

Passive fund due diligence

H1 2024 (data to 31st December 2023)

Introduction

This document summarises the results of our passive fund due diligence process, based on data up to 30 December 2023.

From our passive fund universe, we combine quantitative and qualitative data to produce a score for each fund within each sector, and then rank them.

Within the rankings, we double weight certain factors including:

- Overall cost to own, assuming spread costs are split over a 3-year holding period
- Tracking error versus a fund's own index
- Tracking difference versus a fund's own index
- Fund house Environmental, Social and Governance (ESG) factors

Replication methodology, stock lending policy, fund size and tracking error/difference versus our own risk framework are single weighted. These tend to be more subjective criteria.

Each fund is scored independently for every factor we look at and only ranked within their sector based on the cumulative final score.

This comprehensive, robust, and repeatable process is designed to make sure clients are invested in the most favoured passive fund for each sector at all times.

For more information on our process, please refer to our companion document **Due Diligence on Passive Funds**.

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IA UK Gilts

The top funds in this asset class all score very highly. The only change since our last review was HSBC and Vanguard swapping positions.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G All Stocks Gilt Index	FTSE Actuaries UK Conventional Gilts All Stocks	1	1
iShares UK Gilts All Stocks Index	FTSE Actuaries UK Conventional Gilts All Stocks	2	2
HSBC UK Gilt Index	FTSE Actuaries UK Conventional Gilts All Stocks Index	4	3
Vanguard UK Government Bond Index	Bloomberg Barclays UK Government Float	3	4

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



28/12/2018 - 29/12/2023 Data from FEfundinfo2024

Vanguard has the lowest OCF and overall holding cost of the three funds, which is below 0.1% p.a.

Like our previous analysis, the top 4 funds (including our holding with Vanguard) all achieved full marks for tracking error and tracking difference versus their benchmarks.

Vanguard scores lower on ESG aspects, behind the other 3 funds.

iShares is the largest fund, although Vanguard’s fund is also very big, and our ownership levels are of no concern. Another reason for Vanguard’s lower overall score is it tracks a different index to the L&G, iShares and HSBC funds. The historical difference in performance isn’t significant, and at times, Vanguard has been slightly ahead and at others slightly behind.

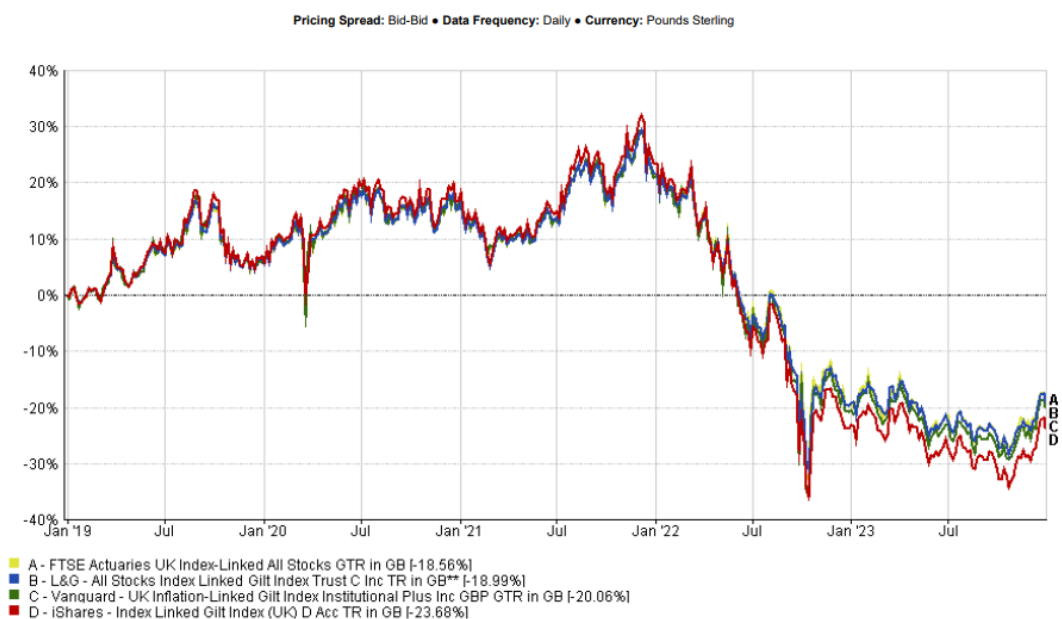
We remain comfortable to maintain our Vanguard holding, given it scores highly and is only marginally behind the other three in a very high scoring asset class. We’ll continue to monitor this as part of our ongoing passive due diligence reviews.

Recommendation	Hold	Vanguard UK Government Bond Index
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IA UK Index Linked Gilts

The L&G fund we use is still leading the peer group, with Vanguard and iShares in second and third place. These rankings haven't changed since our last two updates.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G All Stocks Index Linked Gilt Index	FTSE Actuaries UK Index-Linked Gilts All Stocks	1	1
Vanguard UK Inflation Linked Gilt Index	Bloomberg Barclays UK Government Inflation-Linked	2	2
iShares Index Linked Gilt Tracker	FTSE Actuaries UK Index Linked Gilts Over 5 Years	3	3



28/12/2018 - 29/12/2023 Data from FEfundinfo2024

L&G's total score is comfortably ahead of Vanguard and iShares. L&G has tracked the benchmark index closely and achieves our maximum possible score for both tracking error and tracking difference.

Vanguard is the cheapest fund, closely followed by L&G, both with an OCF below 0.1% in a competitively priced asset class.

L&G's fund continues to achieve full marks in our assessment for its benchmark-to-benchmark tracking error, benchmark tracking difference, method of replication and the fact it doesn't stock lend. iShares' and Vanguard's funds are larger, but L&G is large enough to receive top scores for fund size and fund ownership.

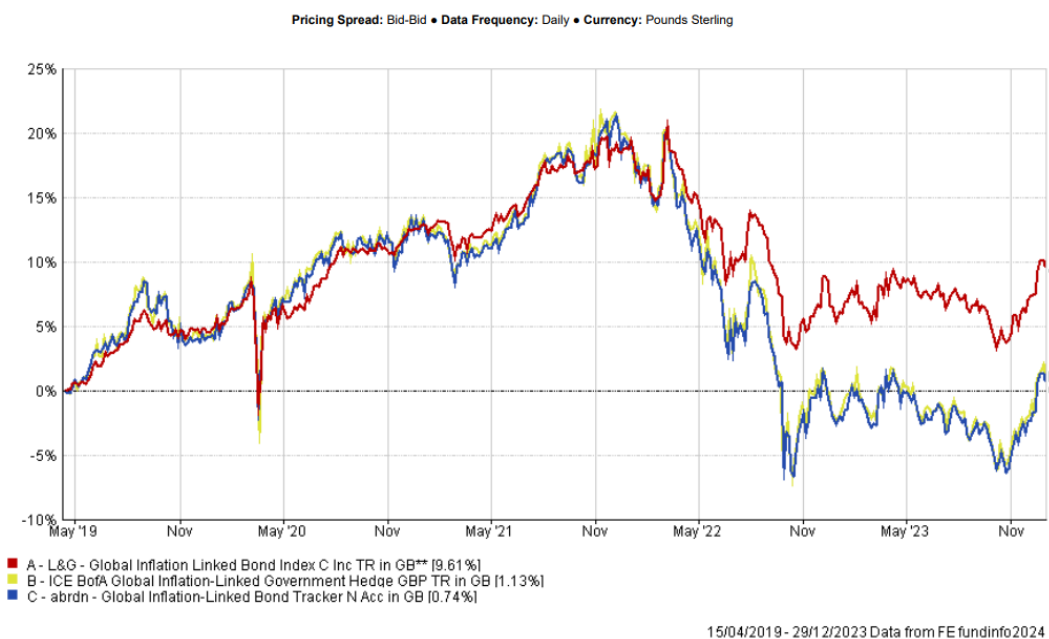
We remain comfortable with our holding with L&G.

