For professional clients only, not suitable for retail clients.

Royal London UK Growth Trust

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 UK Growth Trust. 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

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term (3-5 years) by investing at least 80% in the shares of UK companies included in the FTSE All-Share Index. The Fund's performance target is to outperform, after the deduction of charges, the FTSE All-Share Index (the "Index") over a rolling 5-year period. The Index is regarded as a good measure of the share-price performance of the approximately 600 largest companies on the London Stock Exchange. The Index is considered an appropriate benchmark for the Scheme's performance, as the Scheme's potential investments will predominantly be included in the Index. In addition to the benchmark for the Scheme's performance as noted above (the "Index"), the IA UK All Companies sector is considered an appropriate benchmark for performance comparison.

Benchmark: FTSE All-Share Index

Fund value

	Total £m
31 December 2024	1,100.40

Fund analytics

	Fund
Fund launch date	25 September 1989
Base currency	GBP
Number of holdings	52

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.71)	(0.35)	(0.36)
1 Year	8.55	9.47	(0.92)
3 Years (p.a.)	1.65	5.82	(4.17)
5 Years (p.a.)	4.07	4.80	(0.74)
10 Years (p.a.)	5.51	6.16	(0.65)
Since inception (p.a.)	7.55	7.60	(0.05)

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 A Inc GBP. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 25 September 1989.

Performance commentary

In Q4 the fund performed in line with the index. The biggest news event of the quarter was generated by the US election and the potential implications going forward of President Trump's policies. In contrast, the budget in the UK had the impact of depressing expectations regards corporate profits and the market sold off before recovering into the year end.

During the quarter the best performing sectors included banks, food & beverage and tobacco, while real estate was the weakest followed by utilities and basic materials. The major change of sentiment during Q4 was that whilst inflation is expected to fall the pace of decline will be slower than had been expected. As a result, the speed of cuts to interest rates will be slower than was consensus earlier in the year. The banks sector is seen as a beneficiary of a stable economy and interest rates more in line with history as they hedge huge funds at current market rates. Strong positive attribution was generated by holdings in Standard Chartered, Sage and NatWest Group. Negative attribution resulted from an underweight position in HSBC, Bellway and SSE. Also, Ashtead issued a weak trading update which resulted in share price weakness.

Performance and activity

Top 10 holdings

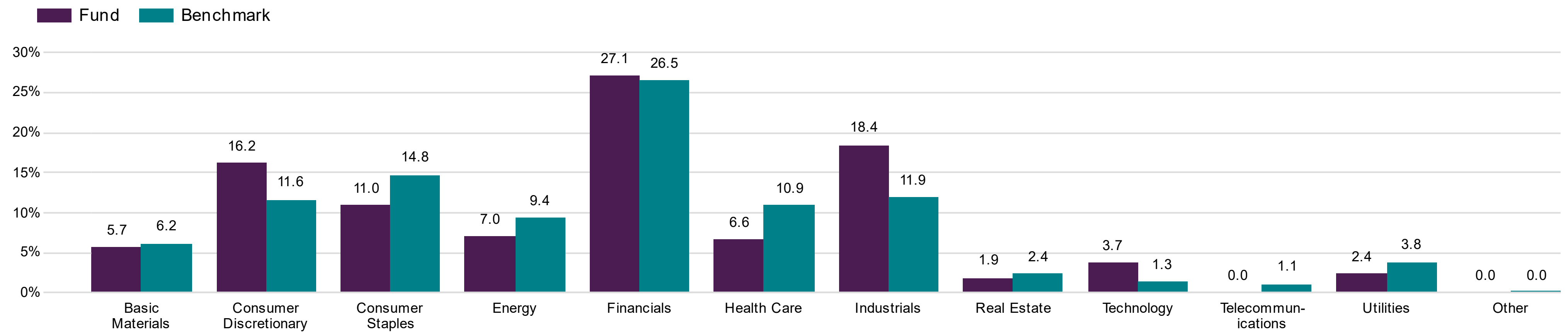
	Weighting (%)
SHELL PLC	5.53
ASTRAZENECA PLC	5.03
RELX PLC	4.99
LONDON STOCK EXCHANGE GROUP PLC	4.69
COMPASS GROUP PLC	4.37
3I GROUP PLC	3.82
HSBC HOLDINGS PLC	3.68
STANDARD CHARTERED PLC	3.52
NATWEST GROUP PLC	3.43
TESCO PLC	3.33
Total	**42.40**

