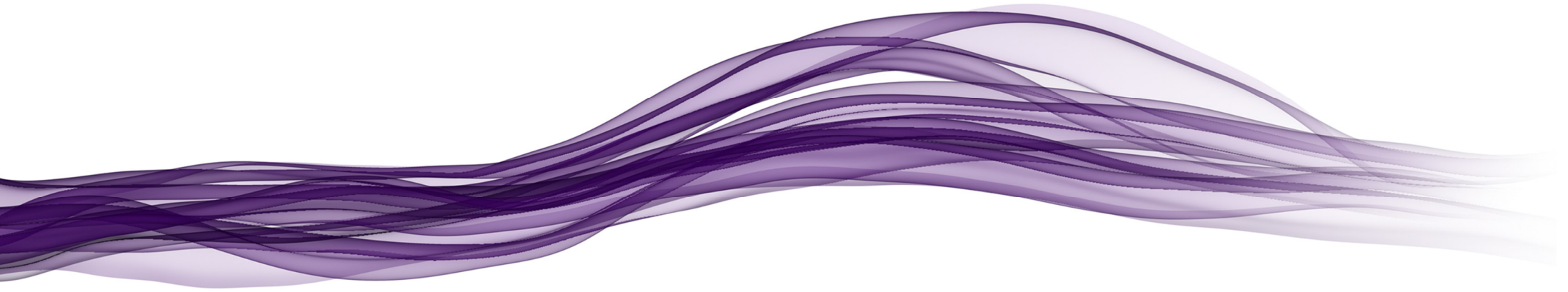


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Royal London Global Sustainable Equity Fund

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 Global Sustainable 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.

Contents

The fund	3
Performance and activity	4
Fund breakdown	6
ESG	7
Market commentary	11
Further information	12
Disclaimers	13
Performance net and gross	15
Glossary	16

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term, which should be considered as a period of 3-5 years, by predominantly investing globally in the shares of companies listed on stock exchanges that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Manager's ethical and sustainable investment policy. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index GBP (the "Index") by 2.5% p.a. over rolling 3-year periods.

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

Fund value

	Total £m
30 June 2024	361.91

Fund analytics

	Fund
Fund launch date	25 February 2020
Base currency	GBP
Number of holdings	45

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.25	2.80	(0.55)
YTD	11.45	12.24	(0.79)
1 Year	20.84	20.06	0.78
3 Years (p.a.)	9.02	8.59	0.42
Since inception (p.a.)	14.98	12.01	2.96

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 Global Sustainable Equity Fund (M Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 25 February 2020.

Performance commentary

The fund underperformed the MSCI All-Countries World Index (ACWI) benchmark during the second quarter.

The fund's performance benefitted from its technology holdings which were the top contributors to performance during the second quarter. In particular, companies enabling and exposed to advancements in AI performed well and were amid the top contributors to performance. The world continues to digitalise, transforming the way we live and work, artificial intelligence is the latest iteration of that long-term trend. Semiconductor companies like NVIDIA, TSMC and Texas Instruments performed well in the quarter – these are the key enablers of AI and the ongoing digitalisation trend. Adobe also performed well this quarter and posted strong results – the company is a highly innovative and well-positioned for advancements in AI. What has been noticeable in the second quarter is the increasing concentration of market returns to a few large technology companies. We believe this reflects the significant investments required to tackle some of the global challenges which only large companies can afford.

On the negative side, our industrial holdings underperformed, due to overall slowing economic activity data. Examples include precision dispensing machine manufacturer Nordson, specialty chemical distributor IMCD and US water product distributor Core & Main. These names performed well in 2023 and despite the recent cyclical weakness, we believe these remain well positioned over the long term.

Other notable underperformers included US life sciences company Thermo Fisher where its shares were impacted by ongoing weakness from smaller biotechnology customers and a pause in spending from large pharmaceutical companies, and Indonesian microfinance provider Bank Rakyat after the Indonesian macroeconomic environment deteriorated.

We have a portfolio exposed to some exciting and powerful multi-year structural growth themes – the key ones being the ongoing digitalisation of society through things such as cloud computing and AI, which we think we're incredibly early in. We also have exposure to companies enabling the development of a more sustainable and resilient physical world. These include areas such as HVAC (heating, ventilation, and air conditioning), building electrification and more sustainable transport such as rail. We also continue to be excited by the opportunities in the healthcare sector where we observe advancements in computing are accelerating new drug discovery combined with large disease categories such as obesity emerging.