Recommendation	Hold	L&G All Stocks Index Linked Gilt Index
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IA Global Inflation Linked Bond

We hold the L&G Global Inflation Linked Bond Index fund within our Global Index Linked Government Bond asset class. L&G remains in first place, with abrdn’s fund second.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G Global Inflation Linked Bond Index	Barclays World Government ex UK Inflation Linked Bond Index (GBP Hedged)	1	1
abrdn Global Inflation-Linked Bond Tracker	Barclays World Government Inflation Linked Bond Index (GBP Hedged)	2	2



Please note: the abrdn fund only has a track record back to May 2019 so the chart doesn’t cover a full 5-year period.

The L&G fund we hold continues to score very highly for its low tracking error and good tracking difference versus its benchmark.

We view L&G to be leading in managing passive ESG considerations. The fund has achieved the highest marks for its replication and stock lending.

The fund is marginally more expensive than the abrdn fund, although both have the same overall 3-year holding costs of under 0.20% p.a., which we consider competitive.

The benchmark tracked by the L&G fund is different to the ICE BofA Global Inflation Linked Government Hedge GBP Index we use in our risk framework. The main difference being the L&G fund’s benchmark excludes the UK, while the UK has a reasonable weighting in the abrdn fund’s benchmark. This can be seen above, with a notable separation in performance between the fund and our benchmark, particularly over the last 12 months when Index-Linked Gilts have seen high levels of volatility.

As a result, the L&G fund has been marked down for its benchmark tracking error. The universe of funds is small and the abrdn fund is reasonably new and therefore quite small. We’ll continue to track the difference between L&G and our internal benchmark and will consider switching if the abrdn fund grows.

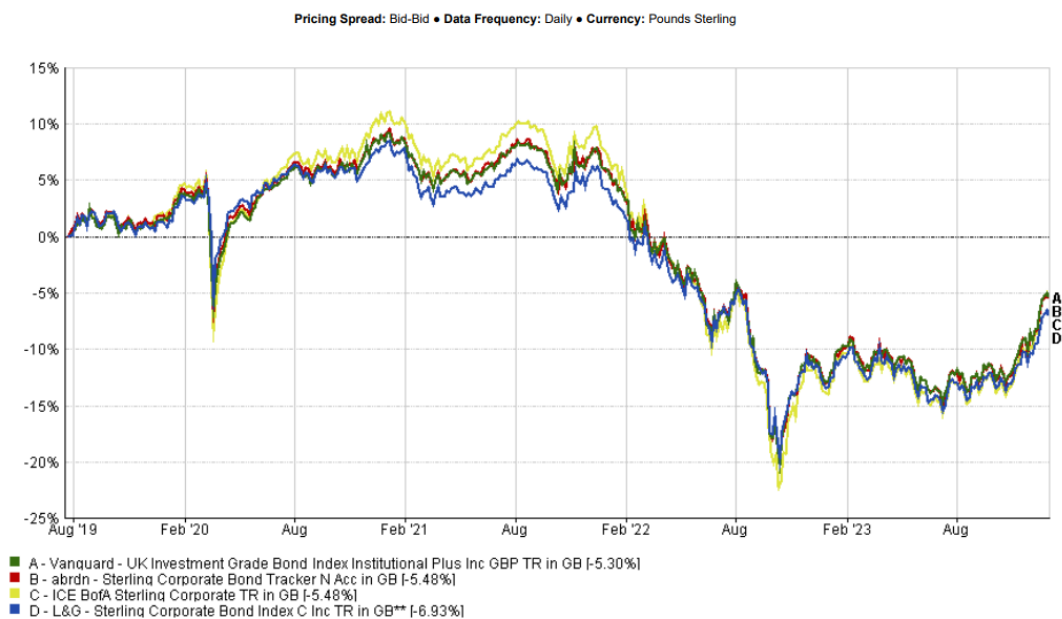
The L&G fund continues to rank highest overall in our assessment and we are comfortable maintaining our holding.

Recommendation	Hold	L&G Global Inflation Linked Bond Index
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IA Sterling Corporate Bond

All fund rankings are unchanged from last time: the Vanguard fund we invest in is ranked first, with L&G second and abrdn third.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
Vanguard UK Investment Grade Bond Index	Bloomberg Barclays GBP Non-Government Float Adjusted Bond	1	1
L&G Sterling Corporate Bond Index	Markit iBoxx Sterling Non-Gilts ex BBB	2	2
abrdn Sterling Corporate Bond Tracker	Markit iBoxx Sterling Non-Gilts	3	3



23/07/2019 - 29/12/2023 Data from FE fundinfo 2024

Please note: the abrdn fund only has a track record back to August 2019 so the chart does not cover a full 5-year period.

Vanguard and abrdn jointly have the lowest OCF of the four funds we track.

The top 3 funds, including our Vanguard holding, all achieved the maximum possible score for fund tracking error, with iShares lagging. While all top 3 funds score highly on tracking difference relative to their benchmark indices, Vanguard is the only fund with the maximum score.

iShares remains the largest fund, although Vanguard also scores very well here, and we have no concerns with our holding size.

All funds have a degree of benchmark tracking error versus our benchmark, the ICE BofA Sterling Corporate Index, as can be seen above. Although there is a strong correlation between the performance of the index and the top 4 funds.

There’s no stock lending in the Vanguard fund, meaning it gets full marks here.

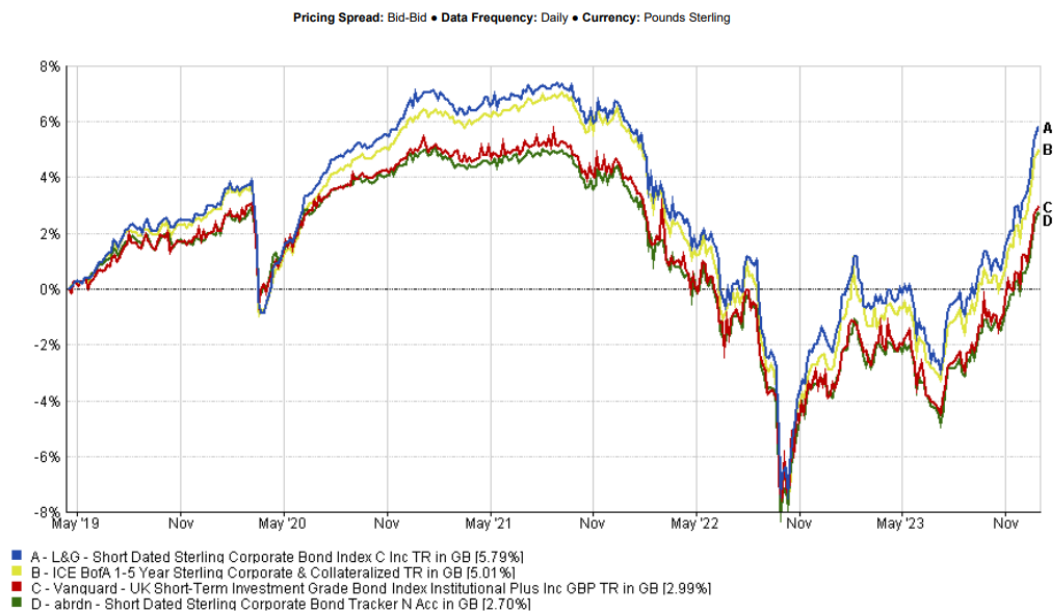
We remain comfortable with our holding in Vanguard.