Fund activity

During the quarter, we started a new holding in Barclays which has demonstrated a greater capital discipline compared to the past and trades on a significant discount to its tangible asset value and expected to deliver improving returns. We also started a position in International Consolidated Airlines, which is a beneficiary of strong demand trends coupled with limited supply. We reduced position sizes in BP and GSK as we believe we can find better ideas for the capital.

Fund breakdown

Sector 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	24	44
Number of engagements	39	151

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	**3**
Climate	**16**
Climate - Transition Risk	16
Environment	**1**
Governance	**13**
Remuneration	9
Corporate Governance	4
Health	**5**
Mental Health	4
Health - Community	1
Social & Financial Inclusion	**6**
Just transition	4
Social & Financial inclusion	2
Technology, Innovation & Society	**4**
Technology & Society	4
Other	**2**

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

Fund Engagement

Engagement outcomes

Barclays Plc - Just transition

Purpose:

We met with Barclays's, a UK multinational bank, Sustainability team as part of our collaborative engagement with banks on just transition, aiming to integrate this issue throughout its net zero plan and address questions regarding our recently published investor expectations.

Outcome:

The meeting with Barclays's Sustainability team was positive, providing valuable feedback on our investor expectations. Barclays acknowledged the importance of just transition integration and identified it as a key area in its human rights assessment. The company is incorporating just transition into products like greener home rewards and green mortgages. The bank's decarbonisation target for the mortgage sector aims to avoid restricting financing for those in need. Just transition is also part of its transition finance framework. Barclays is refining just transition in commercial lending and recognises its importance in North America, aligning with our guidelines. We will continue to monitor the bank's disclosures on just transition and will look to assess the bank against our investor expectations in the future.

Croda International Plc - Environment

Purpose:

The meeting with Croda, a UK speciality chemicals company, focused on discussing its strategies for addressing air pollution, animal testing, raw material extraction, and biodiversity. This discussion was in response to a stewardship letter sent by the Sustainable Equities team following an air pollution incident.

Outcome:

The meeting increased our confidence that the air pollution incident at Croda's Atlas Point site was contained, with no similar risks at other locations. It also clarified the challenges associated with bio-based raw materials and highlighted the interconnection between sustainability and business decisions at Croda. Additionally, Croda has enhanced community engagement around its sites. During the meeting, we urged Croda to publish more detailed emissions data. Next steps include obtaining further information about the steam-assisted flare installation at the site which had the ethylene oxide leak.

Fund Engagement

Engagement outcomes

Experian Plc - Ethical AI & social and financial inclusion

Purpose:

The primary purpose of the meeting was to engage with Experian, a global data and analytics company, on various aspects of its business operations, particularly focusing on sustainability, the impact of Artficial Intelligence (AI), and the ethical management of data.

Outcome:

The meeting provided us an initial understanding of Experian's strategies and progress in sustainability, AI governance, and ethical data management, reinforcing its commitment to responsible business practices and positive social impact. Experian is assessing AI's impact on its 2030 emissions reduction target and progressing towards cloud migration. Experian engages suppliers to set climate targets. Experian has robust AI governance, ensuring fairness and transparency, and promotes financial inclusiveness through products like Experian Lift (a credit scoring model that uses additional data sources to provide a more comprehensive view of a consumer's creditworthiness, helping lenders make better-informed decisions) and Boost (free service that helps consumers improve their credit scores instantly by adding positive payment history from bills to their credit reports).

The company maintains transparency with customers and complies with General Data Protection Regulation (GDPR), conducting thorough due diligence on financial products to ensure consumer protection. Experian quantifies the positive social impact of its healthcare products, aligning with sustainability goals and integrating ESG strategies into operations. We will review Experian's approach to sustainable and ethical AI, benchmarking it against other companies as part of our broader engagement programme.

