Assessment of Value report

RLUM
July 2020

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Chairman's introduction

Welcome to your Assessment of Value report. This report is designed to give you an update on the funds that we manage on your behalf and show what we are doing to ensure that you are receiving value for money. What is value for money? In my view this starts with performance, being the movement in the value of your investment which we look at in comparison to other funds of a similar nature (we view this as performance against benchmark) as well as on an absolute basis, and secondly the costs which we charge. In addition this also looks more closely at the quality and range of service provided.

However, we view this document as having a wider objective. Many investors are more interested in their investments, not only in the short term, with issues such as coronavirus, but with respect to longer-term factors such as corporate governance and the assessment of environmental concerns.

This report covers funds provided by RLUM, assessed as at the end of March 2020. RLUM, through the Board of Directors, has a responsibility to ensure that your funds are managed competently and that these deliver value for money to you as a fund investor. As part of this, RLUM has appointed Royal London Asset Management (RLAM) to make the investment decisions for your funds. The legal structures necessary to create and manage funds can seem complex, but it is worth noting that both RLUM and RLAM are wholly owned by the Royal London Mutual Insurance Society Limited. Given that it can be confusing to refer to actions taken by RLAM or RLUM, we will usually refer simply to Royal London throughout this report.

The Board consists of Royal London experts as well as experienced, independent non-executive Board members all of whom have to be registered with and approved by the Financial Conduct Authority (FCA). In our view, this combination of in-house and external oversight ensures that your assets are being managed as you expected when you invested. You can read details on the individual members of the Board on page 7.

The process of continual review of performance, cost and service is not a new one for us. Where necessary we have changed fund managers to help drive better performance, and reduced fees on a number of funds.

These changes are the most visible. However, Royal London has also made changes in the background to ensure that our funds meet changing regulatory requirements and operate more efficiently. Most notably, this includes substantial investment in infrastructure – which was essential when it came to the coronavirus outbreak. We have included a short section covering how Royal London moved smoothly to lockdown in March 2020. While markets were extremely volatile, this meant that management and administration of your funds continued without interruption and that there was frequent client communication both in terms of what Royal London was doing and what was happening in wider investment markets. You can read more about managing the coronavirus situation in the About Royal London section on page 6.

Royal London has enjoyed considerable success in recent years, with strong performance and market-leading investment funds attracting additional assets from both existing and new clients. For readers less familiar with Royal London, we have included a short section giving an overview of the company. Royal London is committed to being transparent with clients – for example, making its voting record on the shares owned in its funds available on the RLAM website for many years. The Board will continue to press for such transparency so that you have access to a regularly refreshed flow of useful information, in addition to this annual report.

As this is the first Assessment of Value report, we are keen to hear your feedback so we can deliver an even better customer experience for you. Please contact us on AssessmentofValue@rlam.co.uk

I hope you find the report useful, and thank you for your continued investment with us.

Martin Lewis
Chairman RLUM Ltd

About Royal London

Royal London and Royal London Asset Management

Adding value for over 150 years

Founded as a friendly society in 1861, Royal London's mission was to secure its members' financial stability. Nothing has changed. Royal London Asset Management was set up in 1988, initially to manage assets on behalf of Royal London members, and then to the wider market.

The following 30 years have seen both RLAM and its parent enjoy huge success to become significant parts of their relative sectors within the UK financial services industry.

That success is built on a culture of free, fresh and innovative thinking and investment strategy. That results in a measured, stable and independent approach to managing assets, which avoids fads, passing trends or a 'me too' take on investing.

Adding value for today

- **Putting investors' goals first**
  We aim to provide the right mix of risk and return potential to meet your goals.
- **Prioritising trust and transparency**
  Our relationship with our clients is about trust. And in financial services, trust is gained through transparency.
- **Expertise in 'active' investing**
  If our clients are paying for active management and the potential of benchmark outperformance, that is what we deliver.

Adding value for tomorrow

- **Responsible investing**
  We believe that better-run companies make better investments.
- **A responsible company**
  We aim to create a positive, inclusive and flexible culture.
- **A long-term strategy**
  We have no shareholders to force us into short-term thinking.

