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Royal London Global Equity Diversified Fund

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. 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.

Contents

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the long term (7 years) by investing at least 80% in the shares of companies globally that are listed on stock exchanges. The Fund's performance target is to outperform, after the deduction of charges, the MSCI World Net Total Return Index GBP (the "Index") by 0.4-0.8% per annum over rolling 3-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.

Fund value

	Total £m
31 December 2024	6,395.46

Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	188
Active share (%)	57.9
Tracking error (%)	1.7

Ex-post tracking error calculated 3 years to 31 December 2024 using EOD prices. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	6.22	6.93	(0.72)
1 Year	20.80	20.79	0.01
3 Years (p.a.)	10.79	9.14	1.65
5 Years (p.a.)	14.00	12.41	1.59
Since inception (p.a.)	13.74	12.08	1.66

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 M Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 5 March 2018.

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 and Q2. Management appears to be executing on sensible strategy for a differentiated consumer business.

Delta Air Lines provided a boost to returns. The U.S. airline is currently in the Slowing & Maturing phase of its life cycle. Operating one of the largest air fleets globally, Delta manages over 5,000 daily departures and serves more than 800 destinations across 130 countries in collaboration with its alliance partners. The company's Q3 results were well received by the market, reflecting successful execution of its strategy to enhance returns and revitalise the business following a period of low returns. Our initial investment thesis for Delta Air Lines was based on its ability to execute a successful turnaround of its business operations. Having achieved this, we have exited the position.

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,

Performance and activity

Performance commentary (continued)

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 relative 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

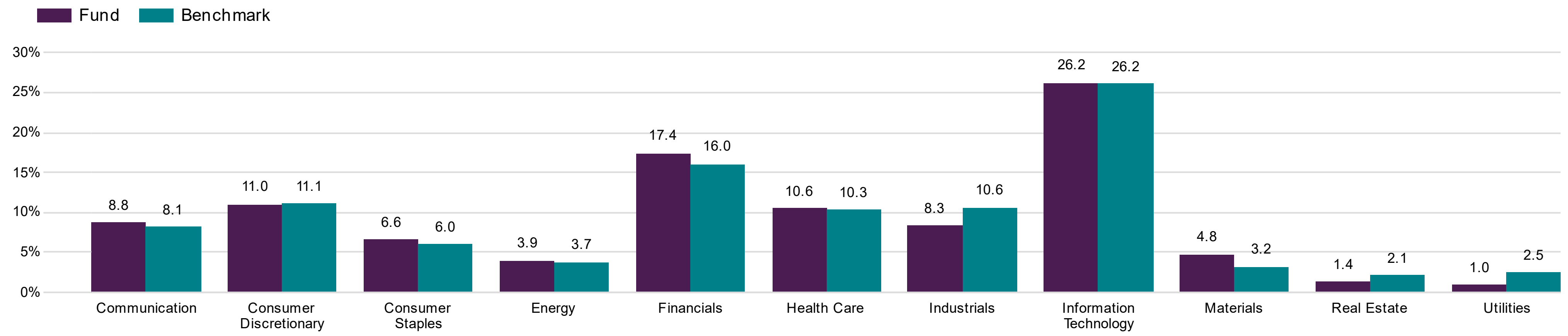
	Weighting (%)
APPLE INC	5.78
MICROSOFT CORP	5.33
NVIDIA CORP	4.72
ALPHABET INC CLASS A	3.65
AMAZON COM INC	3.53
META PLATFORMS INC CLASS A	2.38
JPMORGAN CHASE	1.85
UNITEDHEALTH GROUP INC	1.56
BROADCOM INC	1.49
VISA INC CLASS A	1.31
Total	**31.59**