Recommendation	Hold	Vanguard UK Investment Grade Bond Index
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Short Dated Sterling Corporate Bonds

All fund rankings are unchanged from last time: the L&G fund we invest in is ranked first, with Vanguard second and abrdn third.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G Short Dated Sterling Corporate Bond Index	Markit iBoxx Sterling Corporates 1-5 Index	1	1
Vanguard UK Short-Term Investment Grade Bond Index	Bloomberg GBP Non-Government 1-5 Year 200MM Float Adjusted Bond Index	2	2
abrdn Short Dated Sterling Corporate Bond Tracker	Markit iBoxx Sterling Non-Gilts 1-5 Index	3	3



17/04/2019 - 29/12/2023 Data from FE fundinfo 2024

Please note: the abrdn fund only has a track record back to May 2019 so the chart does not cover a full 5-year period.

Vanguard and abrdn OCFs are marginally more competitive than L&G’s however they’re all very low. All three funds have received top marks for fund tracking error, while L&G and Vanguard also score very highly on fund tracking difference. L&G ranks best of the three managers on ESG aspects.

As shown above, the L&G fund performs the closest to our index – the ICE BofA 1-5 Year Sterling Corporate & Collateralised Index. However, the performance of Vanguard and abrdn funds differ materially from our index. This means L&G scores better on benchmark tracking error and benchmark tracking difference compared to the other two funds.

L&G is by far the largest fund however Vanguard also receives top marks for size. Neither fund undertakes stock lending. L&G also receives full marks for its replication method. abrdn has been marked down for its smaller size and use of stock lending in the portfolio.

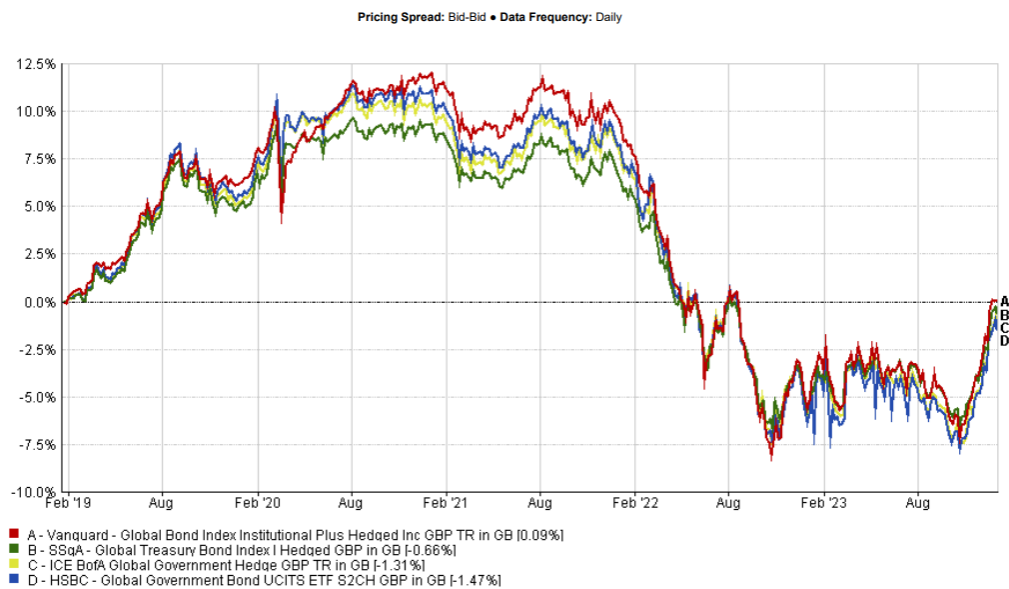
We maintain our holding with L&G at the current time.

Recommendation	Hold	L&G Short Dated Sterling Corporate Bond Index
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IA Global Government Bonds

We hold global bonds within our Global Government Bonds asset class. Our holding with HSBC remains in first place, with State Street moving to second and Vanguard slipping down to third (based purely on global focused funds).

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
HSBC Global Government Bond Index	FTSE World Government Hedged GBP	1	1
State Street Global Advisors Global Treasury Bond Index	Bloomberg Global Treasury Index	3	2
Vanguard Global Bond Index	Bloomberg Barclays Global Aggregate Float Adjusted and Scaled Index Hedged in GBP	2	3



24/01/2019 - 29/12/2023 Data from FE fundinfo 2024

Please note: the track record for the HSBC share class we use only goes back to February 2019, so the chart above starts from that date.

HSBC’s fund has the most competitive OCF and overall, 3-year holding cost, so scores best on our cost factor. All three funds score very highly on fund tracking error and fund tracking difference.

HSBC achieves the best score of the three funds for ESG and its benchmark tracking error versus our Global Government Bond index. Above, HSBC performance (blue line) is consistently very close to the index (yellow line).

HSBC’s fund is smaller than Vanguard, but larger than State Street and still gets full marks for its size. So, we have no concerns.

The main downside of HSBC is its use of stock lending, with a maximum of 25% of the fund on loan at any time at the time of our analysis the percentage on loan is 23.64%. While this is above the 10.29% currently being lent out by State Street, their maximum allowance goes as high as 70%.

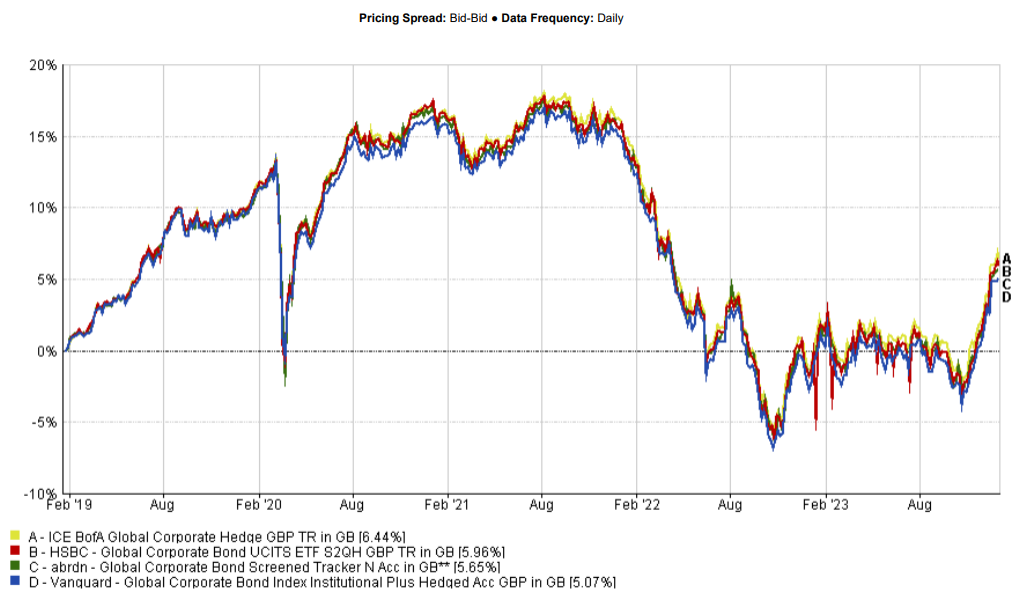
We retain our holding with HSBC following this analysis.

