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# Royal London Global Equity Diversified Fund (IRL)

Quarterly Investment Report

30 June 2024



# Quarterly Report

## The fund as at 30 June 2024

The purpose of this report is to provide an update on the Royal London Global Equity Diversified Fund (IRL). 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 long term, which should be considered as a period of 7-plus years. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index USD (the "Benchmark") by 0.4 - 0.8% per annum over rolling three 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.

Benchmark: MSCI All-Countries World Net Total Return Index USD

## Fund value

	Total \$m
30 June 2024	285.75

## Fund analytics

	Fund
Fund launch date	20 July 2021
Base currency	USD
Number of holdings	203
Active share (%)	65.6
Tracking error (%)	1.7

Ex-post tracking error calculated since inception to 30 June 2024. Please refer to the glossary for a description of the tracking error used.

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	3.65	2.87	0.78
YTD	13.24	11.30	1.94
1 Year	22.02	19.38	2.65
Since inception (p.a.)	8.68	5.84	2.84

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 Royal London Global Equity Diversified Fund (IRL) (Z Acc) (USD). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 20 July 2021.

## Performance commentary

The fund outperformed the index during the quarter. Taiwan Semiconductor Manufacturing Company (TSMC), currently in the Compounding phase of the life cycle, is the largest global semiconductor foundry (essentially outsourced semiconductor manufacturing). TSMC manufactures semiconductors for its clients, who are usually fabless semiconductor design companies like Qualcomm, NVIDIA, Broadcom, and AMD. TSMC reported strong quarterly earnings in April as it continues to play its role in enabling the AI revolution, but it is important to note that it is not solely reliant on this sector. Given the strong share performance this year, we still observe an attractive valuation pay-off opportunity.

Sprouts Farmers Market 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 Q1 2024 earnings at the beginning of May which were extremely well received by the market as these beat analyst expectations and raise guidance for FY 2024. Management appears to be executing on sensible strategy for a Compounding business whilst the market values the company as if it were Slowing & Maturing, presenting a valuation opportunity.

Shell, the global energy company in the Turnaround phase of the Life Cycle, contributed to performance in Q2 as the shares outperformed the market by approximately 7% in US dollar terms. Shell reported strong financial performance during the period, which also translated to strong shareholder distributions in the form of dividends valued at \$2.2 billion and share buybacks of \$2.8 billion. Shell continues to execute a strategy of delivering value by simplifying their business and maintaining capital discipline, appropriate for a company in the Turnaround phase of the Life Cycle.

Detractors included Carl Zeiss (CZ), a leading provider of medical equipment specialising in innovative solutions for the diagnosis and treatment of eye diseases. The company is currently in the Slowing & Maturing phase of the corporate Life Cycle. CZ announced H1 2024 results during the period which were heavily impacted by destocking in their Chinese sales channel. They have cut guidance to their 2024 outlook, but we remain comfortable with our investment thesis and believe CZ continues to offer an attractive valuation pay-off opportunity.

# Performance and activity

## Performance commentary (continued)

Thor Industries, the largest recreational vehicle (RV) manufacturer in the world, currently in the Slowing & Maturing Life Cycle segment. Thor's share price has consistently underperformed the market this year, perhaps through no fault of its own, other than the fact that it operates in a deeply cyclical industry where there is currently nowhere to hide. A combination of high inflation and high interest rates applies pressure to demand and margins, which the market appears not to tolerate well. We remain confident in Thor's ability to generate wealth for shareholders in the long run and continue to observe an attractive valuation pay-off opportunity

Kinsale Capital Group is an Accelerating US insurance business focused on Excess & Surplus (E&S) lines, also known as non-admitted insurance. This type of insurance does not fit within the regulated insurance market due to market regulations or the cost of providing coverage. Kinsale shares sold off in Q2 following the release of quarterly results at the end of April. Despite positive results overall, the market is increasingly concerned about Kinsale's ability to replicate the premium growth numbers it has seen over the past several years. However, we believe that Kinsale is uniquely positioned to continue growing its market share in the E&S market and to continue disrupting this market.