Fund activity

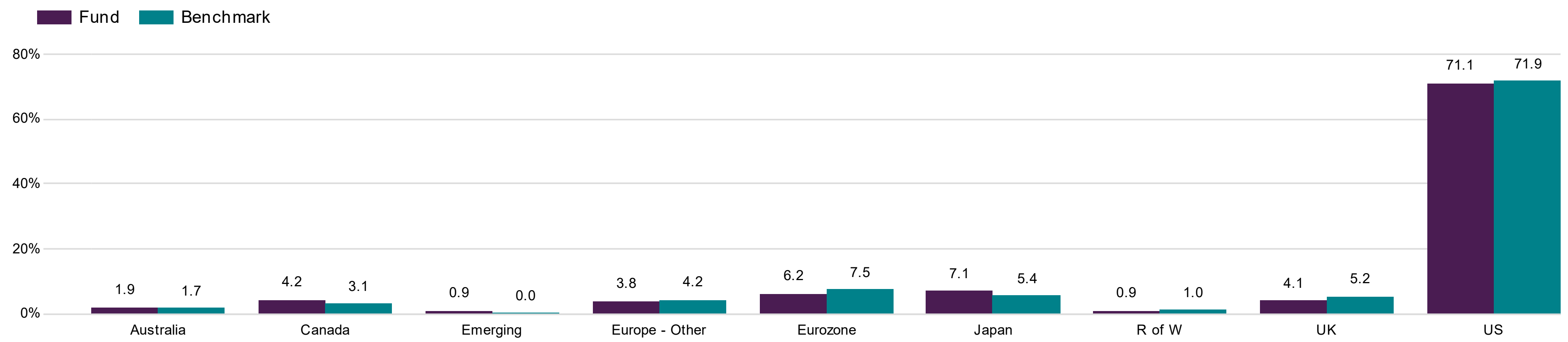
We believe that our approach of diversifying the strategies across broad range of companies from different sectors and stages of their Life Cycle will allow performance to continue to be driven more by the success of our hunting for superior shareholder wealth creating companies with undervalued long-term cash flows than by the prevailing winds of the macroeconomy, or factors such as growth or value styles being in vogue. During the quarter, the team continued to manage the portfolio in line with the investment guidelines.

Fund breakdown

Sector weights



Regional weights



Fund Engagement

Engagement definition

Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	66	89
Number of engagements	92	183

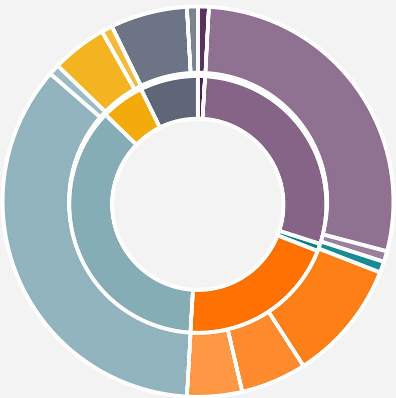
This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Total engagements by theme and topic



Biodiversity	1
Climate	32
Climate - Transition Risk	31
Climate - Physical Risk	1
Environment	1
Governance	22
Corporate Governance	11
Remuneration	6
Strategy	5
Health	40
Mental Health	39
Health - Community	1
Social & Financial Inclusion	6
Just transition	5
Labour & Human Rights	1
Technology, Innovation & Society	8
Technology & Society	7
Cybersecurity	1

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Fund Engagement

Engagement outcomes

Adobe Inc - Ethical AI

Purpose:

The meeting aimed to discuss ethical innovation at Adobe, a US computer software company, specifically focusing on governance and AI ethics as part of the World Benchmarking Alliance's (WBA) Ethical AI collaborative engagement programme.

Outcome:

The meeting highlighted Adobe's commitment to ethical AI practices, governance structures, and the importance of diverse perspectives and human rights in its AI initiatives. Adobe has established an AI Ethics Committee and Review Board and developed an AI ethics assessment tool to help teams evaluate ethical implications. In 2022, Adobe conducted a human rights impact assessment led by its ESG teams, considering harmful uses of AI. The company aligns its AI governance with the National Institute of Standards and Technology (NIST) AI Risk Management Framework and the AI US Safety Institute's standards. We will continue to engage with Adobe on AI model deployment and monitoring, and contribute to the WBA's collaborative engagement to establish best practices and provide feedback to Adobe on ethical AI.

Eli Lilly and Company - Community health

Purpose:

The meeting aimed to discuss Eli Lilly's, an American multinational pharmaceutical company, initiatives related to access to medicines, with a particular focus on the Lilly 30x30 programme. In addition to understanding its strategy and approach of the company's new obesity drugs.

Outcome:

Eli Lilly provided detailed insights into its 30x30 programme, which aims to improve access to medicines in low- to middle-income countries. The company highlighted its partnerships and efforts to enhance healthcare infrastructure, emphasising the importance of supporting healthcare delivery beyond pricing strategies. Eli Lilly explained the governance and incentives for its 30x30 programme, stressing accountability and integration within the executive structure.