Glencore Plc - Net zero & just transition

Purpose:

The meeting aimed to provide feedback and suggestions on what Glencore, a Swiss multinational commodity trading and mining company, should include in its 2025 climate progress report, focusing on the climate strategy for steelmaking coal assets, the wind down of its thermal coal business, and just transition.

Outcome:

The meeting provided clarity on when Glencore will produce a climate strategy for its steelmaking coal assets and the methodological reasons for not disclosing expansionary CAPEX for its coal business. It highlighted the need for further attention to the transition risks posed by Glencore's coal wind down trajectory and the adequacy of its responsible mine closure practices to address just transition concerns. Glencore will discuss its climate plan for steelmaking coal assets in the 2025 update, with targets set in 2027. The company will report on mine closures as they happen but will not provide forward-looking guidance. Additionally, Glencore will not disclose specific job loss or retraining figures, citing confidentiality and minimal just transition risks in Australia. We will continue to engage on metrics for disclosure and provide feedback to Glencore on its climate transition plans.

Fund Engagement

Engagement outcomes

Rolls-Royce Holdings Plc - Net zero & just transition

Purpose:

We met Rolls-Royce, a UK multinational engineering company, to discuss and share our climate transition assessment, with a particular focus on a full climate transition plan, Scope 3 emissions reduction targets and approach, nature, just transition and offsetting.

Outcome:

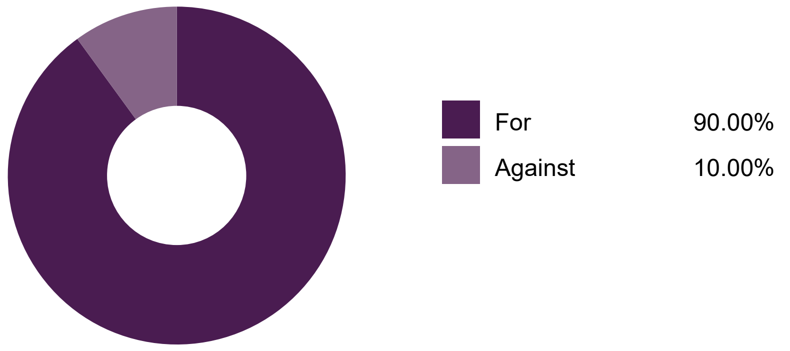
The meeting provided insights into the company's expected improvements to its climate transition strategy in the 2025 annual report, although we note that not all of our requests from the climate transition assessment will be fully satisfied.

The company is setting Scope 3 targets, which will be disclosed in the following year. Rolls-Royce is preparing to meet Corporate Sustainability Reporting Directive (CSRD) and Transition Plan Taskforce (TPT) disclosure requirements, which may lead to enhancements in just transition and nature disclosures.

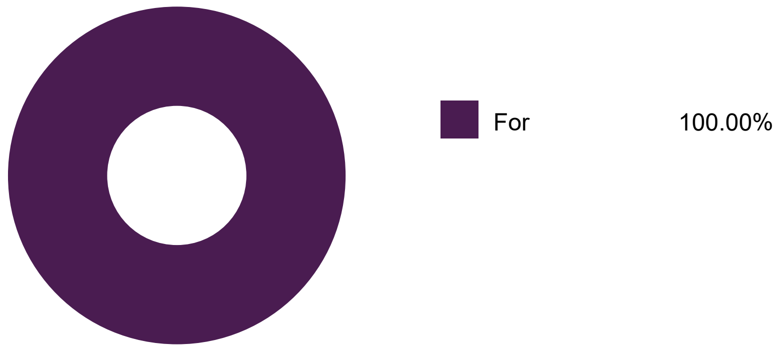
The next report will include timelines for other climate solutions technologies, such as Small Modular Reactors (SMRs) and battery storage systems. Although the R&D target on low carbon technologies by 2025 will not be retained, the company will disclose the alignment of its capital expenditure in the reporting period and is considering a forward-looking plan. We will continue to monitor the company and review future disclosures.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Market commentary

Market Review

UK equities declined moderately through the final quarter of 2024, with rising bond yields providing a headwind to risk assets. There were clearly some significant political events including the first budget announcement by the new UK government, as well as the conclusion of the US election. The initial equity market reaction to both events was positive, but both drove bond yields higher albeit for different reasons.

