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Royal London Global Equity Transitions 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 Transitions 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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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to outperform the MSCI All Countries World Net Total Return Index USD (the "Benchmark") before fees per annum over rolling three year periods. This is considered an appropriate benchmark for the Fund's performance. In addition to the benchmark for the Fund's performance as noted above, The Equity - International sector is considered an appropriate benchmark for performance comparison.

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

Fund value

	Total $m
30 September 2024	134.95

Fund analytics

	Fund
Fund launch date	25 October 2022
Base currency	USD
Number of holdings	40

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	3.67	6.61	(2.94)
YTD	21.21	18.66	2.55
1 Year	34.02	31.76	2.27
Since inception (p.a.)	27.27	23.63	3.63

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 Transitions (Z Acc) (USD). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 25 October 2022.

Performance commentary

The fund underperformed the benchmark during Q3.

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.

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.

MercadoLibre is an Accelerating business that operates an ecosystem of online commerce and financial services offerings in Latin America. The Latin American market, in which MercadoLibre competes, is in the initial stages of transitioning to e-commerce and digital payments. Our investment thesis is that MercadoLibre can disrupt online commerce and financial services in Latin America during its transition to e-commerce and a digital economy. We are still in the early stages of this transition, but the company is tracking well thus far. Q2 earnings were announced on August 1 and were positive when assessed through our investment thesis milestones and against the street expectations of growth and earnings.

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)

Amazon is currently in the Compounding phase of its life cycle overall but consists of three significant businesses: an Accelerating cloud computing business (Amazon Web Services, or AWS), a Compounding North American online retail and logistics platform, and an Accelerating (though loss-making) international online retail platform. Amazon announced quarterly results during the period, which were positive in relation to our investment thesis milestones, but the market has been spooked by an increase in capital expenditure to fund investments into Cloud and AI. Management has a favourable track record of allocating capital with a long-term view, and we support this approach for a Compounding business.

Performance and activity

Top 10 holdings

	Weighting (%)
Microsoft Corporation	7.94
Amazon.com, Inc.	5.71
UnitedHealth Group Incorporated	4.91
Steel Dynamics, Inc.	3.49
HCA Healthcare Inc	3.44
Safran SA	3.36
Thor Industries, Inc.	3.24
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.16
NVIDIA Corporation	3.09
KB Financial Group Inc.	3.05
Total	**41.39**

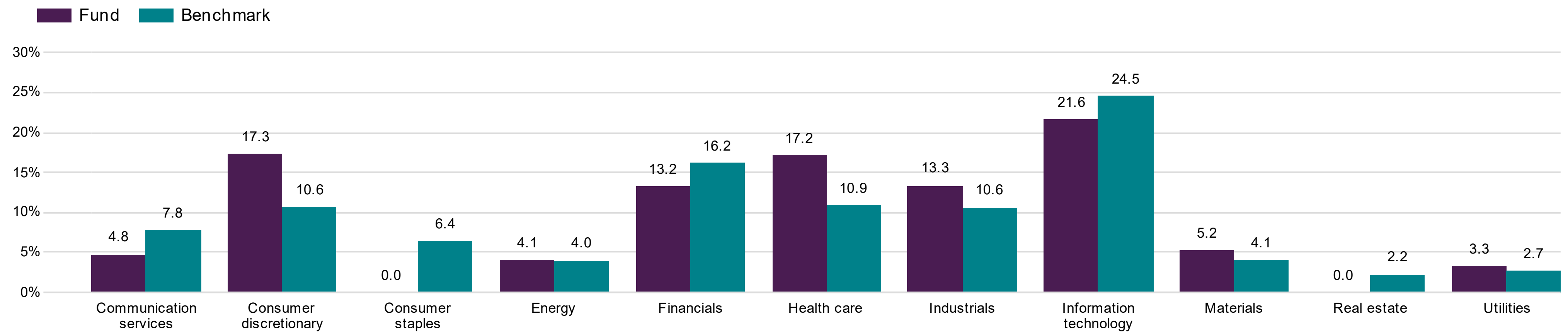
Fund activity

During the quarter, we started a position in WiseTech, an Accelerating logistical software company servicing freight forwarding companies.

