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Royal London Global Equity Funds

Fund Manager Commentary

31 August 2024

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The purpose of this report is to provide an update on the Royal London Global Equity Funds. The report has been produced by Royal London Asset Management. The report starts with a performance summary followed by Fund Manager commentary for each of the Funds. All data within this report is at the report date unless otherwise stated.

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Performance

	1 month (%)	Rolling 12 months (%)
RL Global Equity Select Fund M Acc	-1.49	22.36
MSCI World Net Index	0.32	19.98
IA Global Sector	0.22	15.62
RL Global Equity Diversified Fund M Acc	-0.67	20.34
MSCI World Net Index	0.32	19.98
IA Global Sector	0.22	15.62
RL Global Equity Income Fund M Inc	-0.82	20.19
MSCI World Index - Net Return	0.32	19.98
IA Global Equity Income Sector	0.80	15.37

Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

Source: RLAM and Morningstar, as at 31 August 2024. Returns quoted are net of fees. Please note that with effect from 1 February 2024 RLAM are using peer group comparisons provided by Morningstar. Prior to this peer comparisons were provided by Lipper so there may be some differences compared to the data provided historically.

Royal London Global Equity Select Fund

Portfolio commentary

August was a choppy month for investors, with the global stock market witnessing significant volatility. However, the sharp falls in early August were followed by some recovery in the weeks that followed.

Contributors

Progressive, a US auto insurance group currently in the Accelerating portion of the corporate Life Cycle, was a contributor in August. Progressive announced Q2 results in July, and the shares have steadily outperformed the MSCI World since. The current levels of growth and profitability are far ahead of management goals and we remain positive on Progressive's Wealth Creation characteristics.

MercadoLibre is an Accelerating business that operates an ecosystem of online commerce and financial services offerings in Latin America. The Latin American market, in which MercadoLibre competes, is in the initial stages of transitioning to e-commerce and digital payments. Our investment thesis is that MercadoLibre can disrupt online commerce and financial services in Latin America during its transition to e-commerce and a digital economy. We are still in the early stages of this transition, but the company is tracking well so far. Q2 earnings were announced on August 1 and they were positive when assessed through our investment thesis milestones and against the streets expectations of growth and earnings.

Eli Lilly, the US pharmaceutical company in the Accelerating section of the Life Cycle, was a top contributor to performance in August. Eli Lilly reported Q2 results during the period, which performed well against all our thesis milestones. Eli Lilly continues to deliver impressive sales growth figures (Q2 +36% YoY) driven primarily by Mounjaro, Zepbound, and Verzenio.

Detractors

Dollar General, currently in the Slowing and Maturing stage of its life cycle, is the largest discount retailer in the US, with over 20,000 stores across 47 states. The company offers a wide range of merchandise, including consumables, packaged food, health and beauty products, home goods, and more. Dollar General announced its quarterly results toward the end of the period, which were poorly received by the market, resulting in a 30% drop in its share price on the day of the announcement. The market focused on the decline in EPS and lower-than-expected comparable store sales growth, both driven by macroeconomic headwinds affecting the company's core customer base. Dollar General continues to generate substantial cash, prompting the question of how best to allocate it moving forward.

Steel Dynamics, the US steel manufacturer which is currently in the Slowing & Maturing stage of the Life Cycle, detracted from performance in August. Steel Dynamics uses electric arc furnaces to recycle scrap steel differentiating itself from competitors who typically use coal blast furnaces. Steel Dynamics remains very strong in terms of fundamental wealth creation characteristics and the valuation pay-off continues to offer an attractive opportunity.

Sumitomo Mitsui Financial Group (SMFG) is a leading Japanese financial institution that provides a range of services, including banking, leasing, securities, and credit card offerings, on a global scale. Currently, the company is in the Mature phase of the corporate Life Cycle. Despite reporting positive quarterly results, SMFG underperformed the market during the period. While the company is poised to benefit from recent policy changes by the Bank of Japan, there is some uncertainty regarding how these changes will affect its long-term performance, especially given potential headwinds in the global economy. Nonetheless, we remain optimistic about the company's wealth-creation potential and the payoff opportunity that exists.



