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Royal London Multi Asset Strategies 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 Multi Asset Strategies 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.

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The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve a combination of capital growth and income over rolling 5-year periods while seeking to target volatility of 4-8% per annum, by employing diversified multi-asset strategies. There is no guarantee that volatility in this range will be achieved and it has been chosen as it represents a level of risk which is appropriate for the Fund. Volatility is a statistical measure of the Fund's possible range of outcomes. For the Fund, volatility will be calculated as the annualised standard deviation of daily Fund prices over rolling 12-month periods. The Fund is actively managed, meaning that the manager will use their expertise to select investments to meet the objective. For performance comparison purposes, the average return of the Morningstar GBP Allocation 20-40% Equity category may be used. The Morningstar GBP Allocation 20-40% Equity category is a peer group of funds that each invest in a range of asset types including equities, bonds, property, commodities, cash and liquid alternatives, which broadly aligns to the Fund's own investment policy. For funds in this category, equity or equity equivalent risk will usually be between 20% and 40% in the normal running of the fund. Management of the Fund is not restricted by the use of the category as a comparator benchmark.

Benchmark: Morningstar GBP Allocation 20-40% Equity Category

Fund value

	Total £m
31 December 2024	887.59
Fund launch date	23 November 2018

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.04)	(0.19)	0.15
1 Year	6.06	4.86	1.20
3 Years (p.a.)	2.58	0.07	2.50
5 Years (p.a.)	1.87	1.56	0.32
Since inception (p.a.)	2.65	2.57	0.08

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 23 November 2018.

Performance commentary

Multi Asset Core strategies aim to benefit from positive market trends, while reducing exposure to risk assets during market turbulence.

The core equity exposure within the fund remained constant at 30% over the quarter.

We remain vigilant, looking out for any sudden increases in volatility, to react accordingly. We continue to monitor the situation on a daily basis – this helps us manage volatility, and the potential for loss.

Performance and activity

Top 10 holdings

	Weighting (%)
Royal London Short Term Fixed Inc	12.14
Royal London Investment Grade Short Dated Credit Fund Z Inc	10.07
Royal London UK Government Bond R	9.98
Royal London Japan Equity Tilt R A	5.05
Royal London Sust Short Duration C	5.03
Royal London UK Core Equity Tilt R	5.02
RL Emerging Markets EQ Tilt Fund	5.01
Royal London US Equity Tilt R Acc	5.00
Royal London Asia Pacific ex Japan Equity Tilt Fund S Acc	4.99
Royal London International Governm	4.99
Total	**67.27**

Fund activity

Tactical asset allocation strategies build on the core portfolio and operate within a separate risk budget. We take an active approach to tactical asset allocation with a view to adding value irrespective of market direction and continue to see opportunities in relative value trades within and between the broad range of asset classes at our disposal.

Global equities continued to rise for most of the period but gave back some recent gains into year-end and finished around 3% below all-time highs. We bought the dip around the US elections, noting the extreme pessimism in the markets, while the fundamental picture remained intact with our Investment Clock in Recovery. We benefitted from the post-election melt-up but ended up giving back our gains as volatility spiked around the December Federal Reserve (Fed) meeting.

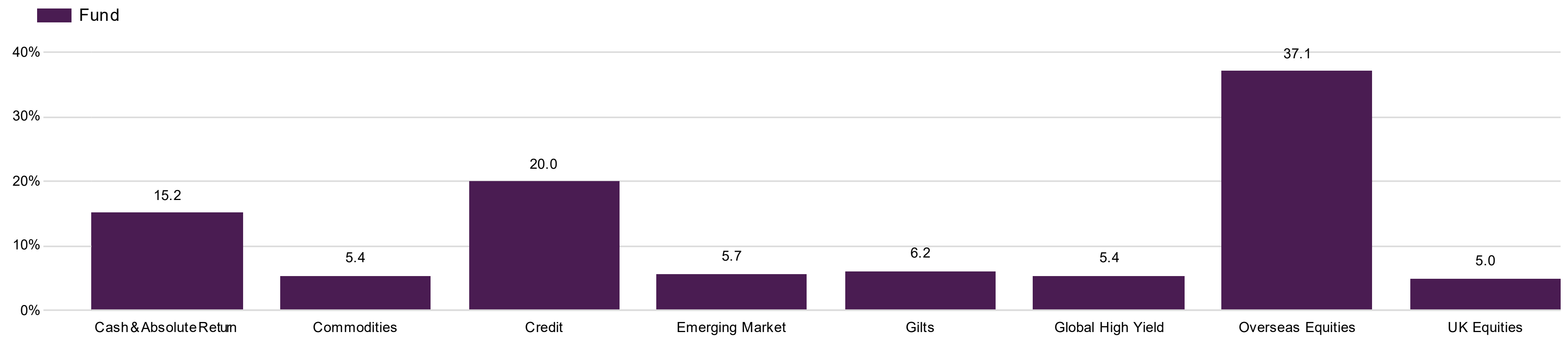
Bond yields took a sharp turn higher over the period, as US recession fears abated, and markets priced out previously anticipated rate cuts from the Fed on the back of stronger data. Expectation of potentially inflationary policies from the incoming Trump administration also had an impact. We remained underweight bonds over the period, having reduced our positioning from overweight to neutral earlier; this added value over the quarter.

A relief rally in US stocks after the election uncertainty subsided which helped the region outperform over the period. Emerging markets led losses on fears of hefty tariffs to Chinese exports to the US from the incoming Trump administration. We lost some value as US stocks fell into year-end on the back of a ‘hawkish cut’ from the Fed.