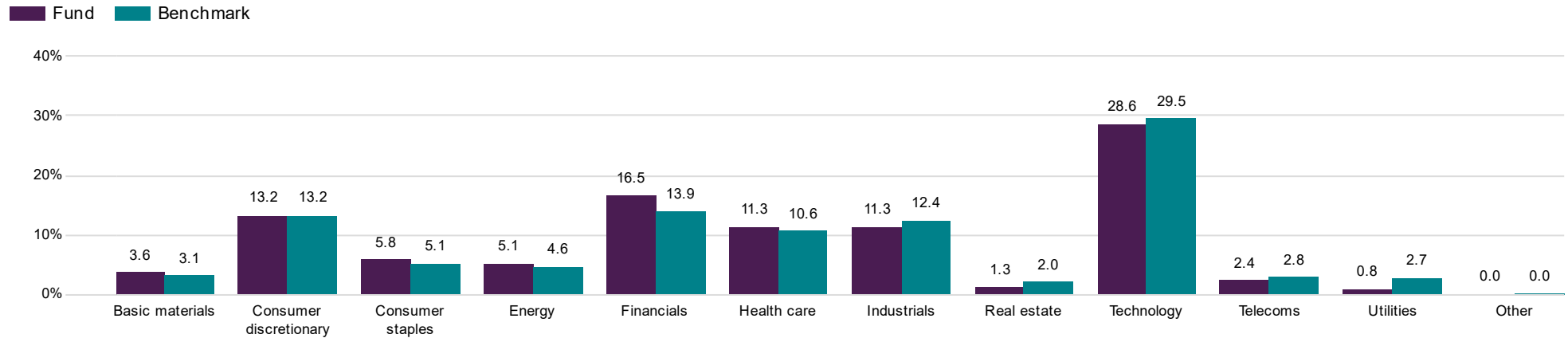
# Performance and activity

## Top 10 holdings

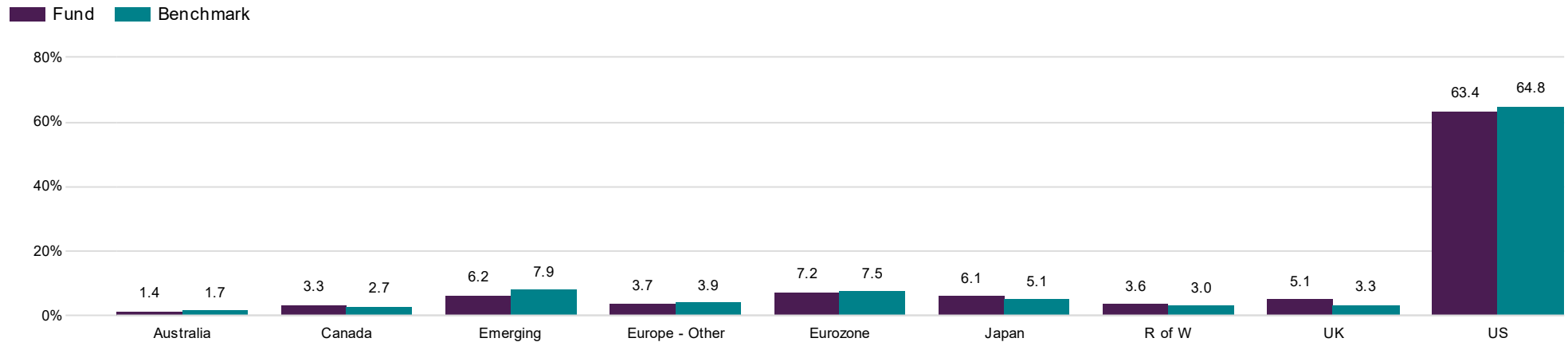
	Weighting (%)
Microsoft Corporation	5.48
Apple Inc.	4.75
NVIDIA Corporation	4.09
Alphabet Inc. Class A	3.09
Amazon.com, Inc.	3.08
Shell Plc	2.37
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	2.23
JPMorgan Chase & Co.	1.83
Eli Lilly and Company	1.80
UnitedHealth Group Incorporated	1.49
<b>Total</b>	<b>30.21</b>

# Fund breakdown

## Sector weights



## Regional weights



# Characteristics and climate

## ESG characteristics rationale

The Fund seeks to promote environmental characteristics relating to climate change mitigation by promoting those corporates with willingness and ability to accelerate decarbonisation towards net zero by 2050. We consider mitigation efforts to be most credible if there are tangible improvements by 2030. The Fund also promotes good governance using a principles based approach.

## ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website: [www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf](http://www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf)

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective		✓
Additional exclusions		✓

## Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	8,201	n/a	n/a
Financed emissions coverage	99.91%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	29.36	47.83	(38.61)
Carbon footprint coverage	99.91%	99.22%	0.69
Weighted average carbon intensity (tCO2e/\$M sales)	61.03	117.37	(48.00)
Weighted average carbon intensity coverage	99.91%	99.07%	0.84

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

## Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	99.91	99.19	0.72
% of portfolio below 2°C ITR	51.00	51.61	(1.19)
% of portfolio below 1.5°C ITR	20.56	23.15	(11.19)

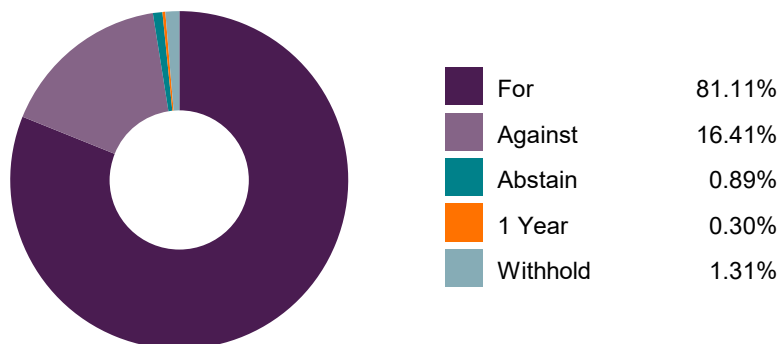
## SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	26.18	25.51	2.63
SBTi Near-Term committed	9.85	11.32	(12.98)
SBTi Near-Term targets set	35.51	38.92	(8.76)

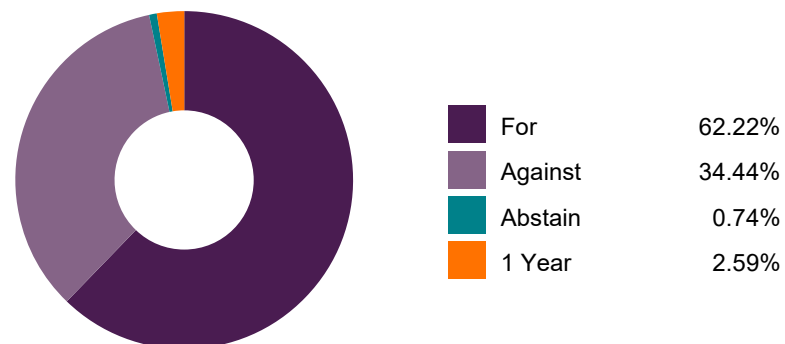


# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



## Notable votes

### Amazon.com

Shareholder Proposal Regarding Report on Customer Due Diligence - for: We are supportive of the request for an independent review into Amazon's customer due diligence process to determine whether use of its products and services with surveillance, computer vision and cloud storage contributes to human rights violations.

Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report - for: While we acknowledge the Company's current disclosures around pay equity, we are supportive of the Company increasing its reporting in this area.

Shareholder Proposal Regarding Just Transition Reporting - for: We support further disclosures on just transition and the development of a plan to address the social impacts of climate transition.

Shareholder Proposal Regarding Third-Party Assessment of Freedom of Association - for: We are supportive of the request for the company to disclose how it ensure workers' rights to freedom of association and collective bargaining as guaranteed by the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights; particularly given the ongoing issues raised over the company's labour practices and anti-unionisation rhetoric at some sites.

Shareholder Proposal Regarding the Human Rights Impacts of Facial Recognition Technology - for: We are supportive of increased disclosure in this area given the potential for human and civil rights violations associated with the use of Recognition.

Shareholder Proposal Regarding Report on Working Conditions - for: We are supportive of increased scrutiny in this area given the significant allegations around the Company's working conditions.

# Fund Voting

## Notable votes

### Shell Plc

Approval of Energy Transition Update and Energy Transition Strategy 2024 - abstain: The company has made progress on certain aspects of our asks, including increased disclosure around climate targets and the introduction of a new absolute Scope 3 emissions target for use of oil products. However, we remain concerned about continued expenditure in new exploration and have yet to see exploration plans being clearly linked to a Paris-aligned decarbonisation pathway. We urge the company to provide further clarity on this, on how carbon emissions will be reduced in the medium-term and also on the type and use of offsets.

Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement - abstain: We are supportive of the proponent bringing its ask to the company and view Scope 3 targets as critical to establish alignment with the aims of the Paris Agreement. Due to the introduction of a partial absolute Scope 3 target and our positive engagement with the company, we mediate our concerns and abstain, with a view to escalate in the future should we not see the desired progress.

### Taiwan Semiconductor Manufacturing

Elect KUNG Ming-Hsin - withhold: The nominee has attended less than 75% of meetings without a valid excuse.

Elect Sir Peter L. Bonfield - withhold: The nominee is not independent with a board tenure of 22 years and serves on the Audit Committee which should remain fully independent in our view.

Elect Moshe N.Gavrielov - withhold: The nominee serves as Chair of the Nomination and Governance committee and we note that a Senior Independent Director or equivalent has not been appointed, particularly given the absence of an independent Chair on the board.

# Market commentary

## Market overview

Global equities continued to rally over Q2, with stronger than expected earnings growth fuelled by artificial intelligence (AI) demand. Some of the same trends that were driving markets during the first quarter continued into the second quarter of 2024. The technology sector has remained the best performing sector driven by AI which is triggering significant investments in technology infrastructure particularly semiconductors.

The macroeconomic backdrop remain uncertain and political factors have added another element of volatility this quarter. However, broadly speaking, the scene has been set with steady but slowing growth, sticky inflation and slow easing by central banks.

2024 started with expectations that central banks would cut early and cut several times. However, as the year has progressed, those expectations have changed. Inflation data having generally been stronger than expected has left central banks particularly the Federal Reserve to push back against rate cuts. While the European Central Banks cut rates in June, the Federal Reserve and the Bank of England have held off so far.

Ahead of the US Presidential elections in November, snap parliamentary elections were called in the UK and France, providing reminders that voter dissatisfaction with the seeming consensus on economic policy and a demand for change from citizens.

The price of WTI crude oil lost 2.0% over the quarter to \$82 a barrel, stagnating after the strong gains made in the prior quarter. Copper futures meanwhile gained 8.3% in US dollar terms.

The US dollar appreciated by 6.3% against the yen, by 0.7% against the euro, and was flat against sterling.

## Outlook

Whilst 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

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](http://www.rlam.com).

Issued in July 2024 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 Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L - 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

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](http://www.rlam.com).

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

## Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

## Responsible investment style risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number of securities in which the Fund may invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities.

# Performance to 30 June 2024

## Cumulative (%)

## Annualised (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception	3 Years (p.a.)	Since Inception (p.a.)
<b>Fund (gross)</b>	3.65	13.24	22.02	-	27.81	-	8.68
<b>Fund (net)</b>	3.57	13.05	21.62	-	26.56	-	8.32

## Year on year performance (%)

	30/06/2023 - 30/06/2024	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021	30/06/2019 - 30/06/2020
<b>Fund (gross)</b>	22.02	20.41	-	-	-
<b>Fund (net)</b>	21.62	20.01	-	-	-

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 30 June 2024. All figures are mid-price to mid-price in GBP for the Royal London Global Equity Diversified Fund (IRL) (Z Acc) (USD); Since inception date 20 July 2021.

# Glossary

## Active share

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

## Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO<sub>2</sub>e/\$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

## ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

## Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

## Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO<sub>2</sub>e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

## Fund restrictions definitions

**Adult Entertainment:** Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

**Alcohol:** Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

**Animal Welfare:** Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

**Armaments:** Companies who manufacture armaments or nuclear weapons or associated products.

**Controversial Weapons:** Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

**Fossil Fuels:** Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

**Gambling:** Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

**High Environmental Impact:** Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

**Human Rights Risks:** Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

**Nuclear Power:** Companies who generate energy from Nuclear Power.

**Nuclear Weapons:** Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

**Tobacco:** Companies which are growing, processing or selling tobacco products.

## 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.

## Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

## 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.

## Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

## Regional weights

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



# Glossary

## SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

## Sector weights

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

## Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

## Top 10 holdings

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

## Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO<sub>2</sub>e / \$M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.