**ALPHA
MANAGER 2024**
Mike Fox

Mike Fox

Head of
Sustainable Investments



George Crowdy

Sustainable
Fund Manager

Royal London Global Equity Diversified Fund

Portfolio commentary

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Progressive, a US auto insurance group currently in the Accelerating portion of the corporate Life Cycle, was a contributor in August. Progressive announced Q2 results in July, and the shares have steadily outperformed the MSCI World since. The current levels of growth and profitability are far ahead of management goals and we remain positive on Progressive's Wealth Creation characteristics.

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Piers Hillier
Chief Investment Officer



Matt Burgess
Head of Passive and
Quantitative Equities

Royal London Global Equity Income Fund

Portfolio commentary

During August the fund underperformed its benchmark and was also behind its peer group median.

The market took on a more cautious tone in the month, with high volatility in Japanese markets and investors worrying if weak employment data in the US was a harbinger of a serious slowdown in the US economy. Generally, more defensive sectors fared better than those seen as being economically sensitive. The holding in the materials company Steel Dynamics, being seen as firmly in the latter camp, was one of the biggest drags on performance in the month. The discount retailer Dollar General was also a detractor after releasing a weak set of results, flagging that many of their customers are feeling financially squeezed. The holding in the staples company Kenvue, who makes among other things Tylenol painkillers and Listerine mouthwash performed well after the company reported solid results.

Trading activity was light in the month, with no major changes made to the fund structure.



Piers Hillier
Chief Investment Officer



Richard Marwood
Head of Equity Income



Matt Burgess
Head of Passive and
Quantitative Equities

Disclaimers

Important information

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

Telephone calls may be recorded. For further information please see the Privacy Policy at www.rlam.com.

Issued in September 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Funds are sub-funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807.

The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

For more information on the funds or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

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Risk and Warnings

Investment risk

The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Counterparty risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Charges from capital risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

Efficient portfolio management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Emerging markets risk

Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Exchange rate risk

Changes in currency exchange rates may affect the value of your investment.

Liquidity risk

In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Performance to 31 August 2024

Cumulative (%)

		3 Month	6 Month	1 Year	3 Years	5 Years
RL Global Equity Select Fund M Acc	Gross	2.50	6.16	23.23	59.26	137.44
RL Global Equity Select Fund M Acc	Net	2.32	5.78	22.36	55.92	129.18
RL Global Equity Diversified Fund M Acc	Gross	3.41	6.75	20.83	37.40	87.02
RL Global Equity Diversified Fund M Acc	Net	3.31	6.53	20.34	35.72	83.24
RL Global Equity Income Fund M Inc	Gross	4.26	7.10	21.06	44.30	-
RL Global Equity Income Fund M Inc	Net	4.07	6.71	20.19	41.22	-

Annualised (%)

	3 Years (p.a)	5 Years (p.a)
	16.76	18.86
	15.94	18.02
	11.16	13.32
	10.71	12.86
	12.99	-
	12.18	-

Year on year performance (%)

		30/06/2023 – 30/06/2024	30/06/2022 – 30/06/2023	30/06/2021 – 30/06/2022	30/06/2020 – 30/06/2021	30/06/2019 – 30/06/2020
RL Global Equity Select Fund M Acc	Gross	29.54	22.96	7.38	32.46	8.54
RL Global Equity Select Fund M Acc	Net	28.63	22.09	6.62	31.53	7.78
RL Global Equity Diversified Fund M Acc	Gross	25.20	16.03	0.93	24.78	5.70
RL Global Equity Diversified Fund M Acc	Net	24.69	15.56	0.52	24.27	5.26
RL Global Equity Income Fund M Inc	Gross	23.12	16.16	4.26	31.40	-
RL Global Equity Income Fund M Inc	Net	22.24	15.33	3.51	30.46	-

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 31 August 2024. All figures are mid-price to mid-price in GBP unless otherwise stated.