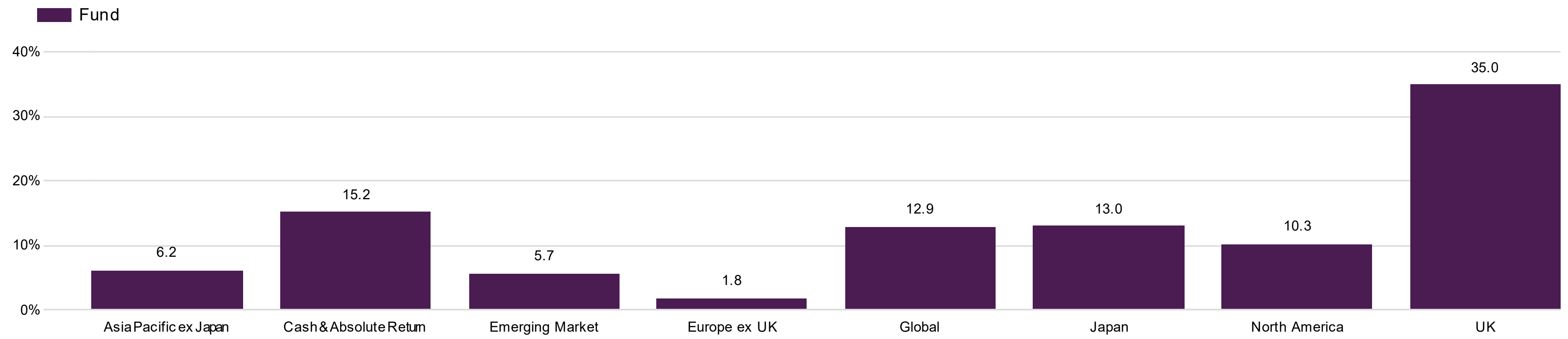
Performance of US equity sectors over the quarter was largely driven by Trump’s victory in US elections. Sectors poised to benefit from expected deregulatory agenda: financials and consumer discretionary shares, outperformed over the quarter. Healthcare stocks underperformed after a big-pharma critic Robert F. Kennedy Jr. was nominated as the next health secretary. Energy and materials also struggled as commodity prices fell. We benefitted from these developments through our overweight in growth sectors, funded by underweights in energy and defensives.

Fund breakdown

Asset split



Geographical breakdown



Market commentary

Market Overview

The fourth quarter was dominated by the outperformance of the US stock 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 downside, healthcare and interest rate-sensitive sectors such as utilities and real estate underperformed. Healthcare stocks lagged due to concerns about political reforms under the new Trump administration.

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 50bps over the quarter to a 4.25% - 4.5% target range. However, they signalled fewer cuts for 2025 than previously indicated, indicating only 50bps cuts for 2025 (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.

During the fourth quarter, the MSCI All Country World Index posted a gain of 1.26% in local currency terms.

Government yields rose over the quarter, as central banks continue to struggle to bring inflation back to target levels and amid ongoing political volatility with elections across Europe and the US. In the US, 10-year treasury yields rose to 4.57% from 3.78%, while German 10-year bunds similarly saw yields rise to 2.36% from 2.06%. Benchmark 10-year gilt yields increased to 4.57% from 4.01%.

The price of WTI crude oil rose 5.21% over the quarter to $71.72 a barrel, while copper futures lost 11.34% in US dollar terms.

Outlook

The geopolitical outlook is uncertain with Donald Trump heading back to the White House and wars continuing across Europe and the Middle East. However, the economic fundamentals are positive. The Investment Clock is in equity-friendly Recovery, central banks are cutting rates, and we expect fiscal stimulus in the US and China. We are overweight stocks versus bonds, preferring the UK to Europe and Japan to China.

The pandemic ushered in a regime of “spikeflation” characterised by periodic price level shocks and shorter boom-bust cycles. Strong US growth, tariffs or an interruption of crude oil supplies could challenge the low inflation consensus and create further losses for government bonds. It is not impossible that that the Federal Reserve actually hikes rates this year rather than cuts, and we continue to see commodity exposure as a useful hedge.

Further Information

Please click on the links below for further information:

Stewardship and responsible investment at RLAM

The investment clock

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.

Telephone calls may be recorded. For further information please see the Privacy Policy at www.rlam.com.

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 Multi-Asset Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001058.

The Company is a non-UCITS retail scheme. 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 Non-UCITS retail scheme Key Investor Information Document (NURS KII Document), available via the relevant Fund Information page on www.rlam.com.

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.

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.

Derivative risk

This fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

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.

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.

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.

Fund investing in funds risk

The Fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stockmarket conditions and the Fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the Fund itself, may be deferred or suspended.

Performance to 31 December 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(0.04)	0.63	6.06	7.94	9.74
Fund (net)	(0.18)	0.35	5.48	6.17	6.77

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
2.58	1.87
2.02	1.32

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)	6.06	7.76	(5.56)	6.95	(4.94)
Fund (net)	5.48	7.17	(6.08)	6.37	(5.46)

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 Multi Asset Strategies Fund M Acc GBP share class.

Glossary

Asset allocation

Based on RLAM's holistic approach to fixed income management and fund weights relative to their respective benchmarks. May not reflect tactical exposures.

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.

Geographical breakdown

Breakdown of assets by geographical regions. 'Global' region includes global fixed income and overseas securities exposures, which are sterling hedged and commodity exposures.

Performance

Performance is calculated using the signed off NAV per share. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces the return.

Top 10 holdings

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

ROYAL LONDON ASSET MANAGEMENT