cost than originally anticipated.

### **Terms of Reference**

The Committee were presented with proposed changes to their Terms of Reference. These changes were intended to align the Committee with Royal London's ambition to embed Responsible Investment and did so by making explicit reference to the requirement for the Committee to consider ESG implications of proposals they were asked to consider.

The Committee were supportive, but members asked for more time to consider this. Comments were feedback offline and the Committee agreed to adopt the new Terms by email.