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Royal London UK Income with 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 Income with 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.

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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve an above-average income with some capital growth over the medium-to-long term (5-7 years) by primarily investing in the shares and sterling-denominated bonds of UK companies listed on the London Stock Exchange. The Fund's income target is to produce an annual income that exceeds the income of the FTSE All-Share Index (the "Index") by at least 20% over a rolling 7-year period. 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.

Benchmark: FTSE All-Share Index

Fund value

	Total £m
31 December 2024	217.82

Fund analytics

	Fund
Fund launch date	25 September 1989
Base currency	GBP
Number of holdings	226

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(1.34)	(0.35)	(0.99)
1 Year	8.76	9.47	(0.71)
3 Years (p.a.)	5.46	5.82	(0.37)
5 Years (p.a.)	4.95	4.80	0.14
10 Years (p.a.)	5.66	6.16	(0.50)
Since inception (p.a.)	8.59	7.60	0.99

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; Gross performance; Since inception date of the share class is 25 September 1989.

Performance commentary

The fund underperformed the benchmark during the period under review.

The main driver of relative performance was the underperformance of the equity portion of the fund. The biggest detractors were holdings in Workspace, Close Brothers and Videndum.

Performance and activity

Top 10 holdings

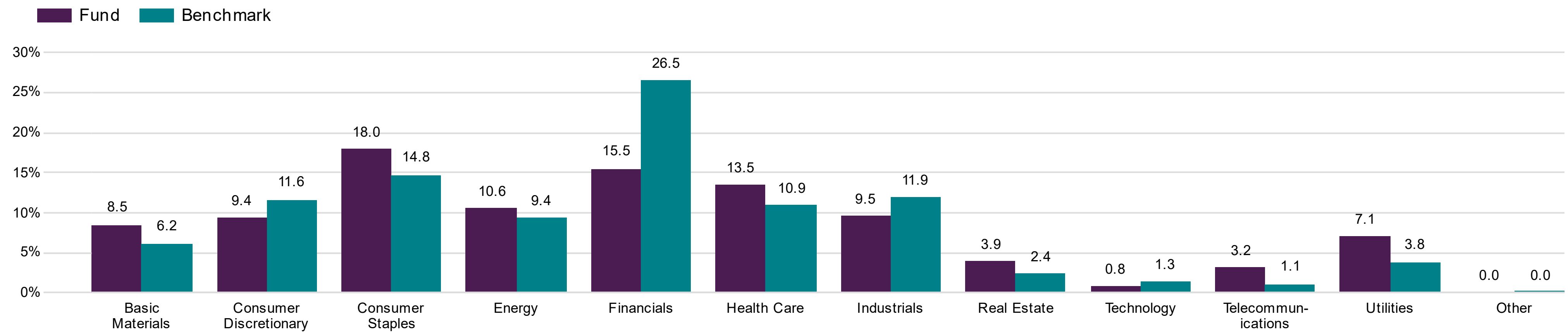
	Weighting (%)
SHELL PLC	5.12
ASTRAZENECA PLC	5.05
HSBC HOLDINGS PLC	3.61
UNILEVER PLC	3.14
RIO TINTO PLC	2.71
BRITISH AMERICAN TOBACCO	2.65
RELX PLC	2.50
GLAXOSMITHKLINE	2.48
IMPERIAL BRANDS PLC	2.35
BP PLC	2.26
Total	**31.87**

Fund activity

The most significant trade in the quarter was to sell the holding in Tesco and switch the proceeds into Sainsbury. The rationale for the trade was the more attractive valuation at Sainsbury. Similarly, the holding in NatWest was exited and a holding in Lloyds established. The holding in Ashstead was exited early in the period but the holding was then reestablished later, following a sharp sell-off in the shares following a poorly received trading statement.

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	37	63
Number of engagements	52	179

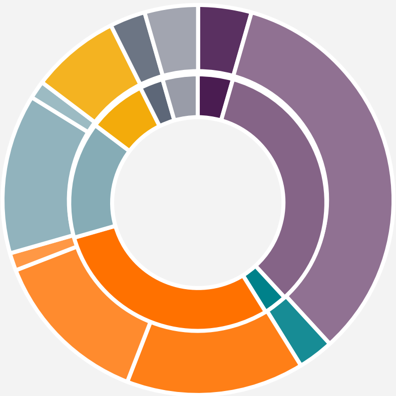
This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

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	**23**
Climate - Transition Risk	23
Diversity	**2**
Ethnic Diversity	2
Governance	**20**
Corporate Governance	10
Remuneration	9
Strategy	1
Health	**10**
Mental Health	9
Health - Community	1
Social & Financial Inclusion	**5**
Just transition	5
Technology, Innovation & Society	**2**
Technology & Society	2
Other	**3**

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

Electricite De France SA (EDF) – Net zero

Purpose:

We met with EDF's, a French multinational electric utility company, Head of ESG Performance team to discuss its latest results in the Climate Action 100+ (CA100+) benchmark and discuss our 2025 engagement priorities with the company.

Outcome:

EDF performed well in the CA100+ benchmark, showing improvements across several areas. The company is working on clarifying its Scope 3 emissions reduction trajectory, detailing short, medium, and long-term goals. EDF maintains a low carbon intensity in electricity and heat production, which is sometimes under-recognised in CA100+ assessments. Due to EU Taxonomy classification issues related to its UK nuclear assets, specific green CAPEX numbers have not been published, but we will be assessing for improved company disclosures next year. We will continue to engage with EDF to discuss its updated Scope 3 decarbonisation pathways.

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.

Fund Engagement

Engagement outcomes

Victrex plc - Workforce engagement & diversity

Purpose:

The meeting with Vitrex plc, a company specialising in high-performance polymer (plastic) solutions for markets such as automotive, aerospace, energy, electronics, and medical, aimed to review progress on workforce ethnic diversity and employee engagement since 2021, discuss current initiatives, and identify areas for improvement.

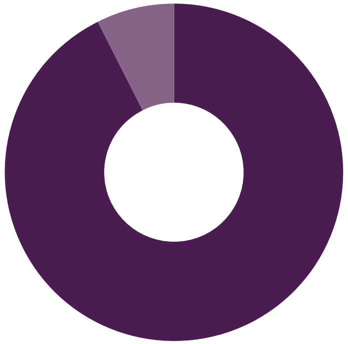
Outcome:

Significant improvements were noted, including better data collection, adding an Asian board member, setting Diversity, Equity, and Inclusion targets, and expanding the company's Race 4 Equality group to the UK (the aim to create a more diverse and inclusive working environment across Victrex). Immediate actions were taken to address employee feedback, demonstrating a strong commitment to engagement.

Victrex plans to continue enhancing data collection, setting DEI targets, expanding diversity initiatives, and regularly addressing employee feedback to maintain progress and achieve long-term success.

Fund Voting

Total proxy voting activity



For	92.55%
Against	7.45%

Executive remuneration voting activity

For	100.00%

Notable votes

Smiths Group plc

Elect Noel N. Tata - against: We retain our concerns over the director's external time commitments, given that the nominee serves on a large number of other boards, including as Chairman on three outside boards. We do, however, acknowledge that a number of these other positions form part of the wider Tata group.

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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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.

Credit risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

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.

Interest rate risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

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.

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.

Performance to 31 December 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(1.34)	1.90	8.76	17.29	27.35
Fund (net)	(1.59)	1.39	7.63	13.28	19.67

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
5.46	4.95
4.24	3.65

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)	8.76	6.23	1.53	14.02	(4.78)
Fund (net)	7.63	4.97	0.27	12.60	(6.19)

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 Income with 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.