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Royal London UK Equity Fund

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 UK Equity 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 capital growth over the medium term (3-5 years) by investing at least 80% in the shares of UK companies included in the FTSE All-Share Index. The Fund's performance target is to outperform, after the deduction of charges, the FTSE All-Share Total Return GBP Index (the "Index") over rolling 5-year periods. The Index is regarded as a good measure of the share-price performance of the approximately 600 largest companies on the London Stock Exchange. 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. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA UK All Companies sector is considered an appropriate benchmark for performance comparison.

Benchmark: FTSE All-Share Total Return GBP Index

Fund value

| | Total £m |
|--------------|----------|
| 30 June 2024 | 787.90 |

Fund analytics

| | Fund |
|--------------------|---------------|
| Fund launch date | 11 April 1984 |
| Base currency | GBP |
| Number of holdings | 65 |

Performance and activity

Performance

| | Fund (%) | Benchmark (%) | Relative (%) |
|------------------------|----------|---------------|--------------|
| Quarter | 3.36 | 3.73 | (0.37) |
| YTD | 6.22 | 7.43 | (1.21) |
| 1 Year | 11.24 | 12.98 | (1.74) |
| 3 Years (p.a.) | 7.98 | 7.40 | 0.59 |
| 5 Years (p.a.) | 5.56 | 5.53 | 0.03 |
| 10 Years (p.a.) | 6.08 | 5.92 | 0.16 |
| Since inception (p.a.) | 7.10 | 7.04 | 0.06 |

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 UK Equity M Acc. Source: Royal London Asset Management; Net performance; Since inception date of the shareclass is 1 May 2012.

Performance commentary

The fund underperformed the benchmark index during the second quarter (Q2). Throughout the first half of the year, the key features have been the strength of the US economy, the huge expenditure by corporates on artificial intelligence (AI) and the gradual decline in inflation across western economies. In the US the strength of the economy has resulted in the expected number of reductions in interest rates declining and now only one cut is expected by year end. This is important as it influences global equity markets. In the UK a feature of the second quarter of the year has been the strength a number of some big sectors such as banks, oil and health care reflecting a general improvement in expected returns. This follows years of disappointing performance and reflects actions of management and in some cases a more supportive operating environment. In the UK the best performing sectors during Q2 were banks, health care and utilities, while industrials and technology fared poorly.

The main positive drivers of performance included holdings such as 3I, Diploma and Imperial Brands. 3I in particular has been a very strong performer over time, reflecting its ownership of the discount chain Action in Europe which continues to grow very strongly. Diploma the distributor continues to perform well and make value added strategic acquisitions, while Imperial Brands returns significant capital back to shareholders offering an attractive total return. The largest disappointment during the quarter was our holding in Sage. While they delivered an attractive rate of organic growth, compared to some peers this was disappointing and the shares fell sharply. We believe that is an over-reaction and over time it will recover.