What Royal London is doing for its clients today

Putting investors' goals first

Whatever your financial situation, we aim to provide the right mix of risk and return potential to meet your investment goals.

Investing for us is about creating funds that work for you. We manage funds that provide a one-stop investment solution, as well as funds that focus on specific areas of specific markets. This means investors, often working with an adviser, can create the overall portfolio that works for them.

We are strong advocates of both active and passive management in the right places. What matters is delivering for clients. We therefore take a pragmatic view, offering active solutions where we feel that talented teams can deliver, and passive funds where cost-effective market exposure is the top priority.

Prioritising trust and transparency

Our relationship with our clients is about more than returns, it's about trust. And in financial services, trust comes from transparency.

Royal London aims to be clear, honest and open in how it talks to advisers. This can be seen in numerous ways – for instance in how we share our company voting record publicly, or how we have historically reported transaction costs. Another example was the implementation of recent regulatory changes, which highlighted the issue of investment research costs and whether these are charged to funds or clients. As you would expect from a mutual, client-focused company such as Royal London, it was easy for us to say that we will bear all such costs, across all asset classes.

The way we talk to you is always open, honest and clear, whether in our agreements, thought leadership or reporting. Clients are provided with regular information on investments and our thinking – so you can make the right decisions for you.

Expertise in active investing

If our clients are paying for active management and the potential of benchmark outperformance, that's what we will deliver.

'Active' management is the process of trying to provide a better return than a market benchmark such as the FTSE 100, while a 'passive' fund will try to merely match the benchmark (see Glossary on page 16).

At Royal London, we believe in research-led investing – looking at 'big picture' indicators such as economic growth and inflation, while also looking in more detail at the individual characteristics of companies we invest in when building active portfolios. Market indices are useful yardsticks, but they can never be the basis for active portfolio construction.

Where we are charging an active manager fee, we deliver an active portfolio. Our funds are monitored to ensure their active share – or difference from their benchmark index – is high and that investors are getting what they pay for. We aren't afraid to have our funds look very different from the index.

Our active portfolios are built and developed by our dedicated, democratic teams – we believe that this produces better long-term returns than a 'star manager' approach. Avoiding a star-manager culture reduces the effect of one individual's leanings and provides a wider base for ideas that can help achieve the best risk/return pay-off.

How Royal London looks to the future

A leader in responsible investing

Why is investing responsibly an integral part of our business? Because better-run companies make better investments.

We were a market leader in the sustainable-investing space for two decades before integrating environmental, social and governance (ESG) criteria became a major part of the asset management industry. For us, these issues have never fallen under the 'nice to have' banner – ESG has always been fundamental to the way we analyse and invest in companies.

What does all this mean in practice? We have a Responsible Investment team, made up of specialists in assessing ESG factors and engaging with companies to try to encourage better management. However, all of our investment teams look at these factors: in today's world, ignoring or downplaying ESG issues will hurt investor returns. We do manage funds that have explicit ESG-related elements, but every fund we manage incorporates this approach to some degree.

We see ourselves as 'active owners'. So we engage with the companies whose shares and bonds we hold on your behalf. 'Engagement' covers a range of activities, from visible ones such as voting at company meetings, to using our influence behind the scenes, talking to company management about obvious issues such as executive pay and equally important areas such as cyber security or succession planning.

This is a major part of RLAM activities, and the annual Stewardship Report provides a comprehensive overview of the activities this includes. This is available here.

Running a responsible company

We engage with the companies we invest in to help them improve their ESG credentials, and we hold ourselves to the same standards.

Not only are we committed to our clients, we're committed to creating a positive, inclusive and flexible company. Royal London's culture is grounded in our 'Spirit of Royal London' ethos, based on core principles of how we treat colleagues and customers alike. And it's why we made our People Commitment, which looks to build a diverse, skilled workforce, one that helps to create the right conditions to deliver for our clients.