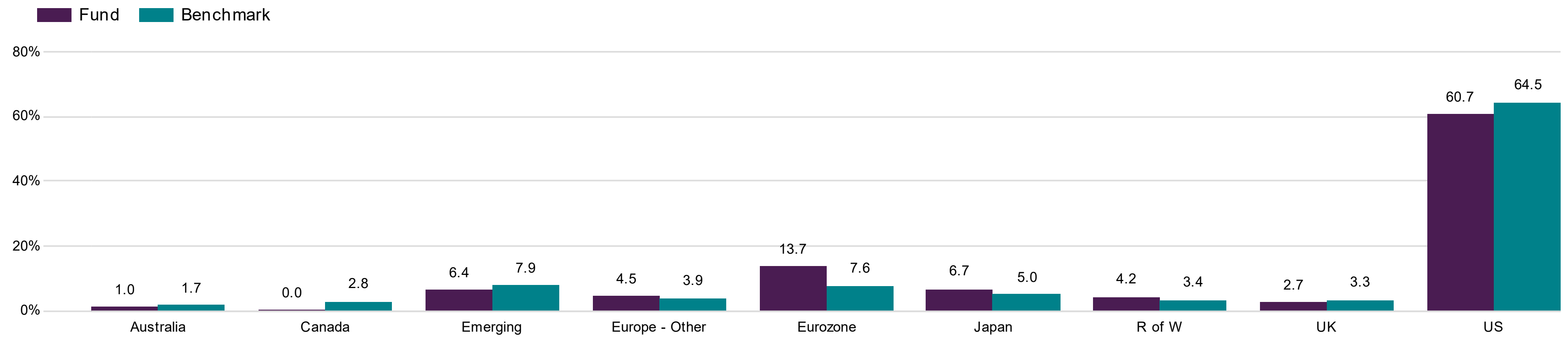
We believe that business fundamentals are the long-term drivers of stock prices. However, we recognise that different fundamentals matter at different points of a company's life, and that these are often unappreciated or misunderstood by the market. Our approach therefore aims to identify and exploit these inefficiencies, identifying stocks that we believe have superior shareholder wealth creation potential, at attractive prices. During the quarter, the team continued to manage the portfolio in line with the investment guidelines.

Fund breakdown

Sector weights



Regional weights



Characteristics and climate

ESG characteristics rationale

The Fund seeks to promote environmental and social characteristics by investing in companies that are either transitioning their business to a sustainable path, enabling the transition of others, or both. For each portfolio holding a principles-based approach is taken to evaluate a company's willingness and ability, emphasising qualitative forward-looking analysis supported by rigorous quantitative datasets. The Fund will include environmentally sustainable investments as defined in the EU Taxonomy Regulation. 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)	7,468	n/a	n/a
Financed emissions coverage	100.00%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	56.29	46.99	19.79
Carbon footprint coverage	100.00%	98.03%	2.01
Weighted average carbon intensity (tCO2e/$M sales)	107.10	123.08	(12.99)
Weighted average carbon intensity coverage	100.00%	98.03%	2.01

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	98.37	1.66
% of portfolio below 2°C ITR	49.36	52.29	(5.61)
% of portfolio below 1.5°C ITR	19.18	22.63	(15.26)

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	31.49	25.70	22.56
SBTi Near-Term committed	12.08	10.53	14.72
SBTi Near-Term targets set	37.37	39.75	(5.97)

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:

- Stewardship and responsible investment at RLAM
- Royal London voting and engagement
- TCFD climate report

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

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This is a financial promotion and is not investment advice.

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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.

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.

Responsible investment style risk

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

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

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.

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.