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# Royal London Global Equity Diversified Fund (IRL)

Quarterly Investment Report

31 December 2024



# Quarterly Report

## The fund as at 31 December 2024

The purpose of this report is to provide an update on the Royal London Global Equity Diversified Fund (IRL). The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

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# The fund

## Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the long term, which should be considered as a period of 7-plus years. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index USD (the "Benchmark") by 0.4 - 0.8% per annum over rolling three year periods. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index.

Benchmark: MSCI All-Countries World Net Total Return Index USD

## Fund value

|                  | Total \$m |
|------------------|-----------|
| 31 December 2024 | 309.26    |

## Fund analytics

|                    | Fund         |
|--------------------|--------------|
| Fund launch date   | 20 July 2021 |
| Base currency      | USD          |
| Number of holdings | 205          |
| Active share (%)   | 63.8         |
| Tracking error (%) | 1.9          |

Ex-post tracking error calculated since inception to 31 December 2024. Please refer to the glossary for a description of the tracking error used.

# Performance and activity

## Performance

|                        | Fund (%) | Benchmark (%) | Relative (%) |
|------------------------|----------|---------------|--------------|
| Quarter                | (1.40)   | (0.99)        | (0.41)       |
| 1 Year                 | 17.90    | 17.49         | 0.41         |
| 3 Years (p.a.)         | 7.12     | 5.43          | 1.69         |
| Since inception (p.a.) | 8.63     | 6.62          | 2.00         |

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on Z Acc USD. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 20 July 2021.

## Performance commentary

The fund underperformed the index during the quarter. Among the positive performers was Sprouts Farmers Market, which is a US-based grocery chain that offers fresh, natural, and organic food products. Sprouts leverages its scale to deliver a 'Farmers Market' experience to all consumers, focusing on providing fresh foods at good value. Sprouts reported Q3 earnings at the end of October which were extremely well received by the market in similar vein to Q1 & Q2. Management appears to be executing on sensible strategy for a differentiated consumer business.

The holding in Amazon was a strong contributor to returns. Amazon is currently in the Compounding phase of its life cycle, but consists of three significant businesses: an Accelerating cloud computing business (Amazon Web Services, or AWS), a Compounding North American online retail and logistics platform, and an Accelerating (though loss-making) international online retail platform. Amazon announced quarterly results in October, which were positive in relation to our investment thesis milestones and beat the consensus expectation of the market. Amazon reported 19.1% year-on-year growth in AWS revenue, which was attributed to demand for generative AI capabilities.

On the downside, HCA Healthcare, a US-based operator of hospitals and clinics, underperformed in Q4 following a strong Q3. The company is currently in the Compounding stage of its corporate Life Cycle. At the end of October, HCA reported good quarterly results when compared to our milestones however, the market seems to have negatively reacted to some volume pressures linked to reduced Medicaid tailwinds. Nonetheless, we remain optimistic about the company's wealth-creation potential and the pay-off opportunity that exists.

UnitedHealth Group, a leading U.S. health insurance company in the Compounding stage of the Life Cycle, detracted from performance in Q4 2024. This was due to a combination of factors, including negative publicity surrounding the company and broader industry concerns. The tragic death of Brian Thompson, a UnitedHealth executive, sparked public anger towards the health insurance industry, raising concerns about potential structural reforms. Additionally, proposed legislation targeting Pharmacy Benefit Managers (PBMs) — a sector in which UnitedHealth operates through OptumRx — further contributed to investor uncertainty. Nonetheless, we remain optimistic about the company's wealth-creation potential and continue to track its progress through our quarterly milestones.

The portfolio's lack of exposure to Tesla had a negative effect on performance. This was the largest detractor to relative performance over the quarter. An expected outcome of running a diversified portfolio with a high allocation to stock specific risk is that performance will come from an array of idiosyncratic stock picks as opposed to one or two names.