Diversity and inclusion are often seen as just a social aim rather than business-related. We disagree. We want to build the best teams and see little point in restricting the potential pool of candidates. We spend a lot of time and resources finding the right people to join our company – we want to create an inclusive, rewarding workplace environment so that they deliver for our clients.

Always looking to the long term

Investing is a long-term pursuit, and that is even more true a statement in today's volatile and fast-changing world.

Our views will never be skewed by the need to chase returns in the next few months – our clients have longer-term investment goals and this matches our approach. We have no shareholders to push us into short-term thinking. Our independent, long-term vision ensures that we can build a business fit for the future and fit for our clients.

Coronavirus

The outbreak of the coronavirus and the lockdown seen in the UK had a major impact on our business. The health and safety of our clients and staff was of the utmost importance to us. While we could not have predicted the outbreak or its severity, we have a long-standing business continuity plan in place, to ensure that we can react effectively to the unexpected and continue to look after our clients and their assets as they would expect.

We had invested in and rigorously tested our IT infrastructure, meaning that when the UK went into full lockdown, more than 98% of our staff were able to work remotely without interruption, with only a small number of critical staff continuing to work in our offices. This represented a significant change for our teams, but we were able to move swiftly to this new way of working.

During the difficult market conditions, this meant that we were effectively able to function as normal – fulfilling our promises to investors in our funds while safeguarding the health of our staff. We believe that this demonstrates the value of both our emergency planning and investment in systems and processes in recent years. As well as 'business as usual' activities, we increased communications with clients, to keep them actively informed about what was happening to their funds and how we were managing these. While we hope that dramatic measures are not required again, this is an aspect of our overall service that we will continue to invest in.

RLUM Board

Martin Lewis
Chairman

Martin is Chairman of RLUM Limited. Martin was appointed to the RLUM Board on 31 July 2013. Martin has over 30 years' experience across the insurance and pensions industry. Martin has a wealth of knowledge across financial services including business transformation, change management, strategy, financial risk and analysis. Martin is currently Legacy Director for Royal London Group and is the Client Money Oversight Officer for RLUM.

John Brett
Non-Executive Director

John joined RLUM in September 2019 as an independent non-executive director. He has held a number of senior roles in asset management over the last 20 years including CEO of a wealth management firm, Head of Distribution for Aberdeen Asset Management and Sales & Marketing Director for Scottish Widows Investments. He is a qualified lawyer and has held senior positions responsible for legal, risk, governance, products and strategy. He is currently the non-executive chair of a wealth management business.

Nora O'Mahony
Non-Executive Director

Nora holds over 20 years of experience in the asset and investment management sector at both senior management and Board level positions. Nora was appointed to the RLUM Board on 13 November 2019. Nora brings a wealth of knowledge in product development, distribution, fund management and investment strategy.

Phillip Beamish
Executive Director

Phil holds over 20 years of experience in pensions and insurance. Phil was appointed to the RLUM Board on 31 July 2013. Phil has a wealth of experience in investment management and product marketing across financial services. Phil is currently Head of Oversight for Royal London Group.

Gary Warman
Executive Director

Gary holds over 20 years of experience in the financial services industry. Gary was appointed to the RLUM Board on 29 April 2020. He has a wealth of experience in financial risk, insurance and business strategy. Gary is currently Finance Director for the Legacy Division in Royal London Group.

Jon Glen
Executive Director

Jon holds over 15 years of experience in financial services. Jon was appointed to the RLUM Board on 29 April 2020. Jon has a wealth of experience in business strategy, operations management and business development. Jon is currently Group Operations Director for Royal London Group.

Our approach

Assessment of Value – methodology

Introduction

Throughout the year, we look at how our business is adding value for our clients and focus on the areas where we can do better. The purpose of this report is to give you an insight into this process – where are we adding value and what measures are we putting in place where we are falling short of our clients' and our own high standards.

In our 2021 Assessment of Value, we will revisit the issues we have identified in this report and let you know if the measures we have put in place have worked or if we have more to do.

In this section, we'll talk about the issues we are investigating, our methodology and how you can interpret our findings.

