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Royal London Global Equity Income Fund

Quarterly Investment Report

30 June 2024

ROYAL LONDON
ASSET MANAGEMENT

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 Income 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 income and capital growth (a total return) over the medium term, which should be considered as a period of 3-5 years, by predominantly investing in shares of companies globally. The Fund's performance target is to outperform, after the deduction of charges, the MSCI World Net Total Return Index GBP (the "Index") by 2% p.a. over rolling 3-year periods. The Fund also aims to produce an income 20% higher than the Index's income p.a. over rolling 3-year periods (after the deduction of any charges).

Benchmark: MSCI World Net Total Return GBP

Fund value

	Total £m
30 June 2024	1,190.93

Fund analytics

	Fund
Fund launch date	25 February 2020
Base currency	GBP
Number of holdings	63
Active share (%)	83.3
Tracking error (%)	4.8

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	1.16	2.56	(1.40)
YTD	11.17	12.69	(1.53)
1 Year	23.12	20.90	2.22
3 Years (p.a.)	14.23	8.84	5.39
Since inception (p.a.)	16.42	12.19	4.23

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 Income Fund M Income. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 25 February 2020.

The benchmark in the above performance table shows MSCI All Countries World Net Total Return Index since inception up to 21 August 2023, and the MSCI World Net Total Return Index, when the benchmark changed, thereafter.

Performance commentary

The portfolio underperformed the index during the quarter. The largest contributor to returns during the quarter was Taiwan Semiconductor Manufacturing Company (TSMC). TCMC, 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.

Other contributors included KB Financial and Shell. KB Financial Group is a Mature diversified financial services company primarily based in Korea. It focuses 95% of its operations within the domestic market, with banking activities contributing to approximately 70% of its net profit. The rest of its revenue comes from a variety of financial services. Q1 2024 results were reported during the period alongside the announcement of a new shareholder return policy, signalling a strong commitment to enhancing shareholder value. We view the results as positive when assessed against our investment thesis milestones and we believe the valuation opportunity continues to be attractive.

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.

Negative detractors included Apple, the world's pre-eminent ecosystem of consumer electronics hardware and software with the iPhone constituting over 50% of company-wide sales. Other hardware includes the iPad, computers, laptops and peripherals. These devices are united by the customer focused iOS operating system which creates a 'walled garden' around Apple products as well as a network effect for existing customers when adding devices and sharing content/apps/settings/password etc. across those devices. An underweight position in Apple was a negative contributor to relative performance in Q2 as Apple shares performed well in anticipation of their announcement on AI and how it will integrate into the next iterations of the iPhone, ultimately with the potential of sparking a new upgrade cycle.

Performance and activity

Performance commentary (continued)

Steel Dynamics, the US steel manufacturer which is currently in the Slowing & Maturing stage of the Life Cycle, detracted from performance in Q2. Steel Dynamics uses electric arc furnaces to recycle scrap steel differentiating itself from competitors who typically use coal blast furnaces. There has been a significant market rotation since mid-May with cyclical companies selling off which has driven Steel Dynamics share price against the flow of positive quarterly results announced in May. Steel Dynamics remains very strong in terms of fundamental wealth creation characteristics and the valuation pay-off continues to offer an attractive 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.

