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# Royal London UK Equity Income 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 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.

# Contents

The fund	3
Performance and activity	4
Fund breakdown	6
Market commentary	7
Further information	8
Disclaimers	9
Performance net and gross	11
Glossary	12

# The fund

## Fund performance objective and benchmark

The Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years) by investing at least 50% in the shares of UK companies listed on the London Stock Exchange. 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 3-year periods. The Fund also aims to produce an income in excess of the Index's income over rolling 3-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 Equity Income sector is considered to be an appropriate benchmark for performance comparison.

Benchmark: FTSE All-Share Total Return GBP Index

## Fund value

	Total £m
30 June 2024	1,216.61

## Fund analytics

	Fund
Fund launch date	11 April 1984
Base currency	GBP
Number of holdings	48

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	5.53	3.73	1.80
YTD	9.05	7.43	1.62
1 Year	19.10	12.98	6.12
3 Years (p.a.)	10.04	7.40	2.64
5 Years (p.a.)	7.49	5.53	1.96
10 Years (p.a.)	7.64	5.92	1.72
Since inception (p.a.)	9.80	6.61	3.19

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 RL UK Equity Income Fund (M Inc). Source: Royal London Asset Management;Gross performance; Since inception date of the shareclass is 5 November 2010.

## Performance commentary

The fund outperformed the benchmark during the period under review.

A number of financial sector stocks were among the largest contributors to the fund's performance, 3i, IG Group, Nat West, Paragon, Investec and Intermediate Capital. In other sectors, holdings in Imperial Brands, ITV and Diploma were strong.

The holding in Spectris was a drag on performance after the company announced a disappointing trading statement, citing weaker end markets and disruption from installing a new software system within the company.

# Performance and activity

## Top 10 holdings

	Weighting (%)
Shell Plc	7.78
AstraZeneca PLC	4.85
RELX PLC	4.06
3i Group plc	3.80
Unilever PLC	3.59
Imperial Brands PLC	3.17
British American Tobacco p.l.c.	3.01
BP p.l.c.	2.84
IMI plc	2.77
GSK plc	2.59
<b>Total</b>	<b>38.46</b>

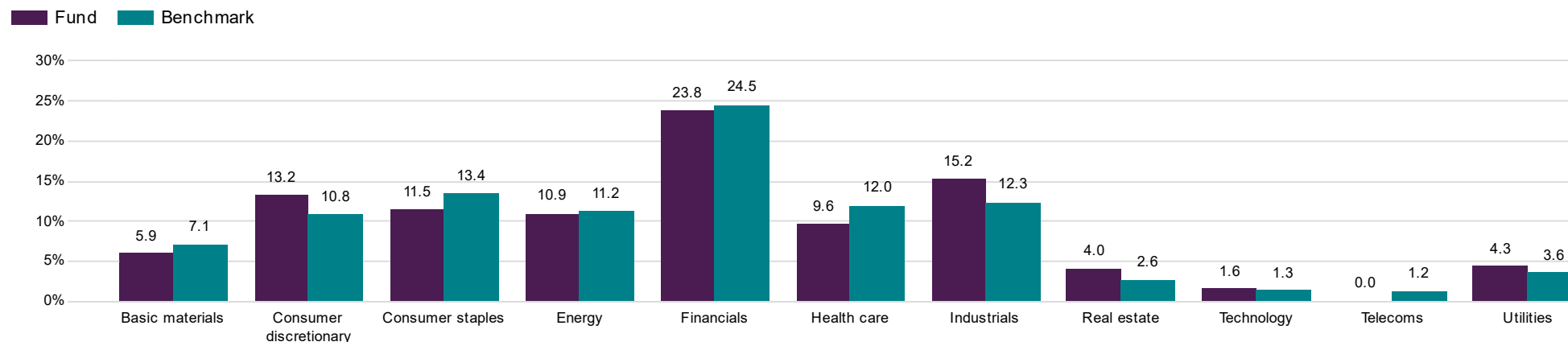
## Fund activity

During the month the main activity was to sell out of the holding in HSBC and start a new position in Prudential. Like HSBC, Prudential shares give Asian focused geographic exposure, and the shares are deeply out of favour and trade at levels not seen since the onset of the COVID pandemic in 2020.

The fund also took part in the rights issue by National Grid and Prudential. National Grid shares were raising new equity to help finance more investment in the UK's electricity system.

# 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](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 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](http://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.

## **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 (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
<b>Fund (gross)</b>	5.53	9.05	19.10	33.28	43.55	10.04	7.49
<b>Fund (net)</b>	5.34	8.66	18.25	30.44	38.49	9.25	6.72

## 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>	19.10	10.10	1.64	25.22	(13.98)
<b>Fund (net)</b>	18.25	9.32	0.91	24.32	(14.60)

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 RL UK Equity Income Fund (M Inc).

# 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.