# Royal London Global Equity Funds

## Fund Manager Commentary

### 31 January 2025

ROYAL LONDON
ASSET MANAGEMENT

# Fund Manager Commentary

## 31 January 2025

The purpose of this report is to provide an update on the Royal London Global Equity Funds. The report has been produced by Royal London Asset Management. The report starts with a performance summary followed by Fund Manager commentary for each of the Funds. All data within this report is at the report date unless otherwise stated.

# Contents

# Performance

| | 1 month (%) | Rolling 12 months (%) |
|---|---|---|
| **RL Global Equity Select Fund M Acc** | **5.99** | **23.24** |
| MSCI World Net Index | 4.35 | 24.42 |
| IA Global Sector | 4.87 | 17.93 |
| | | |
| **RL Global Equity Diversified Fund M Acc** | **4.90** | **22.19** |
| MSCI World Net Index | 4.35 | 24.42 |
| IA Global Sector | 4.87 | 17.93 |
| | | |
| **RL Global Equity Income Fund M Inc** | **5.35** | **20.75** |
| MSCI World Index - Net Return | 4.35 | 24.42 |
| IA Global Equity Income Sector | 5.03 | 16.15 |
| | | |

**Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.**

Source: RLAM and Morningstar, as at 31 January 2025. Returns quoted are net of fees. Please note that with effect from 1 February 2024 RLAM are using peer group comparisons provided by Morningstar. Prior to this peer comparisons were provided by Lipper so there may be some differences compared to the data provided historically.

# Royal London Global Equity Select Fund

## Portfolio commentary

Global stock markets started off the year on the front foot, notching up gains across most regions. Investors seemed prepared to look past some initial volatility and geopolitical issues, such as the threat of tariffs from the US. Most markets gained ground, with European indices leading the way. While 2024 was the year of the big technology players, the performance of the market has broadened in the first weeks of 2025. Sectors such as healthcare and banking caught up some of the ground that was lost to technology last year. Against this positive backdrop, the portfolio outperformed the benchmark index, thereby further enhancing returns.

## Contributors:

Safran is an industry-leading aerospace business currently in the Compounding segment of the corporate Life Cycle. Safran manufactures the engines used in narrowbody commercial planes such as the Airbus A320/21 and Boeing 737 MAX and is a market leader in a highly concentrated market. During the month, the first tranche of the new share buyback programme was announced, with up to €350 million worth of shares being repurchased by mid-April. In addition, there was a positive read-across from the GE Aerospace results, which were very strong, implying that demand is picking up following the COVID-19 slowdown.

Steel Dynamics, the US steel manufacturer currently in the Slowing & Maturing stage of the corporate Life Cycle, contributed to performance in January. Steel Dynamics uses electric arc furnaces to recycle scrap steel, differentiating itself from competitors who typically use coal blast furnaces. During January, Steel Dynamics reported full-year results that were very solid against our milestones from both an operational and financial perspective, despite a challenging market environment. Additionally, new initiatives are progressing very well, with the Sinton project now close to full capacity. The fundamental wealth creation characteristics remain strong, and the valuation pay-off continues to offer an attractive opportunity.

KB Financial Group is a Mature, diversified financial services company primarily based in South Korea. It focuses 95% of its operations within the domestic market, with banking activities contributing to approximately 70% of its net profit. The rest of its revenue comes from a variety of financial services. During the month, the market reacted positively to several broker upgrades as investors start to appreciate the focus that KB is taking on maximising shareholder returns. This is exactly the sort of behaviour we want to see from a Mature company.

**Francois de Bruin**

Fund Manager

**Paul Schofield**

Head of Global Equities

# Royal London Global Equity Select Fund continued

## Detractors:

Booking is a global leader in the online travel agent market, currently in the Compounding stage of the corporate Life Cycle. Booking has established a strong market position through its vast accommodation network, ease of use, and loyalty programmes. After remarkable share price appreciation towards the end of last year, January was a weaker month as investors sought to take profits. However, Booking continues to track well against our milestones, and we remain positive on the wealth creation characteristics of this business.

Microsoft reported quarterly results at the end of January, which in aggregate were positive; however, the market reacted negatively to weaker-than-expected growth from Azure (the cloud division) and lower guidance for the coming quarter. Nonetheless, the company continues to perform well against our milestones and investment thesis.

Kinsale Capital Group is an Accelerating US insurance business focused on excess & surplus (E&S) lines, also known as non-admitted insurance. This type of insurance does not fit within the regulated insurance market due to market regulations, or the cost of providing coverage. There were a handful of analyst downgrades at the start of the month, reflecting market concern around Kinsale's ability to maintain the very high levels of growth the market has come to expect. However, we believe that Kinsale is uniquely positioned to continue growing its share of the E&S market and to continue disrupting this market.

# Royal London Global Equity Diversified Fund

## Portfolio commentary

Global stock markets started off the year on the front foot, notching up gains across most regions. Investors seemed prepared to look past some initial volatility and geopolitical issues, such as the threat of tariffs from the US. Most markets gained ground, with European indices leading the way. While 2024 was the year of the big technology players, the performance of the market has broadened in the first weeks of 2025. Sectors such as healthcare and banking caught up some of the ground that was lost to technology last year.

