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Royal London Global Equity Select 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 Select 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, which should be considered as a period of 7-plus years, by predominantly investing in the shares of companies globally that are listed on a stock exchange. The Fund's performance target is to outperform, after the deduction of charges, the MSCI World Net Total Return Index GBP (the "Index") by 2.5% 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. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA Global sector is considered an appropriate benchmark for performance comparison.

Benchmark: MSCI World

Fund value

	Total £m
30 September 2024	605.13

Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	41
Active share (%)	79.6
Tracking error (%)	4.8

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	(1.53)	0.24	(1.77)
YTD	15.23	12.96	2.27
1 Year	22.45	20.50	1.95
3 Years (p.a.)	17.52	9.26	8.26
5 Years (p.a.)	18.43	11.13	7.30
Since inception (p.a.)	17.49	11.43	6.06

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

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.

Thor Industries, the largest recreational vehicle (RV) manufacturer in the world, is currently in the Slowing & Maturing Life Cycle segment. Thor performed well in Q3, but the share price has underperformed the market this year, perhaps through no fault of its own, other than the fact that it operates in a deeply cyclical industry where there is currently nowhere to hide. A combination of high inflation and high interest rates applies pressure to demand and margins, which the market appears not to tolerate well. We remain confident in Thor's ability to generate wealth for shareholders in the long run and continue to observe an attractive valuation pay-off 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 Artificial Intelligence (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.

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.

Performance and activity

Performance commentary (continued)

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 earnings per share (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.

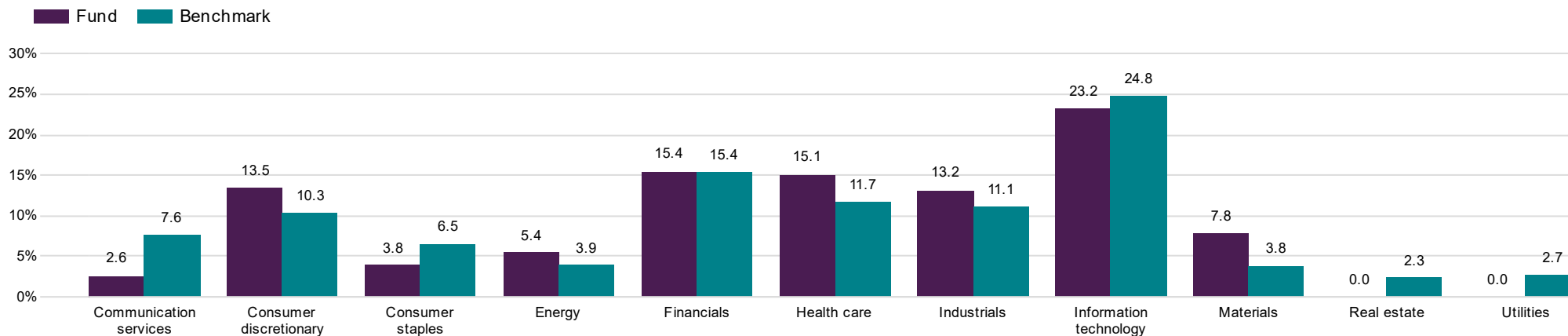
Performance and activity

Top 10 holdings

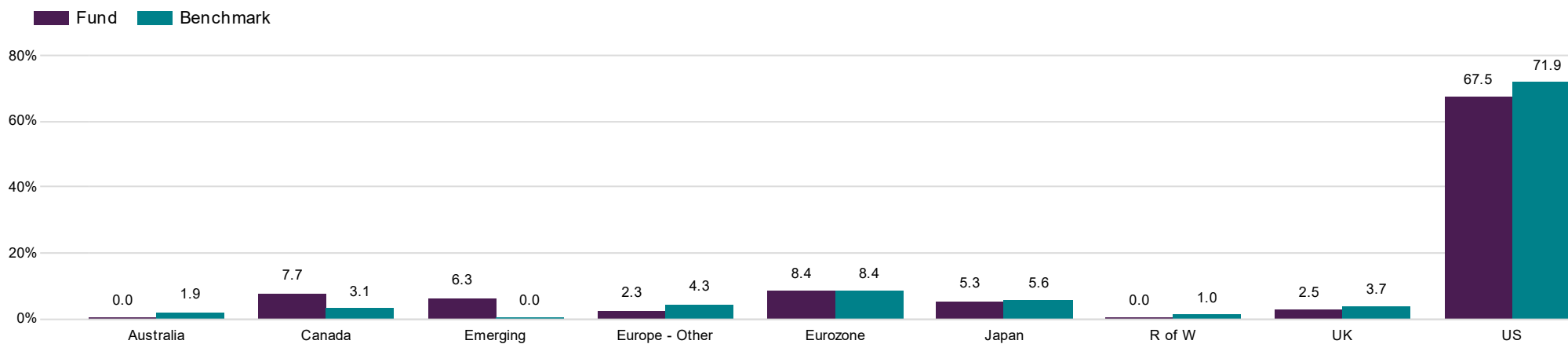
	Weighting (%)
Microsoft Corporation	7.63
Amazon.com, Inc.	5.27
UnitedHealth Group Incorporated	4.61
NVIDIA Corporation	4.35
Constellation Software Inc.	4.11
Steel Dynamics, Inc.	3.64
Safran SA	3.63
Apple Inc.	3.41
KB Financial Group Inc.	3.33
Thor Industries, Inc.	3.31
Total	43.29

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, 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 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.

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.)
Fund (gross)	(1.53)	1.23	22.45	62.40	133.23	17.52	18.43
Fund (net)	(1.71)	0.88	21.59	58.99	125.12	16.70	17.60

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)	22.45	23.37	7.50	32.05	8.76
Fund (net)	21.59	22.50	6.74	31.12	7.99

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 Select 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).