Assessment of Value over the past 12 months

Assessing value is an ongoing process at Royal London, so we want to share with you details of how we've sought to add value to our processes over the past year.

In 2019, we reviewed the way we talk to our clients

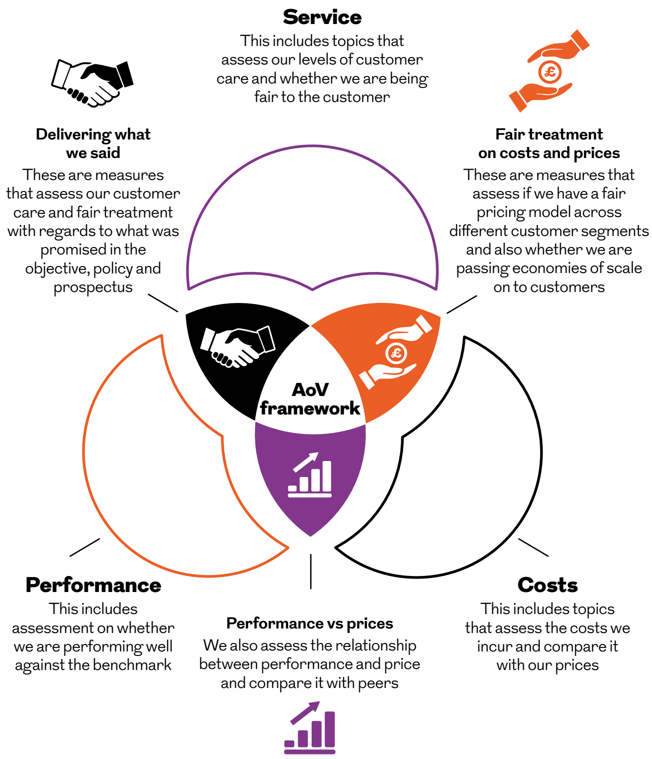
In August 2019, we reviewed the language we use to inform retail investors about our funds. We believed, looking at the language used in prospectuses and key investor information documents, that more could be done to ensure that prospective clients understood exactly what they were investing in and the risks involved. We consulted widely before settling on what we felt was the appropriate language and structure for these documents.

We believe that trust and good service are, in part, achieved through transparency. Being transparent means giving investors the information they require in the simplest form possible – allowing them to make informed decisions about their investments and finances.

Understanding this Assessment of Value report

To construct our Assessment of Value report, we undertook a wide-ranging analysis and consultation, using both data and more qualitative inputs spanning the firm, the Board of Directors, external consultants and data providers, and a number of our clients. We wanted to challenge ourselves – we wanted to know what 'good value' might look like for our investors across a number of issues that matter to them.

Following our consultation, we settled on 19 questions across our three broad categories of **performance**, **service** and **cost** – these would be used to determine where we were adding value and where we were falling short.



Performance

What do we mean by good performance?

This sounds straightforward but this is not always the case. When we launch a fund, we state in the prospectus what the investment objective is. This may be to produce a return that is better than cash, a group of competitor funds, or a market index such as the FTSE 100.

Whether you are invested in one of our active equity or bond funds, or a passive fund, you will be able to clearly see if our independent process has identified any noticeable periods of underperformance that need to be investigated.

We'll let you know what measures we are putting in place if your fund is significantly underperforming the benchmark. We'll also let you know what we are doing if one of our passive funds is producing performance that is not tracking its chosen index.

What kind of questions are we asking ourselves on performance?

- Are we performing in line with or better than your expectations?
- Are we performing well against stated comparators?

Service

What do we mean by good service?

Here we are assessing our levels of care and whether we are being fair to customers. Service in asset management is, in many ways, about transparency – do we action customer requests and provide transparent information on an accurate and timely basis? By assessing our level of service, we wanted to ensure that customers continue to receive the range and quality of the information they need.

We'll let you know what measures we are putting in place if complaints or other measures indicate poor customer service outcomes. We'll also let you know what we are doing if you are eligible for a lower fee unit class.