We discussed Eli Lilly's new obesity drug, the associated social risks, and challenges with the USA's Medicare coverage, advocating for broader insurance coverage. Eli Lilly addressed the social risks associated with obesity drugs, emphasising its commitment to genuine medical needs and continuous innovation supported by significant R&D investment. The company explained the barriers to entry in the obesity drug market and highlighted its strategy of continuous innovation. We will continue to monitor and engage with the company based on the research and recommendations from the Access to Medicine Index Foundation.

Fund Engagement

Engagement outcomes

Lloyds Banking Group Plc - Just transition

Purpose:

We met with Lloyds Banking Group, UK-based financial services group, as part of our collaborative engagement with banks on just transition, aiming for the bank to integrate this issue throughout its climate transition plan and demonstrate implementation at product, sector, and regional levels.

Outcome:

Lloyds Banking Group continues to view just transition as integral to the company's purpose and growth strategy. The positive call highlighted several innovative projects, supporting its alignment with just transition principles. Lloyds found our investor expectations helpful but noted that a sector lens might miss interdependencies, advocating for a system-based approach instead. The company provided examples of just transition integration across various systems, such as sustainable farming, greening the built environment, low carbon transport, and energy transition.

Lloyds has launched several innovative products aligned with just transition, including a £500mn social housing retrofit product. Lloyds have developed a roadmap with the Green Finance Institute and NatWest for property-linked finance for retrofit projects . The bank's regional approach to lending addresses challenges in across the UK, with initiatives like working with local authorities to tackle local issues, expected to create jobs and reduce regional inequalities. Combined with balance sheet lending for regional projects, Lloyds' approach appears relatively advanced.

UPM-Kymmene OYJ - Net zero

Purpose:

We engaged with UPM-Kymmene, a Finnish forest industry company, through the Net Zero Engagement Initative (NZEI). The collaborative engagement with the company aimed to address six core asks aligned with the Net Zero Investment Framework (NZIF) and general climate stewardship best practices:

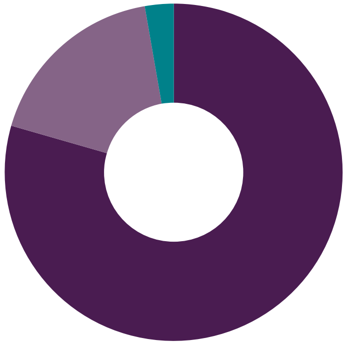
1. Ambition
2. Targets
3. Disclosures
4. Emissions performance
5. Decarbonisation strategy
6. Capital allocation alignment

Outcome:

During the meeting the company demonstrated it is actively working towards a net zero target. The company has committed to a Scope 3 target and is collaborating with the Science-Based Targets initiative to establish a science-based target. Despite facing challenges in measuring its downstream Scope 3 emissions, it is making continuous progress in developing a pathway to 'climate positive'. This means that the company will have a creating a net positive impact on the climate through its operations and products, as the company's forestry initiatives will absorb more carbon emissions than emitted. We will continue to engage with the company as part of NZEI.

Fund Voting

Total proxy voting activity



For	79.45%
Against	17.81%
Abstain	2.74%

Executive remuneration voting activity

For	55.56%
Against	40.74%
Abstain	3.70%

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:

- Stewardship and responsible investment at RLAM
- Royal London voting and engagement
- TCFD climate report

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, 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.

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Issued in January 2025 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 Fund is a sub-fund 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 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.

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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.

Performance to 31 December 2024

Cumulative (%) / Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	6.22	5.32	20.80	36.02	92.64	10.79	14.00
Fund (net)	6.11	5.11	20.31	34.36	88.74	10.34	13.53

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
Fund (gross)	20.80	20.49	(6.55)	27.22	11.32
Fund (net)	20.31	20.00	(6.93)	26.71	10.86

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 M Acc GBP share class.

Glossary

Active share

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

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.

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.

Regional weights

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

Sector weights

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

Top 10 holdings

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

Tracking error

Tracking error indicates how closely a fund follows its benchmark index. It is a measure of the risk in the fund that is due to active management decisions made by the fund manager. It is calculated on an ex-post basis (actual basis, post period end).