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# Royal London Global Equity Diversified Fund

Quarterly Investment Report

30 September 2024



# Quarterly Report

## The fund as at 30 September 2024

The purpose of this report is to provide an update on the Royal London Global Equity Diversified 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 long term (7 years) by investing at least 80% in the shares of companies globally that are listed on stock exchanges. The Fund's performance target is to outperform, after the deduction of charges, the MSCI World Net Total Return Index GBP (the "Index") by 0.4-0.8% per annum over rolling 3-year periods. 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.

## Fund value

	Total £m
30 September 2024	5,900.88

## Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	188
Active share (%)	59.9
Tracking error (%)	1.6

Ex-post tracking error calculated 3 years to 30 September 2024 using EOD prices. Please refer to the glossary for a description of the tracking error used.

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.84)	0.24	(1.08)
YTD	13.73	12.96	0.77
1 Year	20.98	20.50	0.48
3 Years (p.a.)	11.55	9.26	2.29
5 Years (p.a.)	13.11	11.13	1.98
Since inception (p.a.)	13.26	11.43	1.83

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 Equity Diversified Fund (M Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 5 March 2018.

## Performance commentary

The fund underperformed the index during the quarter. Among positive performers was Sprouts Farmers Market, a US-based grocery chain that offers fresh, natural, and organic food products. Sprouts leverages its scale to deliver a 'Farmers Market' experience to all consumers, focusing on providing fresh foods at good value. Sprouts reported Q2 2024 earnings at the end of July which were extremely well received by the market in similar vein to Q1. Management appears to be executing on sensible strategy for a Compounding business whilst the market values the company as it if were Slowing & Maturing, presenting a valuation opportunity.

HCA Healthcare, a US-based operator of hospitals and clinics, performed well in Q3, with quarterly results that exceeded analyst expectations. The company is currently in the compounding stage of its corporate Life Cycle, demonstrating strong growth potential. In July, HCA reported impressive quarterly results, showcasing its Compounder attributes. Following a period of robust performance, the shares still retain an attractive valuation pay-off on our analysis.

Progressive, a US auto insurance group currently in the Accelerating portion of the corporate Life Cycle, was a positive contributor. Progressive steadily outperformed the MSCI World after announcing Q2 results earlier in the quarter. The current levels of growth and profitability are far ahead of management goals, and we remain positive on Progressive's Wealth Creation characteristics.

Shell, a global energy company currently in the turnaround phase of its Life Cycle, detracted from performance in Q3. The energy sector was the worst performer this quarter, as oil companies faced excess capacity and weak demand in key markets. Despite these challenges, we maintain a stock-specific focus and remain optimistic about Shell's wealth creation potential and attractive valuation pay-off opportunity.

Dollar General, currently in the Slowing and Maturing stage of its life cycle, is the largest discount retailer in the U.S., with over 20,000 stores across 47 states. The company offers a wide range of merchandise, including consumables, packaged food, health and beauty products, home goods, and more. Dollar General announced its quarterly results toward the end of the period, which were poorly received by the market, resulting in a 30% drop in its share price on the day of the announcement. The market focused on the decline in EPS and lower-than-expected comparable store sales growth, both driven by macroeconomic headwinds affecting the company's core customer base. Despite these challenges, Dollar General continues to generate substantial cash, leading us to ask the question of how management best to allocate it moving forward.

# Performance and activity

## Performance commentary (continued)

Microsoft is the largest company in the world, holding a dominant position in both computing operating systems and productivity suites through its Office software. The familiarity of users with the interface, combined with positive network effects as more users adopt Microsoft software, creates high switching costs and significant barriers to entry for competitors at any price point. Microsoft reported strong earnings in late July, alongside optimistic guidance for Azure through the year's end. However, the stock has underperformed the market since, as investors weigh the scale of its investments in AI R&D and question when they will see a return on this capital. Microsoft continues to perform well against our milestones and investment thesis.