What kind of questions are we asking ourselves on service?

- Are we providing a good customer experience?
- Are we delivering what we have told customers to expect from us?

Cost

How do we assess whether our costs are reasonable?

The fees our clients pay should be even-handed, both in terms of the service being purchased and compared with the wider market. This is also a question of economies of scale – as funds get larger, are we using that size to negotiate better pricing on services such as auditors? As part of the value assessment, we looked at whether savings are being passed on to customers – are your costs coming down as the business grows and more attractive contracts are signed with service providers?

We'll let you know what measures we are putting in place if your fund or unit class is more expensive than it should be, taking account of both costs of managing the fund and peer group comparisons.

What kind of questions are we asking ourselves on cost?

- Are the fee levels we charge customers reasonable?
- Are we effectively negotiating costs with our service providers on your behalf?

Our fund traffic light system

For each fund – under our performance, service and cost categories – we have used a traffic light system that lets you know at a glance where your fund is performing well and where it is falling short.

You will see in the below example that we provide our ratings for each category and, if there are any amber or red traffic lights, the page where you can find further information.

Fund	Share Class	Performance	Service	Cost	Comments
RL Corp Bond Monthly Income Trust	A	●	●	●	page 15
RL European Growth Trust	A	●	●	●	page 15
RL FTSE4GOOD Tracker Trust	A	●	●	●	–

● Green

If your fund has been allocated a green rating, no issues have been identified. However, this is not to suggest that we are not looking to add further value to your investments in the months and years ahead.

● Amber

An amber rating means our data has captured a potential deterioration in the value for one of our funds and flagged it for review. We will let you know what we are doing to monitor or address the issue. Such measures will likely be less dramatic than for funds allocated a red rating, so monitoring or more regular reporting, as opposed to making radical changes.

● Red

Where a fund has been allocated a red rating for any one of our performance, service and cost categories, we will set out what actions we are taking. This could take the form of a change to the investment process, new resources or reducing charges.

Results

An overview of our Assessment of Value findings

Performance

What were we looking for?

Our performance analysis focused on the following areas:

- Performance versus stated objective
- Performance against benchmarks (where relevant) over one, three, five and seven years
- Performance versus similar competitor funds over one, three, five and seven years
- Our funds' balance of risk and return

What did we find across our company and range of funds?

Performance reviews are not new for the Board. As performance is such an important component of overall value to investors, both the Board and RLAM place a great emphasis on constantly monitoring performance and addressing any potential issues with our unit trusts (referred to as fund or funds).

On the whole, performance across RLUM's range of funds remains strong, with the majority of funds delivering consistently good results against the criteria we have identified above. All of our funds were rated green from a performance perspective.

We will, of course, continue to monitor the funds closely to ensure that they are meeting their performance targets and helping our customers meet their investment goals.

It is worth noting that we looked at performance to the end of March 2020 – which included some of the most volatile market conditions for over a decade, as markets considered the impact of the coronavirus outbreak. This led to negative returns for many funds, although some of these losses were recouped through the second half of April and May. But for more detailed fund performance data, please see the relevant fund factsheets, available here.

Service

What were we looking for?

We looked at how our customers view the service we provide, focusing on the following areas:

- Feedback from our customers
- Number of customer complaints
- Services delivered to our customers by third-party providers
- Number of awards and Citywire ratings, as an indicator of how we deliver to our customers
- Are we charging for active management, but failing to deliver, for instance by building portfolios that just look very similar to the index (known as 'closet trackers')?

What did we find across our company and range of funds?

Providing a first-class service for our customers is of great importance to Royal London and will continue to be so in the future. Although our Assessment of Value has not raised any areas of major concern, we have identified one area where we think we have some room for improvement. This area relates to answering customer calls within a reasonable time. We are continually working with our customer service team to ensure that we provide the best service to our customers, and we are working hard to ensure that calls are answered as quickly as our customers expect. This is an ongoing area of focus for us, not just as a result of the Assessment of Value.

Cost

What were we looking for?

