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# Royal London UK Equity 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 UK 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.

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# The fund

## Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term (3-5 years) by investing at least 80% in the shares of UK companies included in the FTSE All-Share Index. The Fund's performance target is to outperform, after the deduction of charges, the FTSE All-Share Total Return GBP Index (the "Index") over rolling 5-year periods. The Index is regarded as a good measure of the share-price performance of the approximately 600 largest companies on the London Stock Exchange. 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 UK All Companies sector is considered an appropriate benchmark for performance comparison.

Benchmark: FTSE All-Share Total Return GBP Index

## Fund value

	Total £m
30 September 2024	785.95

## Fund analytics

	Fund
Fund launch date	11 April 1984
Base currency	GBP
Number of holdings	65

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.26	2.26	(1.00)
YTD	7.55	9.85	(2.30)
1 Year	10.04	13.40	(3.36)
3 Years (p.a.)	6.92	7.41	(0.49)
5 Years (p.a.)	5.56	5.74	(0.18)
10 Years (p.a.)	6.21	6.26	(0.05)
Since inception (p.a.)	7.06	7.09	(0.02)

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 UK Equity M Acc. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 1 May 2012.

## Performance commentary

The third quarter of 2024 continued to see positive performance from equity markets with the FTSE All-Share Index rising by 2.3% and 9.9% overall for the first nine months of the year. The quarter was dominated at the macro level by central banks effectively declaring the battle with inflation was over and start to reduce interest rates as evidence appeared of economic weakness. In the UK, Europe and most notably the US, interest rates were reduced and is widely expected that further cuts will follow. Generally corporate earnings held up well, however the growing area of weakness appears industrial markets where intense competition from Chinese companies coupled with soft demand has resulted in a number of profit warnings.

The Trust underperformed the FTSE All-Share Index and was positioned 81<sup>st</sup> percentile relative to the peer group. During the quarter the main disappointment was the trading update from Rentokil and an underweight position in National Grid was unhelpful. The largest negative was Rentokil which warned that its US acquisition Terminix was struggling to hit the hoped for growth targets and the shares fell significantly. We still believe in the long-term the deal will be successful; however, management need to demonstrate it can be integrated correctly. National Grid recovered from its recent equity issuance and an underweight proved detrimental to performance. Positive drivers of performance included holdings such as 3I and Diploma. 3I in particular has been a very strong performer over time, reflecting its ownership of the discount chain Action in Europe which continues to grow very strongly. Diploma the distributor continues to perform well and make value added strategic acquisitions, both remain core holdings.

# Performance and activity

## Top 10 holdings

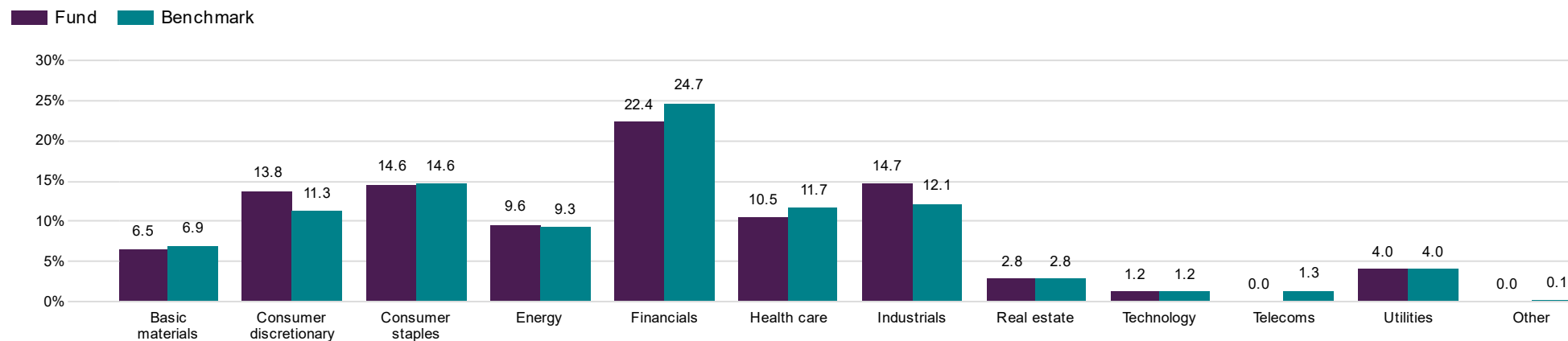
	Weighting (%)
AstraZeneca PLC	6.89
Shell Plc	6.84
Unilever PLC	5.13
HSBC Holdings Plc	4.56
RELX PLC	3.52
Compass Group PLC	3.01
3i Group plc	2.86
London Stock Exchange Group plc	2.82
GSK plc	2.70
BP p.l.c.	2.61
<b>Total</b>	<b>40.94</b>

## Fund activity

During the quarter we added to the position in Marks & Spencer reflecting managements moves to operationally improve its food and clothing offering. We added to Tesco further, reflecting its ability to continue taking market share in the UK and we have continued to add to the banks, notably NatWest which appears attractively valued and is well position for a recovery in the UK economy.

# Fund breakdown

## Sector weights



# Market commentary

## Market Overview

The quarter saw the FTSE All-Share index rise, with the bigger companies of the FTSE-100 outpaced by the medium sized companies of the FTSE-250. This was in part due to the quarter starting with a positive reaction to the decisive UK general election result, spurring demand for domestic UK companies. Additionally, some large constituents of the FTSE-100 weighed on the index. Astra Zeneca was down on some disappointing drug development updates and BP and Shell were both under pressure from oil price weakness; this was caused by Saudi Arabia saying that they may not manage their production levels to target \$100 per barrel. The Energy sector was the worst performing sector in the quarter, while more defensive sectors like Consumer Staples and Utilities did better.

The equity market took on a more defensive feel in the middle of the quarter, with sectors like Healthcare and Consumer Staples faring best; while sectors like Materials, Energy and Technology struggled. With inflation seemingly now under control and interest rates on a downward trajectory, concerns have turned to how much economies might slow. The new UK government has also been at some pains to stress how stretched public finances are, leading to concerns that the budget later this year may contain some hard measures to address this.

Markets rallied towards the end of the quarter, after news from China that the authorities were considering injecting significant stimulus into their economy.

Corporate activity continues, with Informa revealing a £1bn bid for events peer Ascential and Hargreaves Lansdown and Rightmove both finding themselves as bid targets.

## Outlook

Given the often-conflicting macroeconomic data of the moment, we feel justified in our consistent approach of trying to filter out the noise and focus on investing over the long term.

## 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).

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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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FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Royal London Asset Management.

# 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.

## **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>	1.43	5.01	10.78	24.73	35.56	7.64	6.27
<b>Fund (net)</b>	1.26	4.66	10.04	22.25	31.11	6.92	5.56

## 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>	10.78	16.10	(3.02)	28.87	(15.67)
<b>Fund (net)</b>	10.04	15.33	(3.66)	28.02	(16.23)

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 UK Equity M Acc.

# Glossary

## 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

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

## Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) sector relative to the benchmark index.

## Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.