Recommendation	Hold	HSBC Global Government Bond Index (Hedged)
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IA Global Corporate Bonds

The fund we invest in, abrdn, continues to rank in first place. However, the second and third positions have switched since our last review.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
abrdn Global Corporate Bond Tracker	Bloomberg Global Aggregate Corporate Index (GBP hedged)	1	1
Vanguard Global Corporate Bond Index	Bloomberg Global Aggregate Float Adjusted: Corporate Index (GBP Hedged)	3	2
HSBC Global Corporate Bond Index	Bloomberg Global Aggregate Corporate Index (GBP hedged)	2	3



24/01/2019 - 29/12/2023 Data from FE fundinfo 2024

Please note: the track record for the HSBC share class we use only goes back to February 2019, so the chart above starts from that date.

abrdn has the most competitive OCF of the three funds, and a competitive 3-year holding cost.

abrdn achieves a strong score for its fund tracking error, and scores reasonably well on fund tracking difference and ESG factors.

All funds track very similar benchmark indices, as shown above, which closely follow the performance of our index (ICE BofA Global Corporate GBP hedged). All funds therefore score well on benchmark tracking error and benchmark tracking difference.

abrdn’s fund is the largest of the three and it has been awarded top marks for size. It also scores very well for replication. However, abrdn’s fund has seen marks deducted for use of stock lending in the fund, albeit less than 5% of the fund was on loan at the time of our analysis.

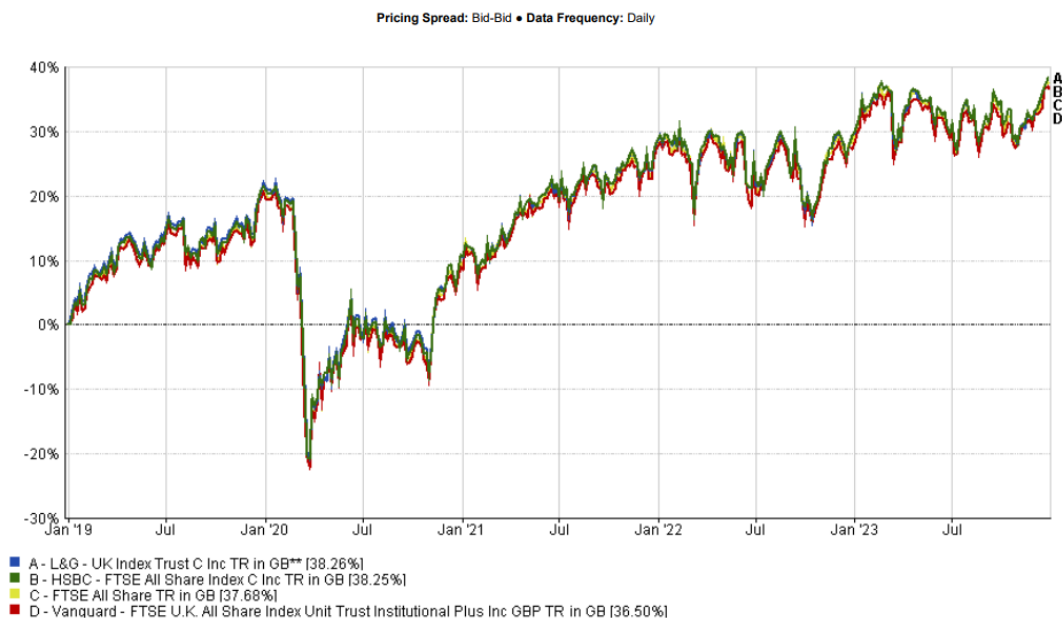
One thing of note is we have been informed that abrdn are now following a screened index. We have run our analysis and the outcomes remain largely unchanged, but this is something we will keep an eye on for future analysis.

Recommendation	Hold	abrdn Global Corporate Bond Tracker
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IA UK All Companies

There has been some re-ordering of the rankings this time, with HSBC and iShares having again switched places, with HSBC re-taking third and iShares falling to fourth. L&G remains in first place and our holding with Vanguard remains in second place. Overall, this is a high scoring asset class and all the top 3 funds have been awarded very high marks.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G UK Index	FTSE All Share	1	1
Vanguard FTSE UK All Share Index	FTSE All Share	2	2
HSBC FTSE All Share Index	FTSE All Share	4	3



28/12/2018 - 29/12/2023 Data from FE fundinfo 2024

The UK is a highly competitive market. Overall, Vanguard is cheapest when considering all costs, though costs are very similar for the top three funds.

All three funds track the FTSE All Share and achieve the highest possible scores for fund tracking error, benchmark tracking error and benchmark tracking difference. All funds also score very well on fund tracking difference. This can be seen above, where all the top three funds consistently performed very similarly to the index (yellow line) over the last 5 years.

Vanguard lags some of the other funds in our ESG assessment, however, we’re comfortable investing with them. They score top marks for their large fund size and the fact that there’s no stock lending in their fund. Vanguard uses optimisation so its score for replication is marginally lower than the other funds.

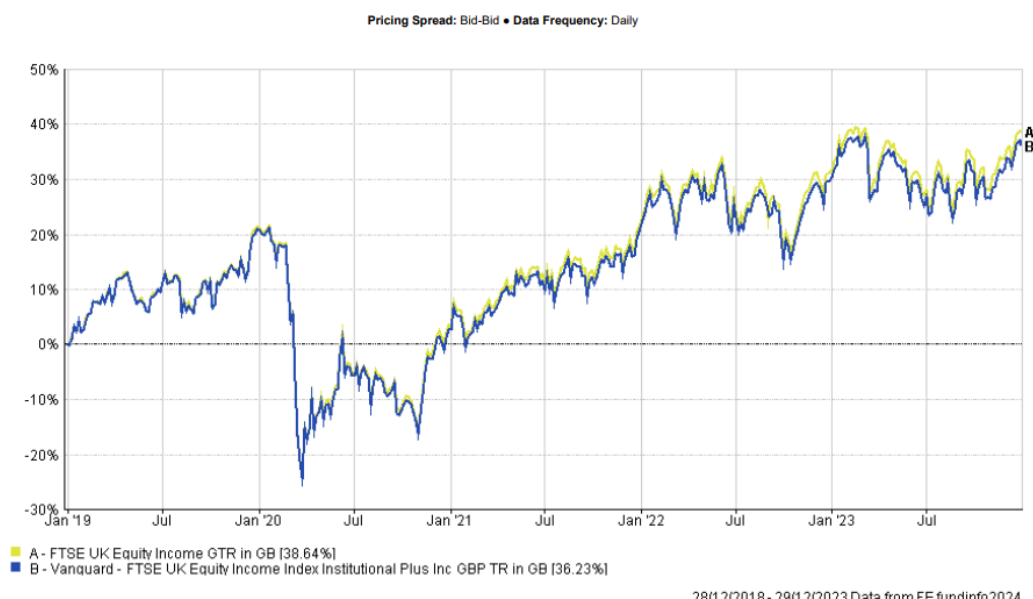
Given our Vanguard fund continues to perform strongly, scores highly, and mindful of the costs of trading – particularly the 0.5% stamp duty levied for buying UK equity – we’re comfortable to maintain our holding.