Performance and activity

Top 10 holdings

	Weighting (%)
Microsoft Corporation	4.45
Schneider Electric SE	3.37
Westinghouse Air Brake Technologies Corporation	3.24
MercadoLibre, Inc.	3.09
NVIDIA Corporation	3.00
ASML Holding NV	2.87
Texas Instruments Incorporated	2.87
HDFC Bank Limited Sponsored ADR	2.83
Thermo Fisher Scientific Inc.	2.82
Adobe Inc.	2.79
Total	31.33

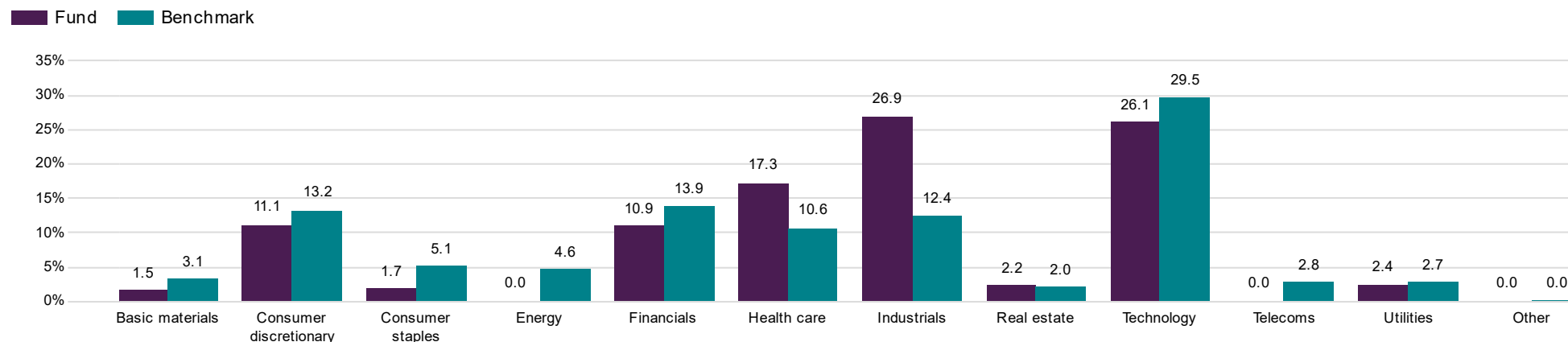
Fund activity

Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries, or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

During the period, we initiated a new position in British Pharmaceutical company GlaxoSmithKline. The company has gone through a long period of restructuring, investing significantly in R&D, and is starting to see improvements in its pipeline that are not yet reflected in its valuation. Meanwhile, we exited a position in Swiss construction chemical company SIKA as we saw better opportunities elsewhere.

Fund breakdown

Sector weights



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com

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

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

Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Fossil fuels	✓	Tobacco	✓
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	4,545	n/a	n/a
Financed emissions coverage	100.00%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	10.13	47.83	(78.83)
Carbon footprint coverage	100.00%	99.22%	0.79
Weighted average carbon intensity (tCO2e/\$M sales)	40.94	117.37	(65.12)
Weighted average carbon intensity coverage	100.00%	99.07%	0.93

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	100.00	99.19	0.82
% of portfolio below 2°C ITR	58.35	51.61	13.05
% of portfolio below 1.5°C ITR	38.40	23.15	65.88

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	36.65	25.51	43.67
SBTi Near-Term committed	5.73	11.32	(49.44)
SBTi Near-Term targets set	49.86	38.92	28.11

Fund Engagement

Engagement definition

Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	6	25
Number of engagements	6	51

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Total engagements by theme and topic



Governance	4
Remuneration	3
Corporate Governance	1
Technology, Innovation & Society	2
Technology & Society	2

Engagement focus

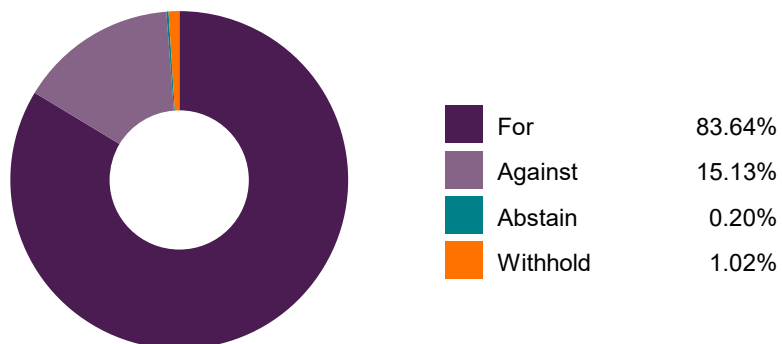
Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