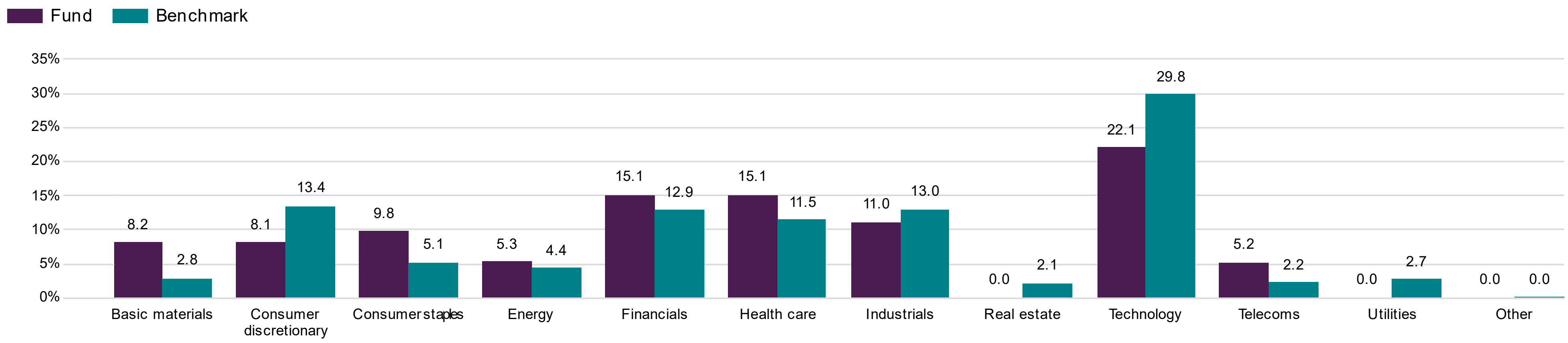
Performance and activity

Top 10 holdings

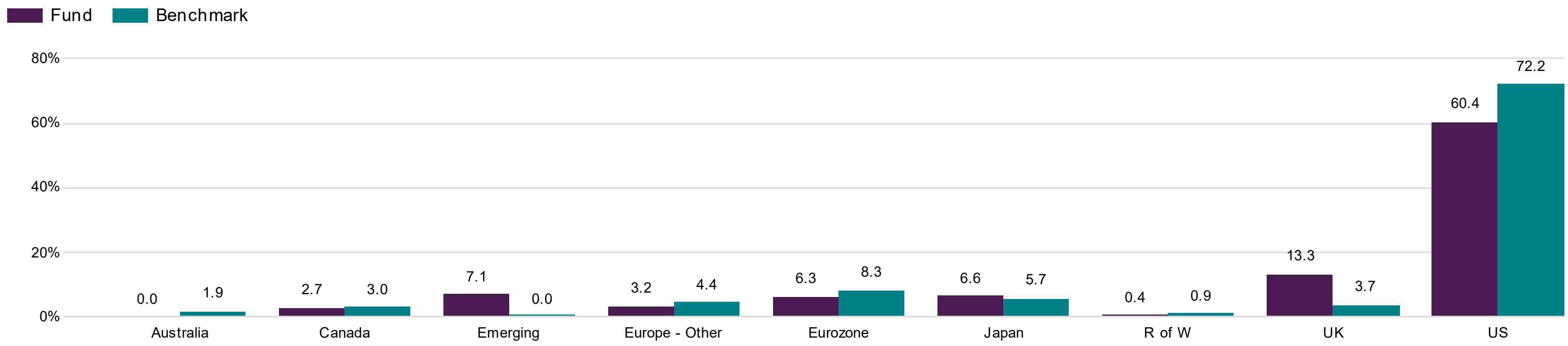
	Weighting (%)
Microsoft Corporation	6.14
Alphabet Inc. Class A	3.58
Shell Plc	3.16
Steel Dynamics, Inc.	3.07
UnitedHealth Group Incorporated	2.81
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	2.79
Ashtead Group plc	2.67
Broadcom Inc.	2.34
Wolters Kluwer N.V.	2.32
Cisco Systems, Inc.	2.29
Total	**31.17**

Fund breakdown

Sector weights



Regional weights



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:

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.

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 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 Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807.

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 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.

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.

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 30 June 2024

Cumulative (%) / Annualised (%)

	Cumulative: 3 Month	Cumulative: 6 Month	Cumulative: 1 Year	Cumulative: 3 Years	Cumulative: Since Inception	Annualised: 3 Years (p.a.)	Annualised: Since Inception (p.a.)
Fund (gross)	1.16	11.17	23.12	49.11	93.67	14.23	16.42
Fund (net)	0.98	10.77	22.24	45.92	87.71	13.41	15.58

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
Fund (gross)	23.12	16.16	4.26	31.40	-
Fund (net)	22.24	15.33	3.51	30.46	-

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 30 June 2024. All figures are mid-price to mid-price in GBP for the Royal London Global Equity Income Fund M Income; Since inception date 25 February 2020.

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).