Recommendation	Hold	Vanguard FTSE U.K. All Share Index
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IA UK Equity Income

There’s just one passive instrument in the UK Equity Income space.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
Vanguard FTSE UK Equity Income Index	FTSE U.K. Equity Income	1	1



Our holding with Vanguard continues to score very well across fund tracking error, benchmark tracking error, benchmark tracking difference and replication.

While there’s some stock lending in the fund, this was very small when we did our analysis, and 100% of the net proceeds are paid into the fund. This means the fund isn’t penalised much in our scoring.

The main drawback is the fund size, which means we do own a reasonable portion of the fund. However, this has been reducing over time.

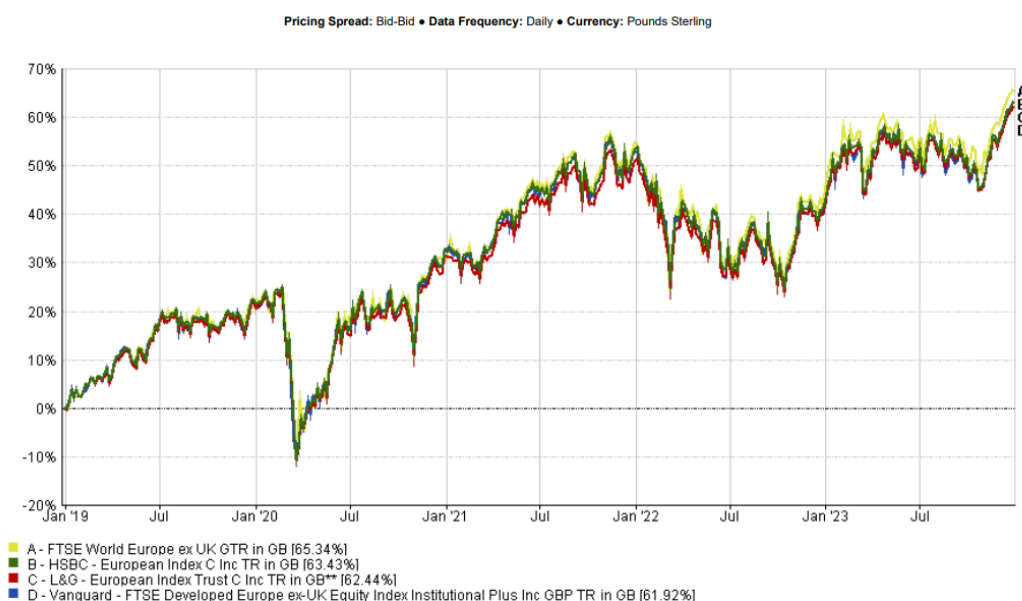
While we continue to look for viable alternatives, we’re very comfortable to maintain our holding in the fund given it scores well overall.

Recommendation	Hold	Vanguard FTSE UK Equity Income Index
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IA Europe Excluding UK

L&G remains in first place and Vanguard in third. However, HSBC has risen to second place and iShares has fallen to fourth since last review.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G Continental European Equity Tracker	FTSE World Europe Ex UK	1	1
HSBC European Index	FTSE World Europe ex UK	4	2
Vanguard FTSE Developed Europe ex UK Equity Index	FTSE Developed Europe ex UK	3	3



28/12/2018 - 29/12/2023 Data from FE fundinfo2024

The Vanguard fund we hold continues to rank well on costs, with the lowest 3-year costs of the top three funds. It also scores very highly for fund tracking error, size and replication.

While we’ve not given Vanguard as high an ESG score as some other providers, we’re comfortable using Vanguard funds.

The top funds are all large and track an index that’s very close to our benchmark for the asset class, as can be seen above.

Vanguard has had a point deducted for stock lending in their portfolio, as there was a very small amount on loan at the point of our analysis (0.94% of the fund). However, all net proceeds are paid into the fund which is positive.

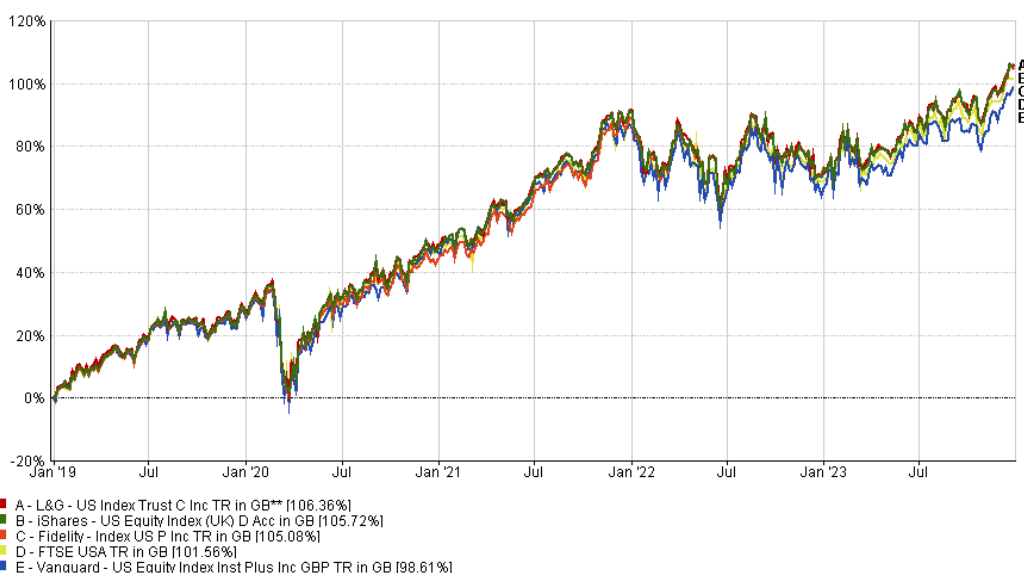
Given our Vanguard fund continues to perform very strongly and mindful of the costs of trading, we’re comfortable to maintain our holding. L&G has been ranked number one for some time and it also tracks our internal benchmark. While a switch has been considered we don’t feel the benefits outweigh the costs.

Recommendation	Hold	Vanguard FTSE Developed Europe ex UK Equity Index
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IA North America

We hold a 50/50 blend of L&G and Fidelity. The rankings of the top 4 funds are the same since last time – L&G, iShares and Vanguard remain in the top 3 places.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G US Index	FTSE USA	1	1
iShares US Equity Index	FTSE USA	2	2
Vanguard US Equity Index	S&P Total Market	3	3
Fidelity Index US	S&P 500	4	4



31/12/2018 - 29/12/2023 Data from FE fundinfo2024

The top 4 funds all have an OCF of 0.06% or less so are very competitively priced. When considering all costs there’s slightly more variation, with Vanguard cheapest, then Fidelity and iShares.