UK equities had been weak before the budget amid concerns about potential tax rises and spending initiatives; at a headline level the outcome was better than feared and equities initially rallied. The UK's AIM market in particular surged strongly following news that inheritance tax relief on AIM shares was only partly abolished and not totally eliminated. However, the overall impact of the budget was seen to be inflationary with higher costs (especially for companies with large UK workforces) to businesses and more government borrowing both driving up gilt yields, with little change to expectations for economic growth. 10-year gilt yields rose from some 4% at the start of October, to over 4.6% by the end of December and expectations for interest rate cuts in 2025 reduced.

Global equity markets were heavily influenced by the US election result, following a clean sweep by the Republican party. Equity markets overall responded positively to the expectation that the Trump victory will result in tax cuts, deregulation, and improvements in US productivity. Equally if, as repeatedly threatened, widespread tariffs are introduced this could increase consumer price inflation, and clearly would have a detrimental impact on global trade. For the time being, positive sentiment prevailed within equities although bond yields have also risen as investors adjust expectations for higher inflation and 'higher for longer' interest rates.

While markets are clearly focused on the risks of inflation remaining higher than expected through 2025, it is worth reminding ourselves that the Bank of England did cut interest rates for the second time in November. Investors are understandably preoccupied about whether there are two rather than four interest rate cuts in 2025, but the downward path remains, and this should support corporate and consumer confidence through the coming year.

Outlook

After a year where political uncertainty and continued inflation were constant risks to equity investors, it is somewhat disappointing to have come through all the elections and still be talking about politics and macroeconomics. The narrative remains dominated by whether interest rates are falling more or less quickly than previously expected. US and UK 10-year yields are more than 50 basis points higher than they were three months ago, and other eurozone or developed market benchmark rates have seen meaningful increases also. Some of this is predicated on market expectations of an inflationary impulse from the new US government's approach to global trade, while core CPI has also remained stubbornly high.

Despite all of the known risks from wars to trade wars, GDP growth is still expected to improve in the UK, the US and most G7 economies in 2025. While the number of rate cuts is likely to be lower than expected, the path of central bank interest rates remains on a downward trajectory. In the UK, consumer, corporate and bank balance sheets are robust, and all signs point to modest growth but an improving picture through the year; even with unnecessary headwinds provided by the recent budget. Furthermore, the UK economy is still expected to outperform its euro zone counterparts. This should be a generally supportive backdrop for corporate profitability and equity investing.

Industrial PMIs have remained stubbornly low across the US and euro zone, with destocking still a headwind through the final quarter of 2024. However, inventory to order ratios appear to have bottomed and a number of early cycle industrials companies suggest that pipelines and orders are once again improving. Therefore, we do not expect de-stocking in 2025 to remain the material headwind that it has been over the last two years.

We continue to believe UK equities offer good value in absolute terms and relative to history and other international equity indices. Share buybacks are playing an important role in capital allocation for UK companies, reflecting their balance sheet strength as well as managements' views of equity market valuations. Indeed, at current depressed UK equity market valuations, share buybacks can be highly accretive to equity returns for investors. Low valuations are also fuelling a steady stream of corporate transactions, with UK companies being acquired.

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.

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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the Trust 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.

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.

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.

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.

ROYAL LONDON ASSET MANAGEMENT

Performance to 31 December 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(0.46)	1.83	9.68	8.76	29.91
Fund (net)	(0.71)	1.32	8.55	5.04	22.08

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
2.84	5.37
1.65	4.07

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)	9.68	10.18	(10.00)	24.37	(3.96)
Fund (net)	8.55	8.87	(11.12)	22.83	(5.38)

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 UK Growth Trust A Inc GBP share class.

Glossary

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

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) sector relative to the benchmark index.

Top 10 holdings

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