Performance and activity

Top 10 holdings

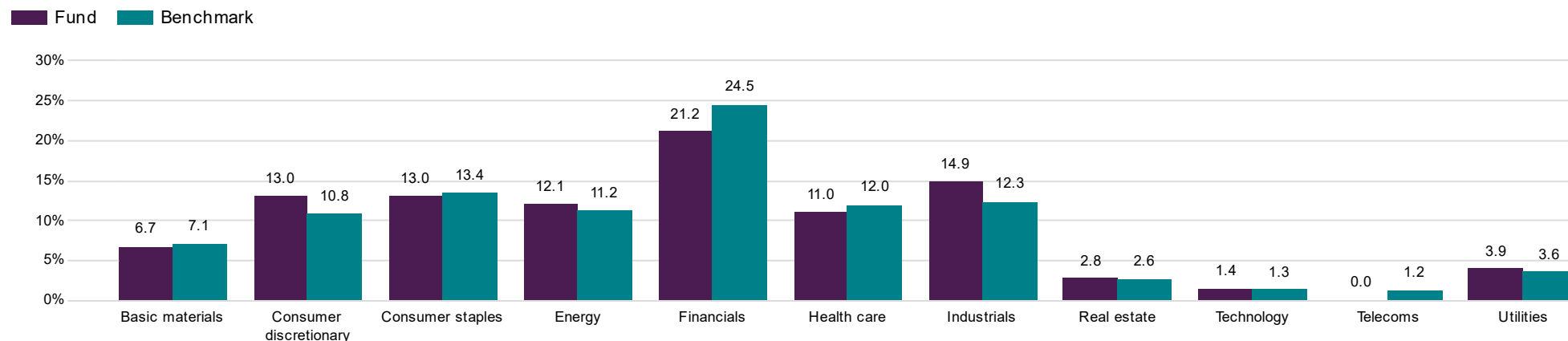
| | Weighting (%) |
|---------------------------------|---------------|
| Shell Plc | 8.39 |
| AstraZeneca PLC | 7.45 |
| HSBC Holdings Plc | 5.30 |
| Unilever PLC | 4.45 |
| RELX PLC | 3.56 |
| BP p.l.c. | 3.51 |
| GSK plc | 2.76 |
| Compass Group PLC | 2.76 |
| 3i Group plc | 2.70 |
| London Stock Exchange Group plc | 2.54 |
| Total | 43.42 |

Fund activity

During the quarter we continued to add to GlaxoSmithKline as we believe that the valuation takes little account of the improved prospects for the business. We have continued to add to Tesco as the relatively new management team continue to take action to grow market share, margins and return more capital back to shareholders. We also believe that the banking sector remains well placed and we added to NatWest Group. We sold out of DS Smith post the bid from International Paper, over time the investment has been slightly disappointing, and we also took some profit from 3I post a strong run.

Fund breakdown

Sector weights



Market commentary

Market overview

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.

Markets have once again been dominated by interest rates during the quarter, despite little or no movement in this area. 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 hold off so far. Most central bank forecasters now only expect one or two cuts from each of these banks over the course of 2024 as a whole.

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.

In the second quarter, the UK equity market rose 3.7% (FTSE All-Share index) building on the first quarter's 3.6% growth. In overall terms, UK equities (both FTSE 100 and 250) outperformed the Europe ex UK index. For UK equity markets, financials and healthcare stocks enjoyed a strong quarter, while the basic resources, media, and construction & materials sectors also saw solid returns. Consumer discretionary and utilities underperformed.

Gradually reducing inflation data – with the most recent reading hitting the Bank of England's target – and relative political certainty despite the upcoming elections helped sentiment in the UK. Even before the snap French election announcement dominated headlines, the market impact of the upcoming UK general election had been fairly limited. With polls pointing to a large and stable lead for the Labour party over the Conservatives, markets instead turned their attention to what a potential Labour government would mean for UK assets.

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 depreciated by 5.9% against the yen, by 0.8% against the euro, and was flat against sterling.

Outlook

We believe our approach of investing in a broad range of companies who are in control of their own fates, irrespective of market conditions is the right one. As well as looking for durable businesses, a willingness to look through short-term extremes of sentiment and buy stocks when they are out of favour, or take profits when sentiment becomes exuberant should drive longer term performance.

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, 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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FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Royal London Asset Management.

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.

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 30 June 2024

Cumulative (%)

Annualised (%)

| | 3 Month | 6 Month | 1 Year | 3 Years | 5 Years | 3 Years (p.a.) | 5 Years (p.a.) |
|---------------------|---------|---------|--------|---------|---------|----------------|----------------|
| Fund (gross) | 3.53 | 6.57 | 11.99 | 28.49 | 35.55 | 8.71 | 6.27 |
| Fund (net) | 3.36 | 6.22 | 11.24 | 25.94 | 31.10 | 7.98 | 5.56 |

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) | 11.99 | 10.53 | 3.80 | 19.54 | (11.75) |
| Fund (net) | 11.24 | 9.80 | 3.11 | 18.74 | (12.34) |

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 UK Equity M Acc.

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.