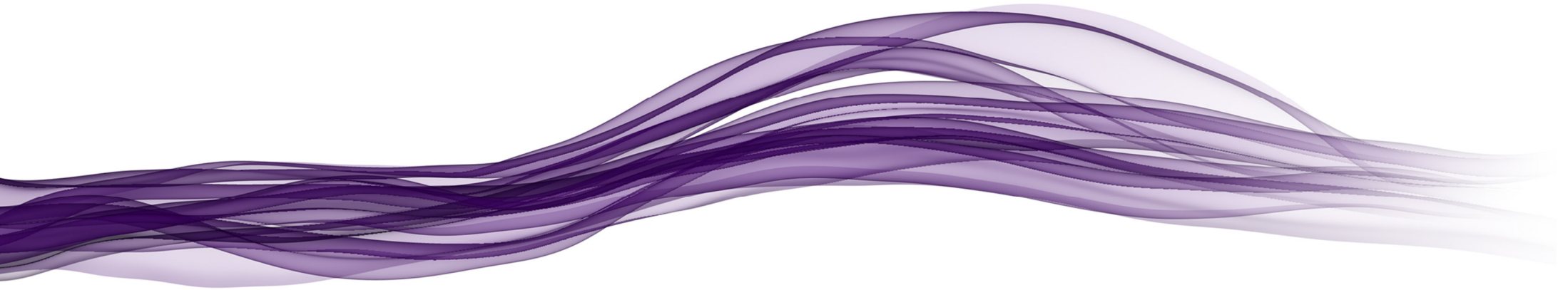


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# Royal London Multi Asset Strategies Fund

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 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, while employing diversified multi-asset strategies to manage volatility and the risk of loss. The Fund aims to deliver an annualised total return of 4% above the return on cash, which is defined as the Bank of England Sterling Overnight Index Average, over rolling 5-year periods. This is considered an appropriate benchmark, as Fund intends to grow capital while limiting losses.

Benchmark: SONIA (Sterling Overnight Index Average)

## Fund value

	Total £m
30 June 2024	919.41
Fund launch date	23 November 2018

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.12	1.27	(0.15)
YTD	5.40	2.56	2.84
1 Year	11.17	5.18	5.99
3 Years (p.a.)	2.91	2.85	0.05
5 Years (p.a.)	2.29	1.82	0.47
Since inception (p.a.)	2.77	1.70	1.07

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 Multi Asset Strategies Fund (M Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 23 November 2018.

## Performance commentary

The Royal London Multi Asset Strategies Fund (MAST) is designed for investors looking to generate growth, over five-year rolling periods, through a diversified multi asset portfolio, while limiting losses during periods of financial market turbulence. MAST combines two complementary return drivers, each with its own separate in-built risk controls:

Multi Asset Core portfolio, which offers a diversified mix across a range of asset classes to capture upside during positive market trends; and

Tactical asset allocation (TAA) strategies designed to generate additional return irrespective of market direction.

Our TAA approach can reduce exposure to growth-sensitive assets as economic and market conditions deteriorate, and therefore works well alongside the Multi Asset Core portfolio, which we expect to add more value in bull markets. The combined approach is designed to generate consistent returns, over five-year rolling periods, while also being able to take advantage of opportunities as they arise.

MAST aims to capture upside in positive market trends, while limiting downside during periods of market turbulence through diversification, active positioning, and volatility management.

MAST posted positive performance of over the second quarter of this year. The aggregate allocation to equities decreased over the quarter, as we took some profits on our equity overweight position that had done well for us.

# Performance and activity

## Top 10 holdings

	Weighting (%)
RL Short Term Fixed Income Fund	10.03
RL Investment Grade Short Dated Credit Fund	9.96
RL UK Government Bond Fund	9.92
RL Sterling Liquidity Money Market Fund	7.34
RL Japan Equity Tilt Fund	5.03
Royal London US Equity Tilt R Acc	5.02
RL UK Core Equity Tilt Fund	5.00
RL Europe Ex UK Equity Tilt Fund	4.99
Royal London Equity Funds ICVC - Royal London Asia Pacific	4.99
ROY LON SUS SH DUR CO BD-RGB	4.98
<b>Total</b>	<b>67.26</b>

## Fund activity

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

The fund started the quarter with a core equity exposure at 30%. Volatility rose in April amid concerns around geopolitics and fears that interest rates will have to remain high for longer. This saw us reduce the core exposure down to 28% briefly, we then moved gradually back to 30% as volatility drifted lower.