# Performance and activity

## Top 10 holdings

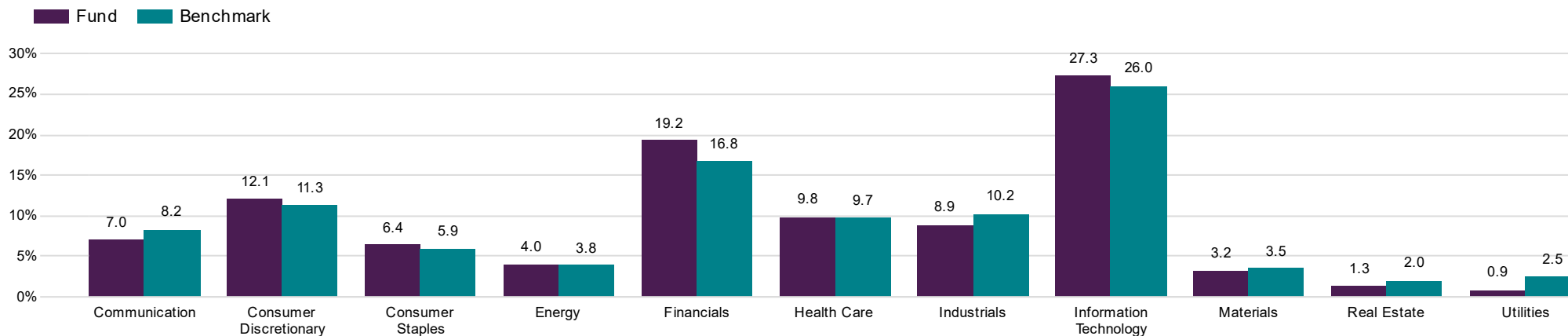
|                                    | Weighting (%) |
|------------------------------------|---------------|
| APPLE INC                          | 5.30          |
| MICROSOFT CORP                     | 5.18          |
| NVIDIA CORP                        | 4.16          |
| AMAZON COM INC                     | 3.37          |
| ALPHABET INC CLASS A               | 3.29          |
| TAIWAN SEMICONDUCTOR MANUFACTURING | 2.38          |
| JPMORGAN CHASE                     | 2.03          |
| BROADCOM INC                       | 1.47          |
| ELI LILLY                          | 1.44          |
| SHELL PLC                          | 1.43          |
| <b>Total</b>                       | <b>30.06</b>  |

## Fund activity

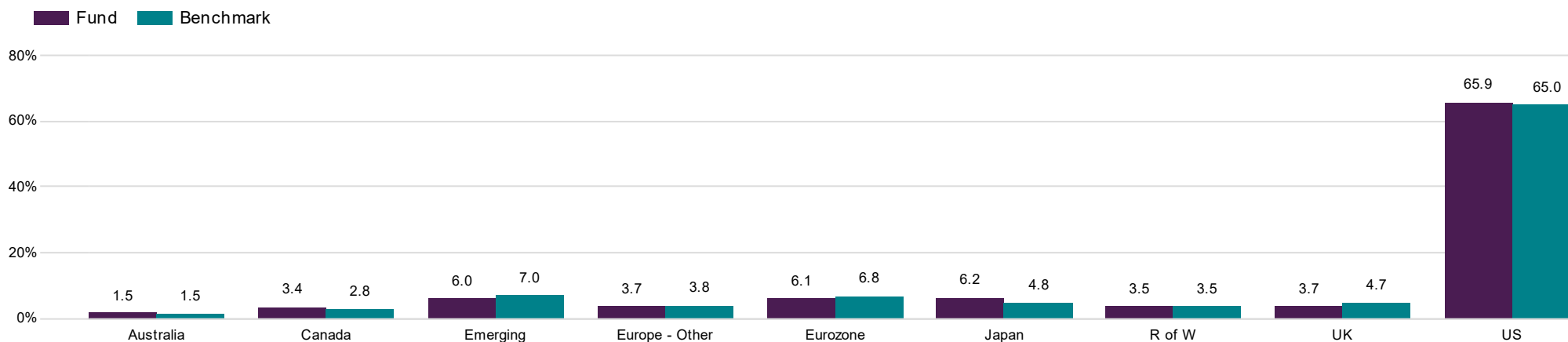
We believe that business fundamentals are the long-term drivers of stock prices. However, we recognise that different fundamentals matter at different points of a company's life, and that these are often unappreciated or misunderstood by the market. Our approach therefore aims to identify and exploit these inefficiencies, identifying stocks that we believe have superior shareholder wealth creation potential, at attractive prices. During the quarter, the team continued to manage the portfolio in line with the investment guidelines.