All 4 funds have all achieved the top score for fund tracking error. Like last time, Vanguard ranks best on fund tracking difference, while L&G has the highest marks for ESG. Fidelity scores relatively poorly on ESG and we continue to engage with their stewardship team improvements to their voting and engagement practices.

L&G and iShares track the FTSE USA index we use in our modelling. This means both funds achieve the maximum possible scores for benchmark tracking error and benchmark tracking difference. L&G also scores top marks on size, replication, and stock lending. Fidelity’s fund is relatively smaller, although it is still large and achieves a top score for size. Fidelity gets marked down for its use of derivatives (though the exposure is less than 5% of the fund), but also achieves the highest score for the fact that there’s no stock lending in the fund.

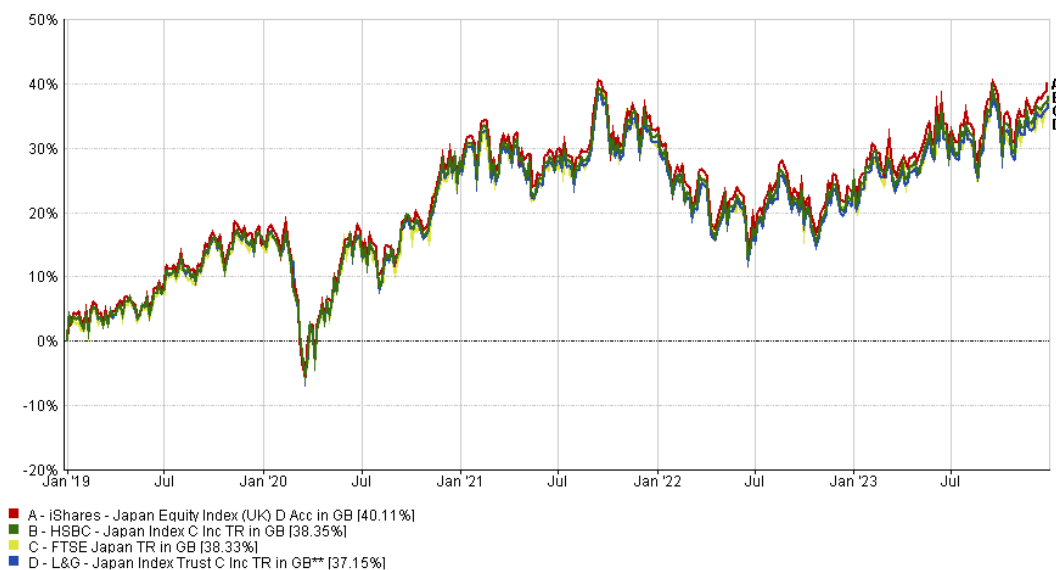
Our combined blend of L&G and Fidelity continues to score very well (ranking in second place if it were included in the table above) and we’re happy to hold both funds given the total amount we have invested in the US.

Recommendation	Hold	L&G US Index
	Hold	Fidelity Index US

IA Japan

Our holding in this sector, L&G, remains in first place. iShares moves into third, and HSBC comes into the top three, replacing Vanguard.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G Japan Index	FTSE Japan	1	1
HSBC Japan Index	FTSE Japan	5	2
iShares Japan Equity Index	FTSE Japan	2	3



31/12/2018 - 29/12/2023 Data from FE fundinfo 2024

L&G and iShares jointly have the most competitive OCFs, though iShares’ overall 3-year holding cost is a couple of basis points below L&G’s. Both funds are competitively priced and achieve our maximum score for this category. HSBC falls behind as it breaches the 4bp difference mark on OCF.

All three funds receive top marks for fund tracking error, with very little to differentiate them. They’ve also delivered strong fund tracking difference. L&G achieved a strong score on ESG, although iShares does well here too. iShares and L&G track the FTSE Japan index we use, so get the maximum possible marks for benchmark tracking error and benchmark tracking difference.

L&G receives a perfect score for size, replication, and stock lending. HSBC and iShares lost points for stock lending, particularly iShares whose fund had 23% of stock out on loan at the point of our analysis. iShares also pays the least of the stock lending fee back into the fund of all the providers.

We remain comfortable with our L&G holding.

Recommendation	Hold	L&G Japan Index
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IA Asia Pacific Excluding Japan

Vanguard is first and then our holding with L&G. State Street remains in third.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
Vanguard Pacific ex Japan Stock Index	MSCI Pacific ex Japan	1	1
L&G Pacific Index	FTSE World Asia Pacific ex Japan	2	2
State Street Asia Pacific ex Japan Screened	FTSE Developed Asia Pacific ex Japan ex Controversies ex controversial weapons	3	3



31/12/2018 - 29/12/2023 Data from FE fundinfo2024

The L&G fund we invest in has the lowest OCF of the funds in our analysis. All the top 3 funds score top marks in delivering consistently low tracking error versus their own benchmark indices. L&G scores particularly well in our assessment of ESG aspects, with the highest score of the top 3 funds.

All funds score relatively poorly on tracking error and benchmark to benchmark tracking difference. This is because they don't track the FTSE Asia Pacific ex Japan index we use in our risk framework. This can be seen above, with the performance of the funds differing quite significantly from our index (yellow line). All funds have been assigned the lowest score for this metric. There are no passive funds that track our internal FTSE Asia Pacific ex Japan benchmark.

All three funds achieve the maximum possible score for fund size. They also score well on their method of replication. L&G doesn't use stock lending in the fund and gets top marks for that, while the other managers do, so have some points deducted. State Street especially as they have more than our 5% tolerance on loan.

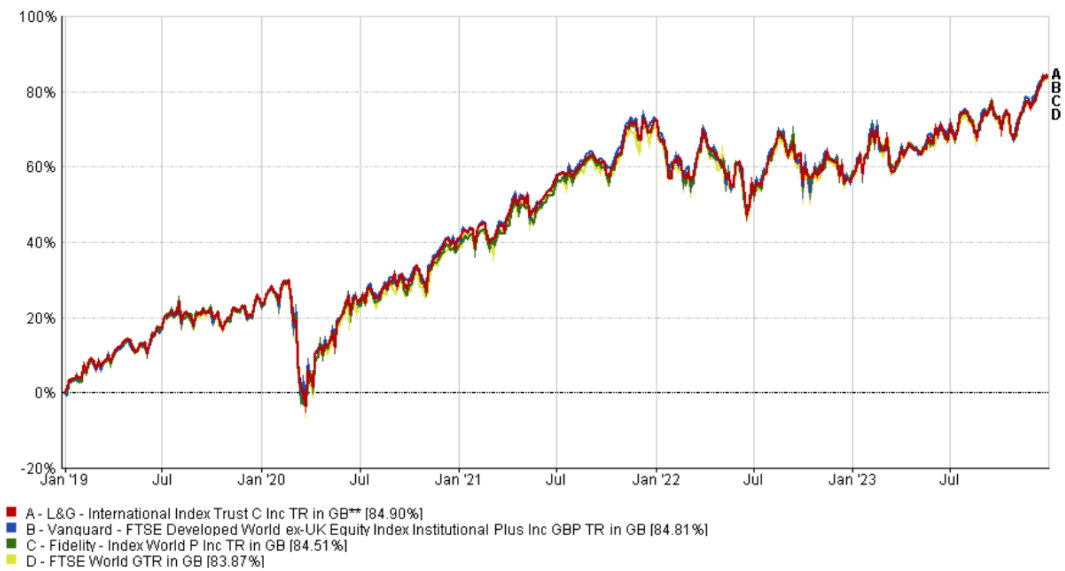
Given L&G continues to score highly, it has the lowest fee, and its score is only slightly behind Vanguard in our latest analysis, we remain comfortable with our holding.