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

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.

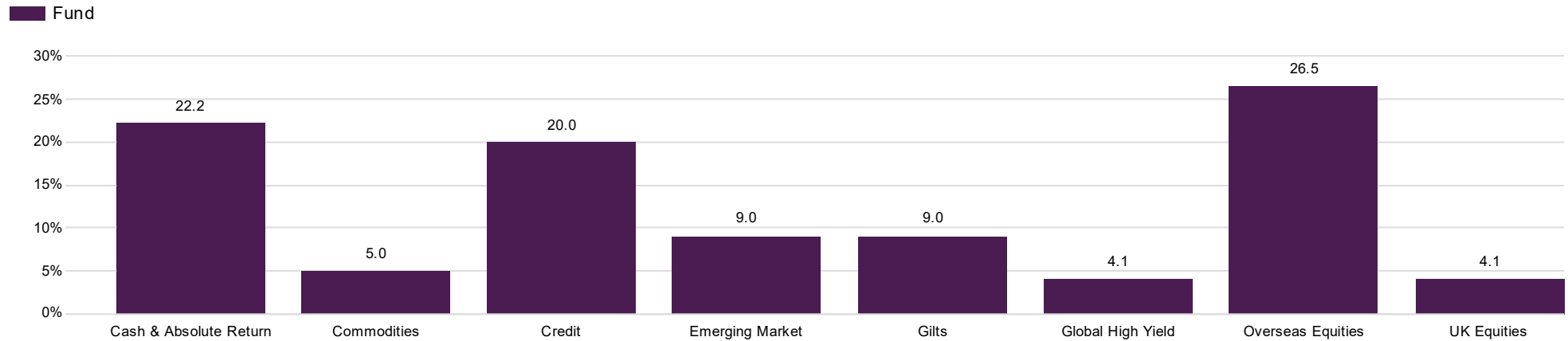
Global equity indices ended the quarter at all-time highs. Resilient macro data, strong corporate earnings results, and expectations of policy loosening this year all contributed to market optimism. While price momentum remains strong, we have taken some profits of late, driven by our Investment Clock moving away from equity-friendly Recovery phase into Overheat. Our overweight position continued to add value over the quarter.

US stocks had a strong end to Q2 and have recorded their best first half year performance in an election year since 1976; we moved overweight the region which added value over the period. We closed our overweight in Japan over the quarter; the region started to struggle in relative terms as Japan's Ministry of Finance intervened in currency markets to try to stop the yen from weakening.

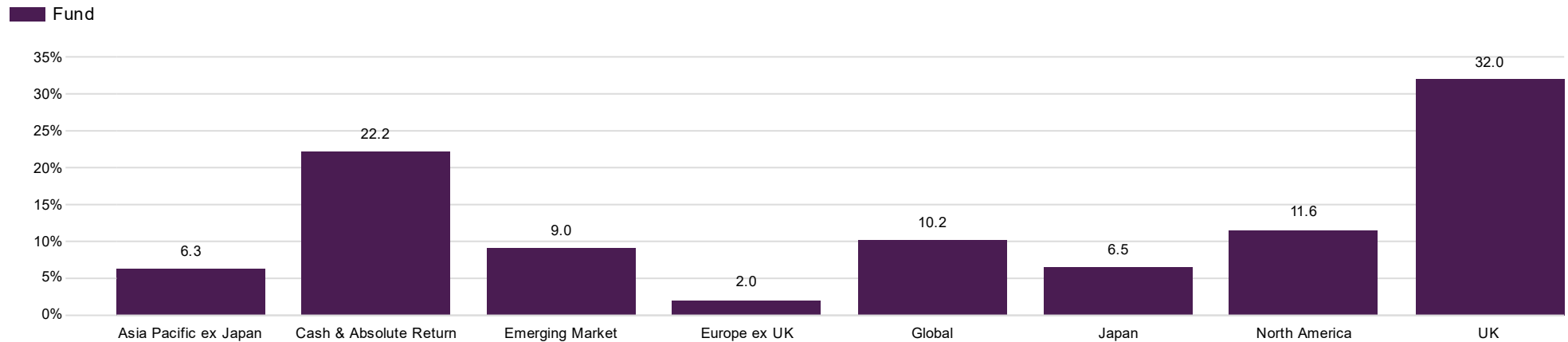
The US technology sector, which led gains last year and in Q1 of this year on the back of high expectations around AI continued to outperform over Q2. We remained broadly overweight the growth sectors, technology and consumer discretionary, funding it primarily from defensives and energy, but took some profits into the quarter end. The recent move higher in the tech sector has been backed by strong earnings growth.