# Fund breakdown

## Sector weights



## Regional weights



# Characteristics and climate

## ESG characteristics rationale

The Fund seeks to promote environmental characteristics relating to climate change mitigation by promoting those corporates with willingness and ability to accelerate decarbonisation towards net zero by 2050. We consider mitigation efforts to be most credible if there are tangible improvements by 2030. The Fund also promotes good governance using a principles based approach.

## ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:

[www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf](http://www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf)

|  | Yes | No |
|--|-----|----|
| ESG integration                                  | ✓   |    |
| Promotes environmental or social characteristics | ✓   |    |
| Sustainable fund objective                       |     | ✓  |
| Additional exclusions                            |     | ✓  |

## Climate metrics

|   | Fund   | Benchmark | Difference (%) |
|---|--------|-----------|----------------|
| Financed emissions (tCO2e)                          | 7,378  | n/a       | n/a            |
| Financed emissions coverage                         | 99.92% | n/a       | n/a            |
| Carbon footprint (tCO2e/\$M invested)               | 24.19  | 41.97     | (42.36)        |
| Carbon footprint coverage                           | 99.92% | 97.27%    | 2.72           |
| Weighted average carbon intensity (tCO2e/\$M sales) | 58.59  | 113.06    | (48.18)        |
| Weighted average carbon intensity coverage          | 99.65% | 97.22%    | 2.50           |

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

## Implied temperature rise

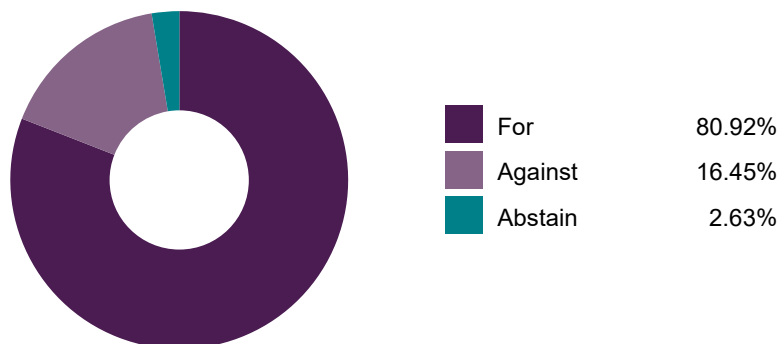
|   | Fund (%) | Benchmark (%) | Difference (%) |
|---|----------|---------------|----------------|
| Implied temperature rise (ITR) coverage | 99.92    | 97.26         | 2.73           |
| % of portfolio below 2°C ITR            | 52.88    | 52.33         | 1.05           |
| % of portfolio below 1.5°C ITR          | 21.40    | 22.36         | (4.29)         |

## SBTi net - zero

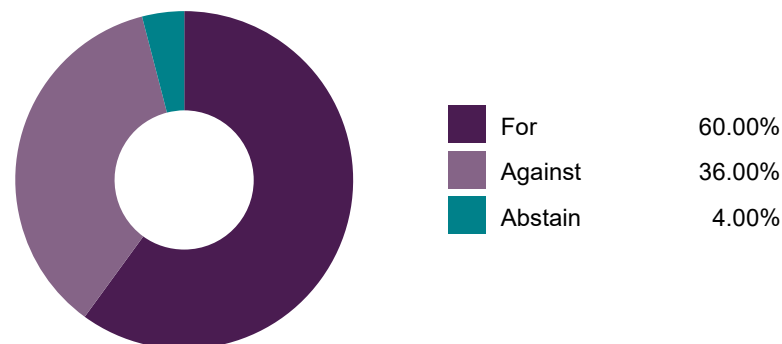
|                            | Fund (%) | Benchmark (%) | Difference (%) |
|----------------------------|----------|---------------|----------------|
| SBTi Net-Zero committed    | 25.12    | 25.57         | (1.74)         |
| SBTi Near-Term committed   | 9.07     | 10.69         | (15.14)        |
| SBTi Near-Term targets set | 37.77    | 39.87         | (5.25)         |

# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



## Notable votes

### BHP Group Limited

Approval of 2024 Climate Transition Action Plan - abstain: The 2024 CTAP addresses several key areas identified in our 2021 vote rationale, including enhanced information on just transition and capital allocation strategies. However, the most critical aspect is the decarbonisation strategy for steelmaking emissions (Scope 3 category 10), the company's largest emissions source. Despite more detailed disclosure on this, it still lacks measurable, time-bound objectives and a clear, committed route ahead, making it difficult for investors to track progress. Therefore, we moved to abstain on this occasion.

### Copart Inc

Advisory Vote on Executive Compensation - against: While we note the lack of equity grants to the CEO this year, we continue to find the LTIP wanting in terms of sufficient long-term aligned performance elements. In particular, the one-year performance measure and vesting of awards in annual tranches. We would also prefer more transparency over non-financial bonus metrics.  
 Elect A. Jayson Adair - against: The nominee is the founder and former co-CEO of the company. We would prefer to see the appointment of a fully independent Chair to the board and raise concerns over an Executive Chair role.  
 Elect Daniel J. Englander - against: The nominee serves as Chair of the Remuneration Committee and we have long standing concerns with remuneration at the company.  
 Elect Diane M. Morefield - against: The nominee serves as Chair of the Nomination committee and the board lacks sufficient gender diversity. Moreover, the company have not adopted a policy requiring women and minorities to be included in any new executive-level recruitment.



# Fund Voting

## Notable votes

### Microsoft Corporation

Advisory Vote on Executive Compensation - abstain: We retain some concerns with the short performance period of long-term incentive awards.

Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern - abstain: While we appreciate and back the aims of the proponent in this instance, we believe that the company already provides extensive disclosure and board level oversight of this issue, monitoring and engaging with the countries in which it operates and locates data centres.

Shareholder Proposal Regarding Report on Risks of AI Data Sourcing - for: Although we recognise the company's existing and planned disclosures, we believe that support for this proposal could be warranted as a means to encourage the company to ensure that its forthcoming disclosures are robust, and provide a solid context for shareholders to allow them to assess the potential risks to the company from its use of external data in the development of its AI technology.

# Market commentary

## Market Review

Global equities finished slightly lower amid losses in many non-US markets. US shares advanced following Donald Trump's presidential election victory, but other regional markets lost ground owing to concerns about trade tariffs.

Alongside political events, attention remained on the Federal Reserve, European Central Bank and Bank of England to see if expected rate cuts would materialise. However, with inflation remaining higher than central bankers would like, expectations for rate cuts in 2025 were revised down. The Federal Reserve cut rates by 50bps over the quarter to a 4.25% - 4.5% target range. However, they signalled fewer cuts for 2025 than previously indicated. Only 50bps cuts are now expected for 2025 compared to 100bps previously. This had a negative effect on investor sentiment. Elsewhere, the European Central Bank's final decision of the year was for another 25bps rate cut, taking with the deposit rate to 3.00%. France and Germany have been affected by political/policy uncertainty.

The fourth quarter was dominated by the outperformance of the US market following the election of Donald Trump on a platform of low taxes and de-regulation which are viewed as pro-business. In addition, Q3 corporate results highlighted weaknesses in manufacturing activities but continued strength in the technology and financial sector. Overall, the best performing sectors were consumer discretionary, technology and communication services all driven by the mega-cap stocks such as Tesla, Nvidia and Alphabet. On the opposite, healthcare and rate sensitive sectors such as utilities and real estate underperformed. Healthcare stocks underperformed due to concerns about political reforms under the new Trump administration. During the fourth quarter, the MSCI World Growth Index posted a gain of 3.85% while the MSCI World Value Index posted a loss of 4.06%.