Recommendation	Hold	L&G Pacific Index
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IA Global

We don't adopt a global equity allocation within our strategic asset allocation for most of our solutions, preferring to use more granular regional allocations to better align with our 20-year risk framework. However, we continue to analyse the Global sector for context as part of our ongoing Due Diligence.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G International Index	FTSE World ex UK	1	1
Vanguard Developed World ex UK Equity Index	FTSE Developed ex UK	2	2
Fidelity Index World	MSCI World	3	3



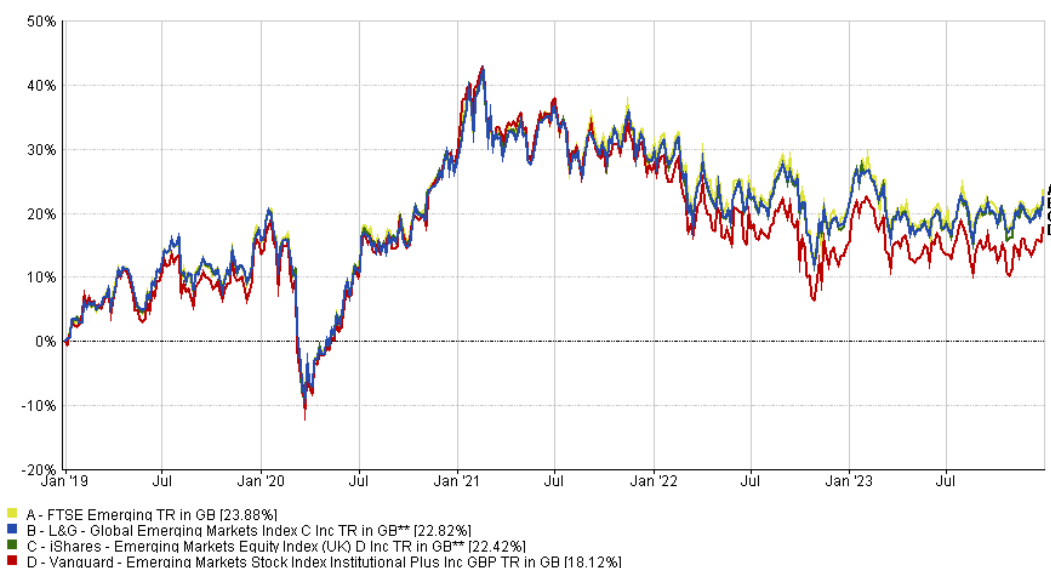
31/12/2018 - 29/12/2023 Data from FE fundinfo2024

There is no recommendation for this sector.

IA Global Emerging Markets

The rankings in this asset class remain the same. Our holding in iShares remains in second place, with L&G in first and Vanguard in third.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G Global Emerging Markets Index	FTSE Emerging	1	1
iShares Emerging Markets Equity Tracker	FTSE Custom Emerging	2	2
Vanguard Emerging Markets Stock Index	MSCI Emerging Markets	4	3



31/12/2018 - 29/12/2023 Data from FE fundinfo2024

All three funds are competitively priced and overall, 3-year holding costs are similar.

L&G scores best on fund tracking error and tracking difference and leads in ESG aspects. Our holding in iShares tracking error has increased slightly but no reason to be concerned.

L&G and iShares track the FTSE Emerging Index used in our risk framework, which means they've been awarded the highest scores for benchmark tracking error and tracking difference. Vanguard has lost marks for tracking a different index, the MSCI Emerging Markets.

iShares and Vanguard are large funds, so gets full marks for fund size, while L&G is relatively smaller and therefore loses marks. L&G has grown in the last 6 months though and would not be investable. L&G scores best on stock lending as it does not undertake any lending in the fund.

We continue to support holding iShares in this asset class. L&G is a contender however there's no clear reason to make the switch at the moment.

Recommendation	Hold	iShares Emerging Markets Equity Tracker
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IA Property

We don't generally hold passive property within our core solutions, but there are certain solutions where this is an option, and we hold L&G's Global Real Estate fund in this asset class. L&G has moved to third place, with iShares now first and abrdn second.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
iShares Environment & Low Carbon Tilt Real Estate Index	FTSE EPRA/NAREIT Green Low Carbon Target Index	2	1
abrdn Global REIT Tracker	FTSE EPRA Nareit Developed	3	2
L&G Global Real Estate Dividend Index	FTSE EPRA/NAREIT Developed Dividend Plus Index	1	3



Please note: the track record for the abrdn fund only goes back to September 2019, so the chart above starts from that date.

The 3-year holding costs for all funds are very similar, although abrdn's fund has a very competitive OCF compared to iShares. Our favoured L&G fund is nevertheless very competitively priced. All three funds score well on fund tracking error and fund tracking difference. L&G has been awarded the highest marks for ESG of the funds in our analysis.

While the funds' tracking errors to their own benchmarks are tight, the chart shows their benchmark to our internal benchmarks tracking error is wider, especially for abrdn. This is due to hedging differences.

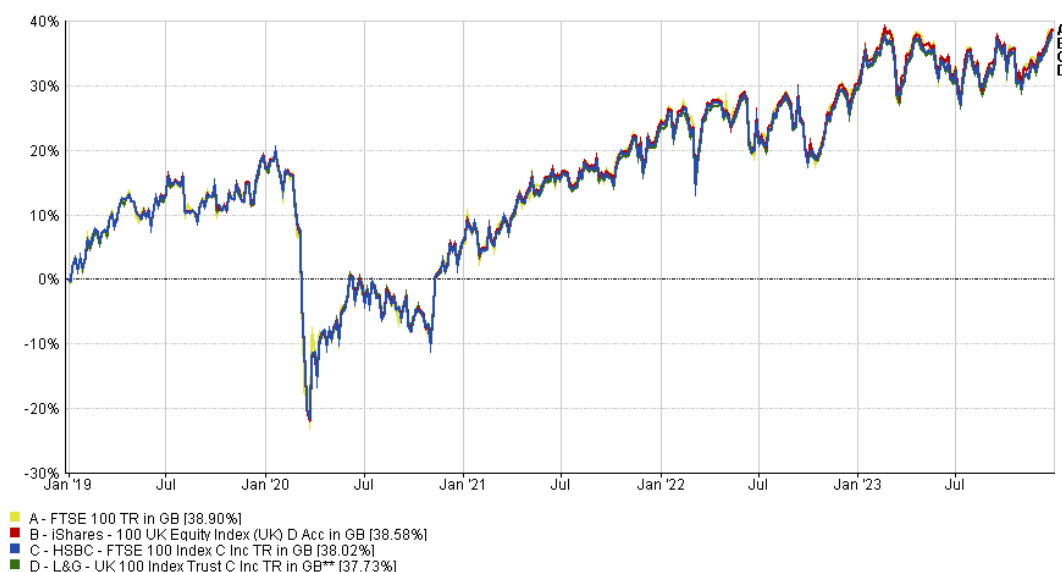
L&G and iShares have the biggest funds so achieve full marks for size. All funds score well on replication. L&G scores best on stock lending, while iShares and abrdn have points deducted for the fact that some of their funds were on loan at the time of our analysis. iShares has 13% on loan so loses the most.