Our aim here was to assess the cost to our customers of our trusts against both our own range and industry peers. Specifically, we were looking at the following areas:

- The cost of individual trusts versus other similar funds that competitors offer
- Do we have customers who would be eligible for a cheaper unit class?
- How do fees compare across a fund's different unit classes?
- What profit margins is RLUM earning?

What did we find across our company and range of funds?

In general, our findings show that these funds are priced competitively and are providing investors with value for money. However, we did find a small number of fund unit classes where initial comparatives suggest that further, more detailed review may be necessary to ensure that we are comparing on a consistent basis. We will undertake this review by the end of September 2020 and will notify you of any findings and actions we propose to take. Relevant individual funds can be seen on page 13.

In some instances, we identified a small number of investors who may be eligible to move unit classes – for instance, where their investment was higher than the minimum for a unit class in the same fund that has a lower fee. We are contacting all relevant holders by post, and aim to complete this in autumn 2020.

Fund-by-fund results

On the following pages you can find our Assessment of Value ratings for performance, service and cost for every unit class in every fund for the RLUM fund range, as at the end of March 2020.

Fund	Unit Class	Performance	Service	Cost	Comments
RL Corp Bond Monthly Income Trust	A	🟢	🟢	🟡	page 14
RL European Growth Trust	A	🟢	🟢	🟡	page 14
RL FTSE4GOOD Tracker Trust	A	🟢	🟢	🟢	–
RL Sustainable Diversified Trust	A	🟢	🟢	🟡	page 14
RL Sustainable Diversified Trust	B	🟢	🟢	🟢	–
RL Sustainable Diversified Trust	C	🟢	🟢	🟢	–
RL Sustainable Diversified Trust	D	🟢	🟢	🟢	–
RL Sustainable Leaders Trust	A	🟢	🟢	🟡	page 14
RL Sustainable Leaders Trust	C	🟢	🟢	🟢	–
RL Sustainable Leaders Trust	D	🟢	🟢	🟢	–
RL Sustainable Managed Growth Trust	C	🟢	🟢	🟢	–
RL Sustainable Managed Growth Trust	D	🟢	🟢	🟢	–
RL Sustainable Managed Income Trust	C	🟢	🟢	🟢	–
RL Sustainable Managed Income Trust	D	🟢	🟢	🟢	–
RL Sustainable World Trust	A	🟢	🟢	🟡	page 14
RL Sustainable World Trust	C	🟢	🟢	🟢	–
RL Sustainable World Trust	D	🟢	🟢	🟢	–
RL UK Growth Trust	A	🟢	🟢	🟡	page 14
RL UK Income with Growth Trust	A	🟢	🟢	🟡	page 14
RL US Growth Trust	A	🟢	🟢	🟡	page 14

Proposed actions for individual funds

Corporate Bond Monthly Income Trust
European Growth Trust
UK Growth Trust
UK Income with Growth Trust
US Growth Trust
Sustainable Diversified Trust
Sustainable Leaders Trust
Sustainable World Trust

Issue	Alert level
Cost	●

Specific areas of concern

The review has highlighted that the ongoing charges figure (OCF) for the A unit classes of the above funds require further analysis to ensure that the unit classes are still delivering value for customers.

What actions are we taking to resolve these issues?

A more detailed review of the OCF is to be completed by the end of September 2020. This review will focus on the level of OCF for the A unit classes to ensure they remain appropriate and in line with similar funds managed by peers.

Sustainable Diversified Trust
Sustainable Leaders Trust
Sustainable World Trust

Issue	Alert level
Cost	●

In addition to the review detailed above on the A unit classes, we will be moving a small number of eligible customers into less expensive unit classes. All affected customers will be contacted in due course.