The price of WTI crude oil rose 6.87% over the quarter to \$73.96 a barrel, while copper futures lost 12.82% in US dollar terms.

## Outlook

While there remains significant geopolitical and macroeconomic risk, we remain focused on using our established investment process to generate alpha through bottom-up stock picking. With this volatile background, we believe that our approach of diversifying the strategies across broad range of companies from different sectors and stages of their Life Cycle will allow performance to continue to be driven more by the success of our hunting for superior shareholder wealth creating companies with undervalued long-term cash flows than by the prevailing winds of the macroeconomy, or factors such as growth or value styles being in vogue.

## Further Information

Please click on the links below for further information:



### Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of [www.rlam.com](http://www.rlam.com), including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

# 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](http://www.rlam.com).

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The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: Airport Center Building, 5 Heienhaff, L-1736 Senningerberg, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

The Prospectus and Key Investor Information Document (KIID) are available in English via the relevant Fund Information page on [www.rlam.com](http://www.rlam.com). A summary of investor rights is also available in English, and can be accessed at [www.rlam.com/uk/policies-and-regulatory](http://www.rlam.com/uk/policies-and-regulatory)

RLAM may terminate the arrangements made for marketing of the fund pursuant to Article 93a of Directive 2009/65/EC.

For more information on the Fund 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](http://www.rlam.com).

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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# Risks 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.

## EPM techniques risk

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.

## 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.

## 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.

## 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.

## Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

## Responsible investment style risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number of securities in which the Fund may invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities.

# Performance to 31 December 2024

## Cumulative (%)

## Annualised (%)

|                     | 3 Month | 6 Month | 1 Year | 3 Years | Since Inception | 3 Years (p.a.) | Since Inception (p.a.) |
|---------------------|---------|---------|--------|---------|-----------------|----------------|------------------------|
| <b>Fund (gross)</b> | (1.40)  | 4.12    | 17.90  | 22.95   | 33.07           | 7.12           | 8.63                   |
| <b>Fund (net)</b>   | (1.48)  | 3.94    | 17.51  | 21.74   | 31.55           | 6.77           | 8.27                   |

## Year on year performance (%)

|                     | 31/12/2023 - 31/12/2024 | 31/12/2022 - 31/12/2023 | 31/12/2021 - 31/12/2022 | 31/12/2020 - 31/12/2021 | 31/12/2019 - 31/12/2020 |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Fund (gross)</b> | 17.90                   | 24.19                   | (16.03)                 | -                       | -                       |
| <b>Fund (net)</b>   | 17.51                   | 23.78                   | (16.31)                 | -                       | -                       |

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 December 2024. All figures are mid-price to mid-price for the Royal London Global Equity Diversified Fund (IRL) Z Acc USD share class. Since inception date 20 July 2021.

# Glossary

## Active share

Active share is a measure used to assess the degree of difference between the portfolio's holdings and its benchmark.

## Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO<sub>2</sub>e/\$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

## ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

## Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

## Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO<sub>2</sub>e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

## Fund restrictions definitions

**Adult Entertainment:** Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

**Alcohol:** Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

**Animal Welfare:** Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

**Armaments:** Companies who manufacture armaments or nuclear weapons or associated products.

**Controversial Weapons:** Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

**Fossil Fuels:** Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

**Gambling:** Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

**High Environmental Impact:** Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

**Human Rights Risks:** Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

**Nuclear Power:** Companies who generate energy from Nuclear Power.

**Nuclear Weapons:** Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

**Tobacco:** Companies which are growing, processing or selling tobacco products.

## Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

## Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

## Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

## Performance

Official Fund performance is shown on a mid-to-mid price basis, gross of fees and taxes, with gross income reinvested unless otherwise stated. Supplementary end of day performance has also been provided at fund level in order to show a comparison vs the benchmark which is also priced at end of day.

## Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

## Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

# Glossary

## SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

## Sector weights

Breakdown of holdings by GICS (Global Industry Classification Standard) sector relative to the benchmark index.

## Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

## Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.

## Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO<sub>2</sub>e / \$M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.