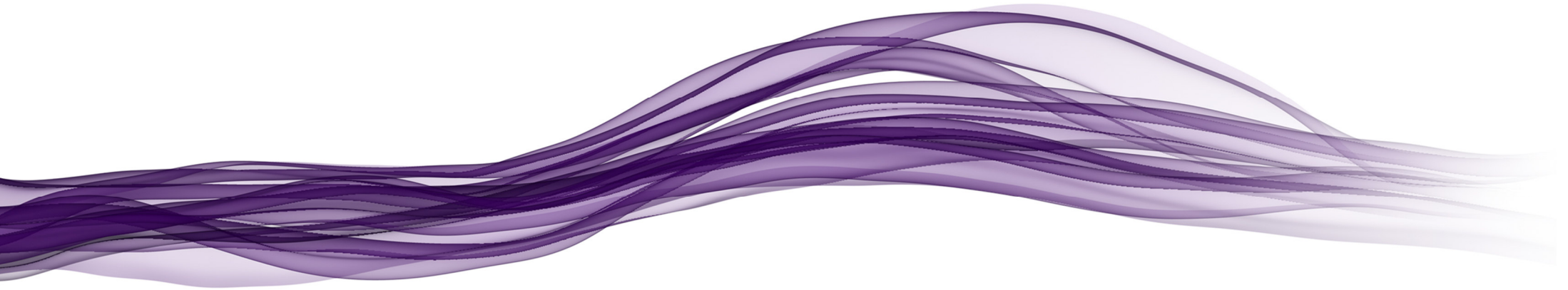


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# Royal London US Growth Trust

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 US 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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# The fund

## Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium-to-long term (5-7 years) by investing at least 80% in the shares of US companies listed on the New York Stock Exchange. The Fund's performance target is to outperform, after the deduction of charges, the MSCI USA £ Net Total Return Index (the "Index") over a rolling 7-year period. The Index is regarded as a good measure of the share-price performance of the largest listed on the New York 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 North America sector is considered an appropriate benchmark for performance comparison.

Benchmark: MSCI USA £ Net Total Return Index

## Fund value

	Total £m
31 December 2024	385.15

## Fund analytics

	Fund
Fund launch date	19 February 2001
Base currency	GBP
Number of holdings	112
Active share (%)	49.3
Tracking error (%)	1.9

Ex-post tracking error calculated 3 years 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	9.77	9.98	(0.21)
1 Year	27.01	26.81	0.20
3 Years (p.a.)	12.99	10.95	2.04
5 Years (p.a.)	17.52	15.30	2.21
10 Years (p.a.)	15.49	14.96	0.53
Since inception (p.a.)	9.22	8.62	0.60

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 19 February 2001.

## Performance commentary

The fund underperformed the benchmark index during the quarter.

One of the strongest performers was Delta Airlines. 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 in 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.

Sprouts Farmers Market performed well. The company 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.

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.

# Performance and activity

## Top 10 holdings

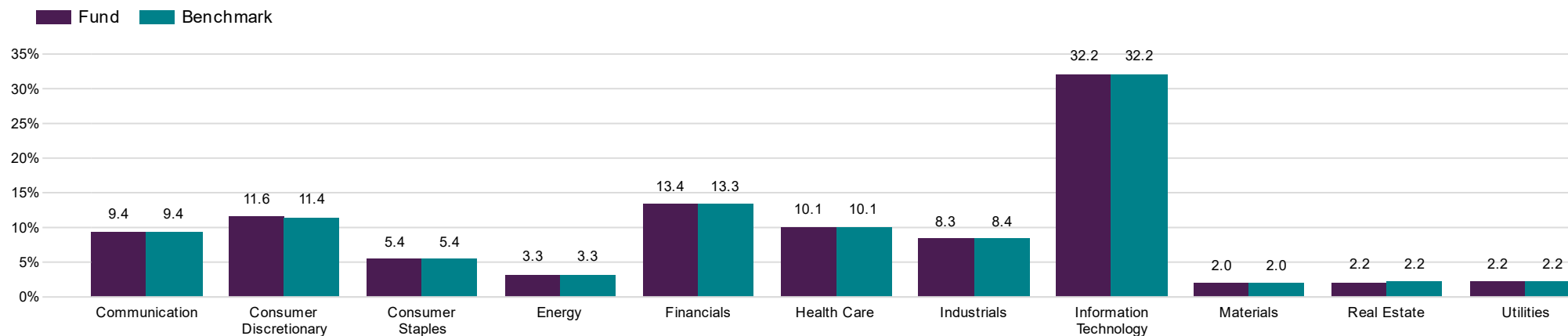
	Weighting (%)
APPLE INC	8.03
MICROSOFT CORP	7.62
NVIDIA CORP	6.49
AMAZON COM INC	4.85
ALPHABET INC CLASS A	4.52
META PLATFORMS INC CLASS A	2.88
JPMORGAN CHASE	2.47
BROADCOM INC	1.99
UNITEDHEALTH GROUP INC	1.90
BERKSHIRE HATHAWAY INC CLASS B	1.76
<b>Total</b>	<b>42.52</b>