Glossary

Glossary

active management – an investment style that is designed to exceed the return of a benchmark index. Active managers base their decisions to deviate from a benchmark's composition on their judgment and analysis.

benchmark – a performance target for investments. This is usually an index or a peer group (an acknowledged selection of similar investments).

bonds – sometimes referred to as fixed income – are investments issued as debt by corporations and public bodies to raise finance. Bonds pay out a previously agreed, non-variable interest payment (or coupon) until a maturity date when the initial investment (or principal) is re-paid.

bond fund – a portfolio composed of fixed income investments.

capital growth – the rise over time of an investment's value.

capital preservation/protection – investment techniques/approaches that aim to maximise the return of an investment's original capital value.

capital return – the measured performance of an investment according to its change in value over time, without factoring in dividends or any other income.

commodities – resources-related physical investments like oil, gold or wheat.

common stock – a share that represents partial ownership of a company. Common stock gives the owner a lower level of ownership from holders of preferred stocks.

corporate bonds – fixed income investments issued by a company as a way to raise finance.

derivatives – investments that derive their value from another closely related underlying investment.

developed markets – countries with more advanced economies. Developed markets according to MSCI classification include the UK, US, Hong Kong and most eurozone countries.

diversification – investing in multiple asset classes or sectors in order to reduce risk.

duration – an investment's sensitivity to interest rate changes.

emerging markets – markets in the developing world that are more advanced than frontier markets. Emerging markets according to MSCI classification include China, Russia, India and Brazil.

equities – stocks listed on an exchange.

equity fund – a portfolio that invests in equities.

ESG – environmental, social and governance. A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

ethical criteria – predefined restrictions on sectors or asset classes that a manager may invest in.

FCA – Financial Conduct Authority. The UK's regulator of the finance industry.

fixed income investments – also known as bonds. Fixed income investments pay out a previously agreed, non-variable interest payment until that investment reaches maturity.

FTSE 100 – Financial Times Stock Exchange 100 Index. A list of the top 100 UK companies, ranked by market capitalisation.

government and public bonds – bonds issued by governments or public bodies, not by corporations.

growth – a style of investing that aims to increase the original capital invested.

hedging – reducing risk by protecting an investment with another related investment.

income – a form of payment generated by an investment, such as dividends or bond coupons.

income investing – investment style that looks for income rather than capital growth.

index-linked bonds – fixed income investments that are closely tied to an index of consumer prices/inflation.

inflation – the average rise in prices of a predetermined list (or 'basket') of goods.

interest rates – the cost of borrowing and using money. These are set by central banks and are expressed as a percentage owed of the amount borrowed.

interest rate risks or exchange rate risks – risks associated with changes in the level of interest rates or the difference between the comparative value of different countries' currencies.

investment-grade bonds – bonds that have been assessed by credit ratings agencies, and which are deemed to be higher quality (and less likely to default).

large-cap – large capitalisation. Stocks of companies with a large market capitalisation (over £2 billion). These generally make up the FTSE 100.

liquidity – the availability of money for lending or ease of use/buying/selling an investment.

market capitalisation – the number of a company's shares multiplied by their value.

maturity – the time at which the principal and all interest related to a bond are to be paid.

mid-cap – stocks of companies with a medium market capitalisation (between £250 million and £2 billion). These generally make up the FTSE 250.

multi-asset/multi-asset strategies – investment approaches that use different asset classes – like shares, bonds and cash – in one portfolio.

overseas corporate bonds/overseas government bonds – bonds from countries other than the UK.

passive strategy – fund that sticks closely to an index in terms of its composition and expected returns.

secondary market – market where investments are bought and sold by those who already own them as opposed to primary market (issuance).

securities – investments, basically.

small-cap – stocks of companies with a market capitalisation of below £250 million.

sovereign bonds – fixed income investments issued by governments.

stocks/shares – two words that mean the same thing, i.e. equities.

sub-investment grade securities/non-investment grade – bond with a lower rating than investment grade. A greater risk of default usually means a higher yield.

tracking error – the difference between the return of a passive fund and the index it tracks.

transferable securities – investments that can be bought or sold.

treasury bills – government securities issued by the US Federal Reserve.

UK government bonds – also known as 'gilts' and issued by HM Treasury.

value investing – an investment style targeting stocks that are being bought and sold at prices lower than their intrinsic value, i.e. that are undervalued by the market.

volatility – movements up or down in a market index.

Contact us

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