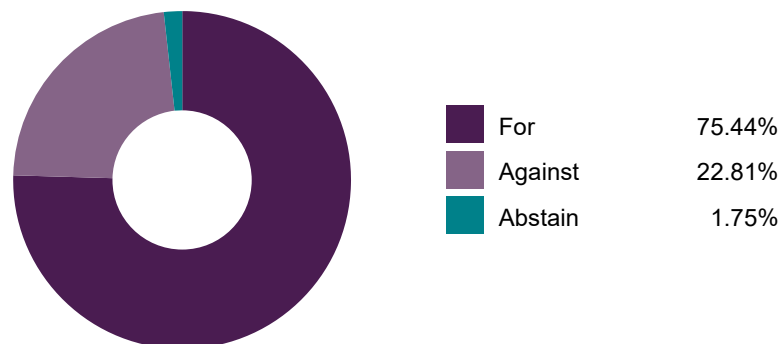
The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

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

Astrazeneca Plc

Elect Sherilyn S. McCoy - against: We welcomed the opportunity to engage with the company, however we maintain a number of concerns with the newly proposed remuneration policy and are unable to support at this time.

Elect Marcus Wallenberg - against: We have long-standing concerns over the additional external time commitments held by the nominee, as he serves as chair at two external companies compounded with three further non-executive's roles, including this company.

Remuneration Policy - against: We welcomed the opportunity to engage with the company, however we maintain a number of concerns with the newly proposed remuneration policy and are unable to support at this time.

Amendment to Performance Share Plan - against: As per the Remuneration Policy.

Authority to issue shares without pre-emptive rights and Authority to issue shares without pre-emptive rights (specified capital investment) - both against: In line with the updated Pre-Emption Group guidelines, the company sought shareholder approval to disapply pre-emption rights up to 20% of the issued share capital in aggregate. We voted against the authorities in line with policy, owing to dilution concerns.

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

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 held 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.

Some of the same trends that were driving global equity markets during the first quarter continued into the second quarter of 2024. While the technology sector has continued to outperform, there has been an underlying rally in equity markets with sectors such as financials and utilities also performing 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 in part by the growth of datacentres. Cyclically sensitive sectors such as 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 depreciated by 5.9% against the yen, by 0.8% against the euro, and was flat against sterling.

Outlook

Markets have moved significantly over the last 12 months, pricing in peak interest rates, yet history has taught us the macroeconomic environment can change quickly. We are not macroeconomic forecasters and refrain from predicting the direction of interest rates or inflation, but evidence is accumulating that we might be at peak interest rates. However, the path to lower interest rates remains in flux.

While macroeconomics, central bank decisions or politics can have a significant impact on markets in the short term, we believe long-term investors should focus on microeconomic trends, as these will be more important drivers of investment returns over time.

There is a narrative that sustainable investing is becoming less relevant given the economic and political changes we have seen over the last few years, however we believe the drive towards a more sustainable society which we define as cleaner, healthier, safer, and more inclusive continues unabated. When looking at markets we see sustainability becoming more, not less relevant and is illustrated by, but not limited to, trends in digitalisation through artificial intelligence, infrastructure through electrification and healthcare through obesity drugs. These trends make us optimistic about the long-term outlook for sustainable investing.

In an uncertain environment we will continue to follow our disciplined process which has served us well over the years and believe our portfolios are diversified and focused on high quality sustainable and financial companies that are well positioned to drive long-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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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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

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.

Responsible investment risk

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

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.)
Fund (gross)	2.25	11.45	20.84	29.59	83.45	9.02	14.98
Fund (net)	2.07	11.06	19.97	26.82	77.80	8.23	14.15

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)	20.84	19.61	(10.34)	26.76	-
Fund (net)	19.97	18.75	(10.98)	25.85	-

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 Global Sustainable Equity Fund (M Acc); Since inception date 25 February 2020.

Glossary

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO₂e/\$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 tCO₂e. 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

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

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.

SBTi

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

Glossary

Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) 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 tCO₂e / \$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.