

Investment Advisory Committee (IAC)
Quarterly Meeting

12 November 2024

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
Iain McLeod (IM)	RLMIS	Director of Investment Propositions
Euan Craig (EC)	RLMIS	Senior Proposition Manager, Investment Solutions
Raymala Navaratnam (RN)	RLMIS	Senior Investment Actuary
Trevor Greetham (TG)	RLAM	Head of Multi-Asset
Michael Clarkson (MC)	RLAM	Fund of Funds Manager
Phil Beamish (PB)	RLMIS	Head of Oversight (Investment Office)
Robert Dundas (RD)	RLMIS	Investment Strategy Director
Stuart Waldron (SW)	RLMIS	Investment Oversight Manager (Investment Office)
Orlaith Magennis (OM)	RLMIS	Investment Actuary
Kevin McCauley (KM)	RLAM	Head of Strategy & Property Research

This note presents a summary of the discussion from the Investment Advisory Committee in November 2024.

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

- Property Update
- Risk Metrics
- Independent Governance Committee Report

The Committee noted that a broader review of the external fund range was expected to be carried out during 2025 and emphasised the importance of visibility for RL's Responsible Investment and Stewardship approach. The evolution and flexibility of RL's Exclusion Policy which is externally communicated via the RLAM's "Controversial Weapons Policy" was discussed. The Committee agreed that during 2025, they would benefit from a session covering how the Exclusions Policy was embedded into the decision making process across the business.

Fund reporting pack

Market performance had been broadly positive over the previous quarter. Individual portfolio performance was mixed with 30 out of 58 funds outperforming. There had been some underperformance in the Governed Portfolios but there was nothing significant for the Committee to note; the longer-term TAA was positive with an overweight equities position delivering strong returns. The rolling data for the 3-year period since 1 October 2021 had moved closer to 'flat'. The cyclical nature of the performance relative to peers within the fund range was discussed and also the relative risk adjusted performance which compared well. The Committee agreed that RLAM had produced good risk-adjusted returns for the portfolios overall. In recent weeks there has been market 'noise' regarding the US election with the Governed Range positioning itself overweight in US Stocks / Commodities heading into the election. The Committee also commented that they agreed there were benefits to holding Commodities as a hedge for against inflation.

Property update

The Committee was provided with a high-level overview of recent property activity and plans for 2025 and beyond. There had been a deliberate overweight position in industrial property in London and the South East. The rental market post pandemic had proved to be resilient and further development opportunities were actively being considered. 'Alternatives' with a diversification pivot had also proved to be a successful investment area over the past four years. There was a general strategy to lean towards larger plot sizes. It was also commented that the Life Sciences sector had provided good returns at 8-10%. The Committee noted that whilst natural capital (e.g., renewable infrastructure) was being introduced to the portfolio estate, the progress was quite slow. The Committee supported the strategic decision to buy care homes to support the ageing demographic. There was an overall sentiment that property assets were an excellent opportunity to demonstrate RL's commitment to responsible investment, and property updates provided tangible narrative of interest to customers.

In summary, there were a number of attractive property transactions in transit and RL was well placed to take advantage of the right type of opportunities depending on pricing. The cash levels remained quite high; however, the larger deals would utilise some of this in the coming months.

Strategic Pack

The Committee noted that the relationship between assumptions for the US / UK were important factors, as discrepancies could influence outcomes given the dominance of US equities over the last decade.

The assumptions used interest rate parity calculations rather than real world numbers, and as a result, it was reasonable to expect a degree of harmonisation in the longer term.

Risk Metrics

The Committee reviewed the forward-looking volatility of real return metrics over a 10-year term for all Governed Portfolios, which were shown to be within their risk targets. The analysis demonstrated that this timeframe effectively captured long-term market cycles and trends, aligning with the recent Governed Range's changes to a 7 portfolio range covering the risk spectrum. The Committee challenged whether utilising a 10-year term across the entire range impacted on the concept of duration and discussed the rationale for the time period selected. It was noted that a rolling shorter time period could be more sensitive to market changes and exhibit less longer-term smoothing. The Committee discussed how the metrics would be interpreted by the individual and workplace markets, with the former invariably reliant on IFAs' interpretations and ability to dovetail their recommendations to product solutions. The volatility measures were noted to be particularly helpful for decumulation customer needs and that advisers were more attuned to considering sequencing risks for retirement propositions. The Committee suggested that a 5-year metric across the board may be beneficial and that a comparison with the 10-year and 15-year results would also be helpful in future updates.

Independent Governance Committee Report

The Committee reviewed its duties as noted in the 2023 Independent Governance Committee's report, ensuring they were met through regular activities and cross-referencing relevant evidence. The report endorsed the Committee's goals, especially the increased focus on ESG considerations.