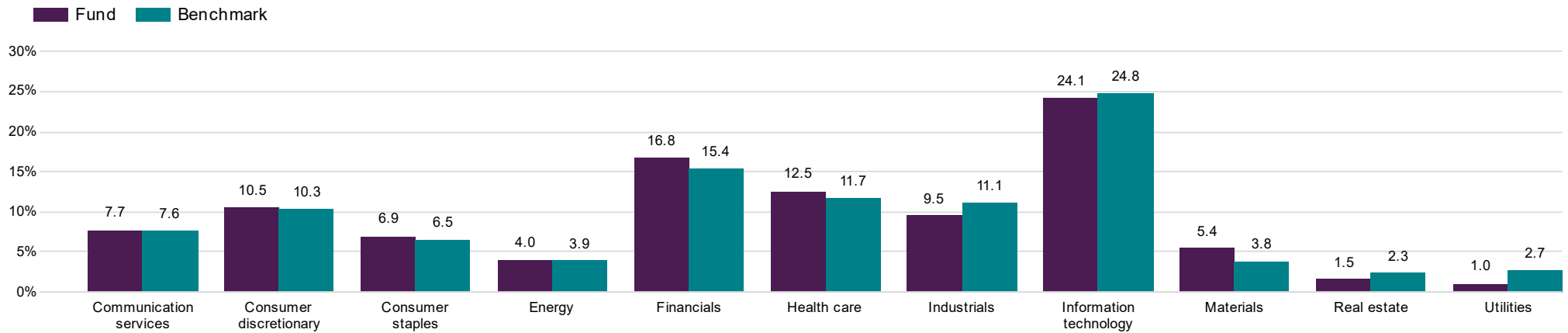
# Performance and activity

## Top 10 holdings

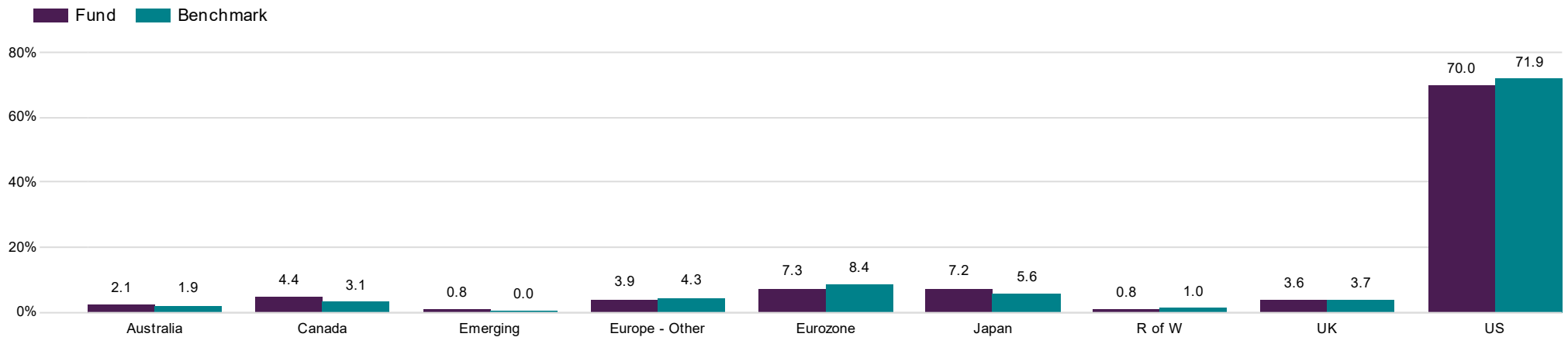
	Weighting (%)
Apple Inc.	5.34
Microsoft Corporation	5.20
NVIDIA Corporation	4.30
Alphabet Inc. Class A	3.18
Amazon.com, Inc.	2.89
Meta Platforms Inc Class A	1.91
UnitedHealth Group Incorporated	1.79
JPMorgan Chase & Co.	1.61
Eli Lilly and Company	1.43
Berkshire Hathaway Inc. Class B	1.31
<b>Total</b>	<b>28.96</b>

# Fund breakdown

## Sector weights



## Regional weights



# Market commentary

## Market overview

Global equities were volatile during the third quarter amid heightened geopolitical tensions in the Middle East and ongoing inflationary pressures on the global economy. However, global equities have still posted gains on a year-to-date basis.

Markets continued to focus on central bank actions during the quarter, as both the Federal Reserve (Fed) and Bank of England (BoE) followed the European Central Bank in making the first rate cuts this cycle. This follows the significant rises through 2022 and 2023 as part of efforts to reduce inflation. Along with a significant stimulus package in China, this policy shift generally helped fixed income markets to perform positively over the quarter as yields fell to reflect lower central bank interest rates. Equity markets continued to rise, reflecting the hope that the policy easing would result in a soft-landing for the economy with the US S&P 500 index hitting an all-time high. Despite guidance from central banks that further cuts will be measured, markets are still pricing in material rate cuts over the next year or so.

During the third quarter, the MSCI World Index Growth Index posted losses of -0.87% while the MSCI World Value Index posted gains of 5.09%.

The price of WTI crude oil lost 12.1% over the quarter to \$70.1 a barrel, while copper futures meanwhile gained 2.1% in US dollar terms.

## 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:



### 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 October 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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# 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.

# Performance to 30 September 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>	(0.84)	2.29	20.98	38.85	85.28	11.55	13.11
<b>Fund (net)</b>	(0.94)	2.08	20.49	37.16	81.53	11.10	12.65

## Year on year performance (%)

	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020
<b>Fund (gross)</b>	20.98	15.81	(0.90)	26.45	5.52
<b>Fund (net)</b>	20.49	15.34	(1.30)	25.94	5.09

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 September 2024. All figures are mid-price to mid-price in GBP for the RL Global Equity Diversified Fund (M Acc).

# 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.

## Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

## 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).