# Fund breakdown

## Asset split



## Geographical breakdown



# Market commentary

## Market overview

The macro backdrop may appear not as worrying as it was a couple years ago but there is plenty of concerning developments below the surface, and political factors added another element of volatility this quarter. However, broadly speaking, the scene has been set with steady growth, sticky inflation and slow easing by central banks.

Data released in the UK in the second quarter confirmed that the country bounced out of technical recession in the first quarter and painted a picture of continued positive economic growth and with inflation falling back to the Bank of England's 2% target. First quarter GDP rose 0.7% quarter-on-quarter in real terms after falling 0.3% in the fourth quarter. The US Federal Reserve continued to keep rates on hold at 5.25-5.50% over the quarter against a still resilient labour market backdrop, and the relatively strong (core) CPI inflation seen over January to April. The European Central Bank cut rates 25bps in June, citing progress on inflation and in line with signalling from various ECB speakers. Signals for the outlook beyond June at that meeting were more ambiguous and data dependent. Euro area CPI moved from 2.4% year-on-year in March to 2.6% in May, with core at 2.9% in May after 2.9% in March.

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 often. However, as the year has progressed, those expectations have changed. Inflation has generally not come down quite as fast as hoped, with services inflation proving sticky, particularly in the UK, while growth has generally not been as weak as feared - particularly in the US. Interest rates were cut just once across the Federal Reserve, European Central Bank and Bank of England, with the ECB cutting rates in June. 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 ongoing lack of consensus on longer-term issues such as climate change create an uncertain backdrop for businesses and consumers alike.

Global equities continued to rally over Q2, with stronger than expected earnings growth fuelled by AI demand helping markets look through risk of fewer than previously expected 2024 interest rate cuts. US stocks saw the best returns in the first half of an election year since 1976. Meanwhile European shares underperformed amid political risk arising from French snap elections. Emerging markets and Asia Pacific ex Japan were the best performers.

Some of the same trends that were driving markets during the first quarter continued into the second quarter of 2024. While the technology sector has continued to outperform, there has been underneath a rotation in market with sectors like financials or utilities also performed well. The technology sector has remained the best performing sector driven by artificial intelligence (AI) which is triggering significant investments in technology infrastructure particularly semiconductors. The financial sector benefitted from the diminished expectations of interest rates cuts. Finally, utilities benefitted from increased demand for electricity driven by the growth of datacentres. Cyclically sensitive sectors like industrials and consumer discretionary were among the worst performers impacted by deteriorating activity data.

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

While we expect headline inflation to continue to fall, we are not expecting a return to the previous disinflationary world. We see a more normal new regime characterised by periodic spikes in inflation and short boom-bust cycles. Tactical asset allocation is important when business cycles are shorter given inflation causing more movement in interest rates. Our funds have benefited from an overweight in equities since 2022 as the world economy proved much more resilient than expected to higher interest rates. However, we have taken profits of late, reducing our allocation to stocks as our Investment Clock has moved away from the equity friendly Recovery quadrant. We have now entered the summer months which tend to be more volatile for stock markets and the risk is elevated that macro data could create further challenges.

## 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

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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](http://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.

## 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 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>	1.12	5.40	11.17	8.98	11.99	2.91	2.29
<b>Fund (net)</b>	0.98	5.11	10.56	7.20	8.96	2.34	1.73

## 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>	11.17	1.54	(3.45)	11.32	(7.69)
<b>Fund (net)</b>	10.56	0.99	(3.98)	10.71	(8.20)

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 Multi Asset Strategies Fund (M Acc).

# 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.