Recommendation	Hold	L&G Global Real Estate Dividend Index
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UK Large Cap Equity

Our holding with L&G is in first place, with iShares in second and HSBC in third. These rankings are unchanged.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
L&G UK 100 Index Trust	FTSE 100	1	1
iShares 100 UK Equity Index	FTSE 100	2	2
HSBC FTSE 100 Index	FTSE 100	3	3



31/12/2018 - 29/12/2023 Data from FEfundinfo2024

This is a very high-scoring asset class and there is very little between the final scores.

Our holding with L&G has the lowest OCF and HSBC loses a point for being more than 4bps more expensive.

Consistent with our last analysis, all 3 funds have been awarded full marks for fund tracking error and strong scores for tracking difference.

All funds track the FTSE 100 index we use in our risk framework and achieve the maximum possible score for benchmark tracking error and benchmark tracking difference. This can be seen from the above chart, with all the top 3 funds tracking the index tightly over the last 5 years.

Our holding with L&G performs best in our ESG assessment out of the three managers.

L&G has top marks for size, replication, and stock lending, while iShares and HSBC fall on stock lending.

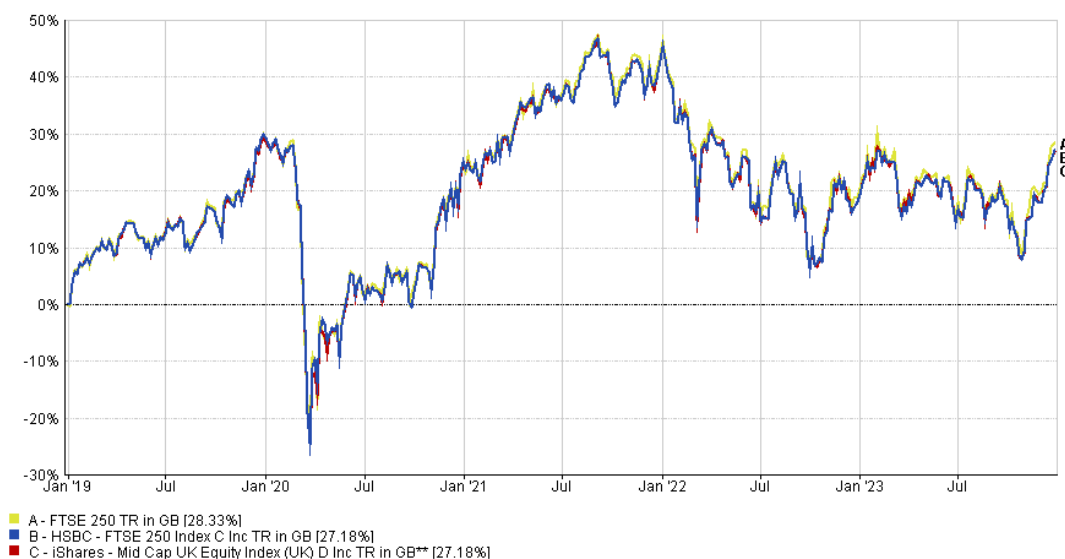
We remain comfortable to hold L&G for this asset class.

Recommendation	Hold	L&G UK 100 Index Trust
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UK Mid Cap Equity

Our holding with HSBC is back in first place with iShares now in second.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
HSBC FTSE 250 Index	FTSE 250	2	1
iShares Mid Cap UK Equity Index	FTSE 250	1	2



31/12/2018 - 29/12/2023 Data from FE fundinfo2024

Both funds in our analysis have competitive OCF's however HSBC is the cheaper of the two.

Consistent with our last analysis, both funds score well for fund tracking error, benchmark tracking error and benchmark tracking difference.

Both funds achieve the top scores for size and replication.

Both funds have the option to use securities lending and have similar amounts on loan at the time of the analysis. We prefer HSBC's policy for returning stock lending revenue to the fund.

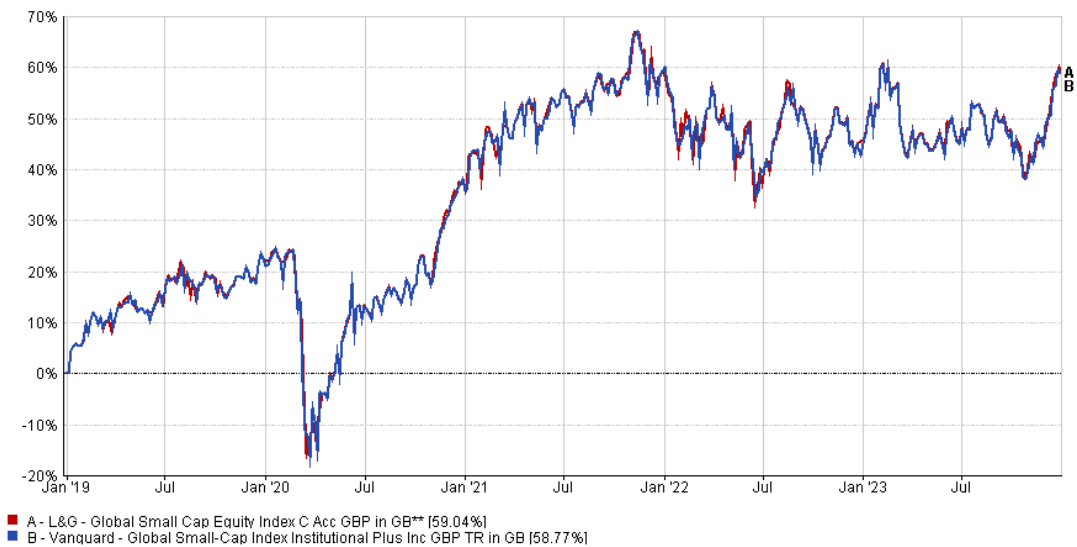
We remain comfortable to hold HSBC for this asset class.

Recommendation	Hold	HSBC FTSE 250 Index
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Global Smaller Companies

Global smaller companies is a new asset class within our asset allocation. Here’s is a breakdown of the quant scoring process for the available funds.

Fund Name	Fund Benchmark	Rank in Sector	
		Previous	Current
Vanguard Global Small-Cap Index	MSCI World Small Cap	N/A	1
L&G Global Small Cap Equity Index	MSCI World Small Cap	N/A	2



31/12/2018 - 29/12/2023 Data from FE fundinfo2024

Both funds are competitively priced, however L&G offers an OCF saving of 4bps which means Vanguard loses points.

Both funds are strong for tracking error and tracking difference. L&G has been awarded the highest marks for ESG.

We don’t have a license with FTSE for a Global Small Cap benchmark, which is why it’s not on the chart. We’re therefore relying on the funds tracking error and tracking differences calculations versus their own benchmarks for our analysis. They both track the same benchmark so there’s little scope for one fund to deviate significantly from another unknowingly.

They’re both large funds so achieve full marks for size and score well on replication. Both funds carry out stock lending, with L&G losing a point for lending more than our 5% threshold.

Overall, the performance of the funds is very similar. Vanguard scores higher overall, however the cost saving from L&G alongside no material reason not to use the fund is why we have chosen L&G.

Recommendation	Buy	L&G Global Small Cap Equity Index
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Get in touch

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