## 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



# Fund Engagement

## Engagement definition

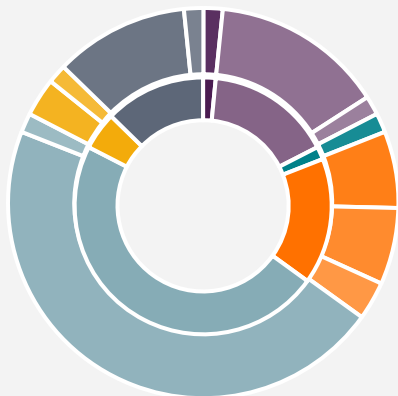
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	41	52
Number of engagements	52	93

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.

## Total engagements by theme and topic



<b>Biodiversity</b>	<b>1</b>
<b>Climate</b>	<b>10</b>
Climate - Transition Risk	9
Climate - Physical Risk	1
<b>Environment</b>	<b>1</b>
<b>Governance</b>	<b>10</b>
Corporate Governance	4
Strategy	4
Remuneration	2
<b>Health</b>	<b>30</b>
Mental Health	29
Health - Community	1

<b>Social &amp; Financial Inclusion</b>	<b>3</b>
Just transition	2
Labour & Human Rights	1
<b>Technology, Innovation &amp; Society</b>	<b>8</b>
Technology & Society	7
Cybersecurity	1

## 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.

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:

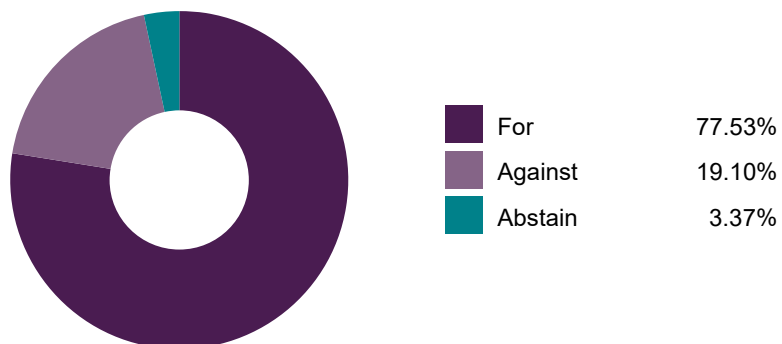
Eli Lilly provided detailed insights into its 30x30 programme, which aims to improve access to medicines in low- to middle-income countries. The company highlighted its partnerships and efforts to enhance healthcare infrastructure, emphasising the importance of supporting healthcare delivery beyond pricing 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.

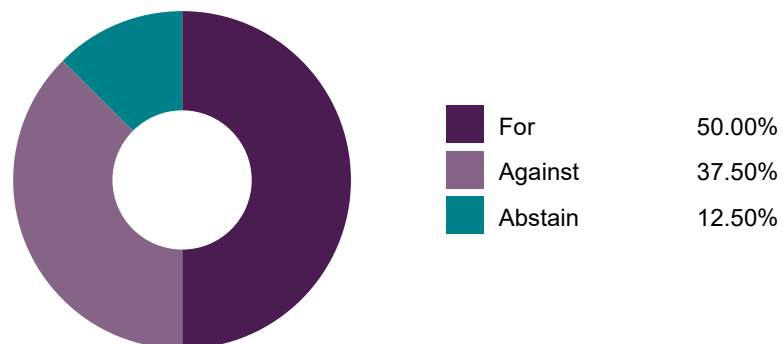


# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



## Notable votes

### 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.

### 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

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This is a financial promotion and is not investment advice.

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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](http://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.

## **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.)
<b>Fund (gross)</b>	9.77	7.06	27.01	44.28	124.34	12.99	17.52
<b>Fund (net)</b>	9.50	6.52	25.70	39.35	110.82	11.69	16.07

## 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
<b>Fund (gross)</b>	27.01	25.94	(9.80)	33.44	16.52
<b>Fund (net)</b>	25.70	24.45	(10.92)	31.78	14.80

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 US Growth Trust A Inc 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.

## 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).