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Royal London Global Equity Select Fund (IRL)

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 Select Fund (IRL). 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, which should be considered as a period of 7-plus years. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index USD (the "Benchmark") by 2.5% per annum over rolling three year periods. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track it. While the Fund may invest in investments which are constituents of the Benchmark, the Fund will be actively managed and its portfolio will not be constrained by reference to any index.

Benchmark: MSCI All Countries World Net Total Return Index USD

Fund value

	Total \$m
30 September 2024	300.28

Fund analytics

	Fund
Fund launch date	9 November 2021
Base currency	USD
Number of holdings	41
Active share (%)	81.2
Tracking error (%)	5.3

Ex-post tracking error calculated since inception to 30 September 2024. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	4.95	6.36	(1.42)
YTD	20.87	18.10	2.77
1 Year	33.78	31.13	2.65
Since inception (p.a.)	15.02	5.80	9.22

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 Global Equity Select Fund (IRL) Z USD ACC. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 9 November 2021.

Performance commentary

The portfolio underperformed the index during the quarter. 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.

Lithia Motors, a US-based online and physical auto dealership in the Slowing and Maturing phase of the Life Cycle, positively contributed to Q3 performance as the automotive industry rebounded from recent macroeconomic challenges. In August, Lithia reported quarterly earnings that indicated a normalisation in demand. While short-term headwinds persist, we continue to see an attractive valuation pay-off opportunity.

Detractors included Steel Dynamics, the US steel manufacturer which is currently in the Slowing & Maturing stage of the Life Cycle, detracted from performance in Q3 following soft quarterly results. Steel Dynamics remains very strong in terms of fundamental wealth creation characteristics and the valuation pay-off continues to offer an attractive opportunity.

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.

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

Performance and activity

Performance commentary (continued)

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.

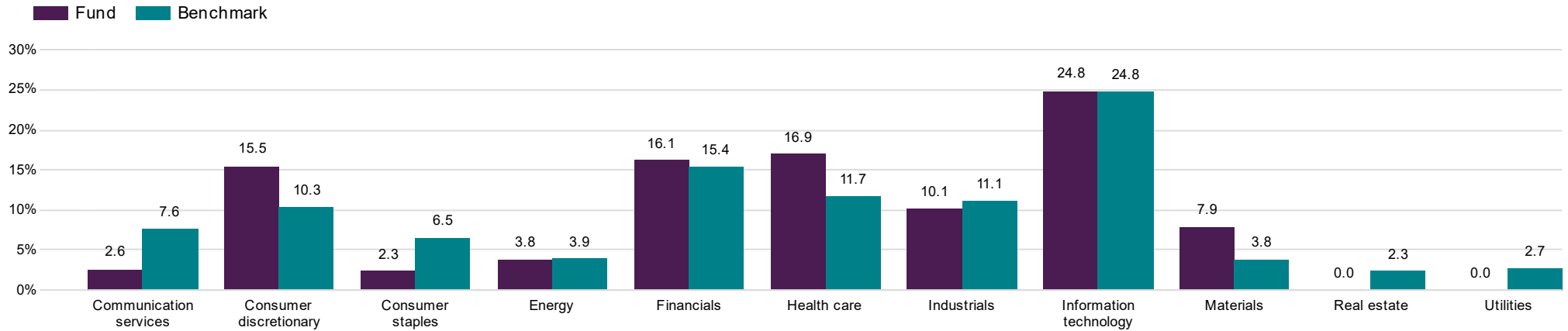
Performance and activity

Top 10 holdings

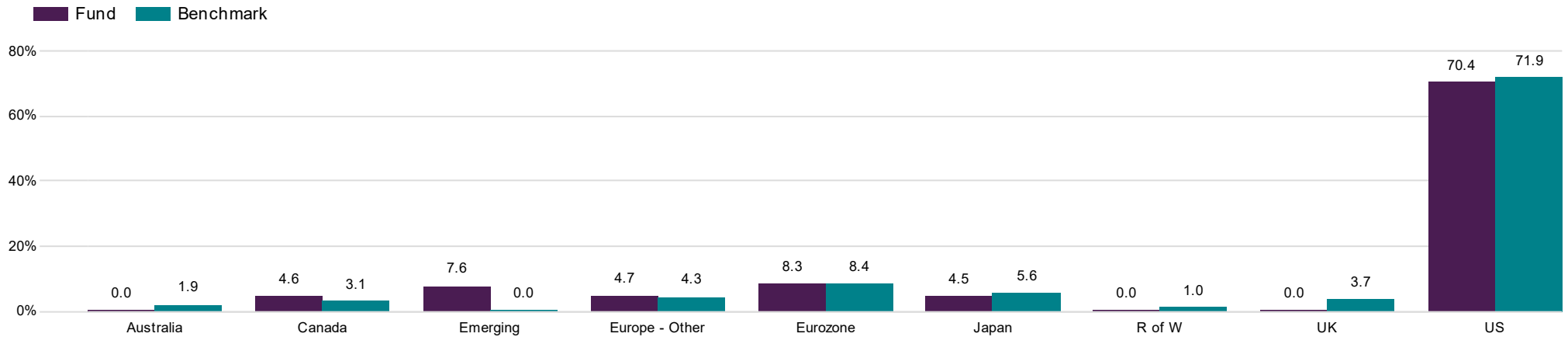
	Weighting (%)
Microsoft Corporation	8.16
Amazon.com, Inc.	5.82
UnitedHealth Group Incorporated	5.45
Constellation Software Inc.	4.21
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.20
NVIDIA Corporation	4.14
Safran SA	4.13
HCA Healthcare Inc	4.04
Steel Dynamics, Inc.	4.00
Progressive Corporation	3.95
Total	48.10

Fund breakdown

Sector weights



Regional weights



Characteristics and climate

ESG characteristics rationale

The Fund seeks to promote environmental characteristics relating to climate change mitigation by promoting those corporates with willingness and ability to accelerate decarbonisation towards net zero by 2050. We consider mitigation efforts to be most credible if there are tangible improvements by 2030. The Fund also promotes good governance using a principles based approach.

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		✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	6,392	n/a	n/a
Financed emissions coverage	99.64%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	21.54	37.06	(41.87)
Carbon footprint coverage	99.64%	97.92%	1.75
Weighted average carbon intensity (tCO2e/\$M sales)	42.85	97.67	(56.13)
Weighted average carbon intensity coverage	99.64%	97.93%	1.75

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	99.64	98.32	1.34
% of portfolio below 2°C ITR	50.13	55.31	(9.36)
% of portfolio below 1.5°C ITR	15.86	24.76	(35.97)

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	29.69	26.76	10.96
SBTi Near-Term committed	10.41	10.93	(4.80)
SBTi Near-Term targets set	32.93	42.83	(23.11)

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, 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 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 Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L - 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

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.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

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.

Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

Performance to 30 September 2024

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	4.95	8.02	33.78	-	49.92	-	15.02
Fund (net)	4.77	7.65	32.88	-	47.00	-	14.24

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
Fund (gross)	33.78	37.53	-	-	-
Fund (net)	32.88	36.60	-	-	-

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 September 2024. All figures are mid-price to mid-price in GBP for the Royal London Global Equity Select Fund (IRL) Z USD ACC; Since inception date 9 November 2021.

Glossary

Active share

Active share is a measure used to assess the degree of difference between the portfolio's holdings and its benchmark.

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

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.

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.

Glossary

SBTi

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

Sector weights

Breakdown of holdings by GICS (Global Industry Classification Standard) 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.

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).

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.