Against this positive backdrop, the portfolio outperformed the benchmark index, thereby further enhancing returns.

The holding in Safran was a positive contributor to returns. The company is an industry-leading aerospace business currently in the Compounding segment of our corporate Life Cycle. Safran manufactures the engines used in narrowbody commercial planes such as the Airbus A320/21 and Boeing 737 MAX and is a market leader in a highly concentrated market. During the month, the first tranche of the new share buyback programme was announced, with up to €350 million worth of shares being repurchased by mid-April. In addition, there was a positive read-across from the GE Aerospace results, which were very strong, implying that demand is picking up following the COVID-19 slowdown.

Steel Dynamics, the US steel manufacturer currently in the Slowing & Maturing stage of the corporate Life Cycle, contributed to performance in January. Steel Dynamics uses electric arc furnaces to recycle scrap steel, differentiating itself from competitors who typically use coal blast furnaces. During January, Steel Dynamics reported full-year results that were very solid against our milestones from both an operational and financial perspective, despite a challenging market environment. Additionally, new initiatives are progressing very well, with the Sinton project now close to full capacity. The fundamental wealth creation characteristics remain strong, and the valuation pay-off continues to offer an attractive opportunity.

On the downside, the holding in Booking detracted from returns. After remarkable share price appreciation towards the end of last year, January was a weaker month as investors sought to take profits. However, Booking continues to track well against our milestones, and we remain positive on the wealth creation characteristics of this business.

Meanwhile, Microsoft reported quarterly results at the end of January, which in aggregate were positive. However, the market reacted negatively to weaker-than-expected growth from Azure (the cloud division) and lower guidance for the coming quarter. Nonetheless, Microsoft continues to perform well against our milestones and investment thesis.

**Paul Schofield**

Head of Global Equities

**Matt Kirby**

Fund Manager

**Finn Provan**

Assistant Fund Manager

# Royal London Global Equity Income Fund

## Portfolio commentary

Global stock markets started off the year on the front foot, notching up gains across most regions. Investors seemed prepared to look past some initial volatility and geopolitical issues, such as the threat of tariffs from the US. Most markets gained ground, with European indices leading the way. While 2024 was the year of the big technology players, the performance of the market has broadened in the first weeks of 2025. Sectors such as healthcare and banking caught up some of the ground that was lost to technology last year.

The fund outperformed the rising benchmark in January, thereby further enhancing returns to investors.

Positioning in the information technology sector was the largest contributor to performance. The fund benefited from not holding a position in Nvidia, which came under pressure as the emergence of DeepSeek's competitive, low-cost AI model raised concerns about future levels of hyperscaler capital expenditure. The fund's position in Broadcom was negatively affected by the news, but to a lesser degree, as optimism remains for the outlook for its custom silicon approach.

Holdings in the industrials sector also contributed positively to performance, led by Volvo which reported strong order growth in its truck and construction equipment divisions.

Elsewhere, Steel Dynamics delivered strong returns thanks to positive operational performance and stable prices amid signs of improving steel market fundamentals. During January, Steel Dynamics reported full-year results that were very solid despite a challenging market environment. Additionally, new initiatives are progressing very well, with the Sinton project now close to full capacity. The fundamental wealth creation characteristics remain strong, and the valuation pay-off continues to offer an attractive opportunity.

The holding in Kinsale Capital detracted from returns. Kinsale is a US insurance business focused on excess & surplus (E&S) lines, also known as non-admitted insurance. This type of insurance does not fit within the regulated insurance market due to market regulations, or the cost of providing coverage. There were a handful of analyst downgrades at the start of the month, reflecting market concern around Kinsale's ability to maintain the very high levels of growth the market has come to expect. However, we believe that Kinsale is uniquely positioned to continue growing its share of the E&S market and to continue disrupting this market.

## Portfolio Activity

During the month we reduced holdings including Shell, Infosys and Booking Holdings, while we added to CME Group, FactSet Research Systems and Samsung Electronics. A small position in US Bancorp was exited and a new position in Home Depot was established.

CITYWIRE +

**Richard Marwood**

Head of UK and European Equities

**Matt Kirby**

Fund Manager

# 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 February 2025 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 Funds are sub-funds 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 funds 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.

MSCI indexes and data are the intellectual property of MSCI Inc. MSCI has no liability to any person for any loss, damage, cost, or expense suffered as a result of any use of or reliance on any of the information.

FC RLAM PD 0060 RA

# Risk 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.

**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.

**Charges from capital risk**

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

**Efficient portfolio management (EPM) techniques**

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.

**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.

**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.

# Performance

## Cumulative (%)

| | | 3 Month | 6 Month | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|---|
| RL Global Equity Select Fund M Acc | Gross | 7.95 | 10.14 | 24.11 | 76.43 | 153.24 |
| RL Global Equity Select Fund M Acc | Net | 7.76 | 9.74 | 23.24 | 72.73 | 144.44 |
| | | | | | | |
| RL Global Equity Diversified Fund M Acc | Gross | 8.86 | 10.39 | 22.70 | 52.66 | 99.99 |
| RL Global Equity Diversified Fund M Acc | Net | 8.75 | 10.16 | 22.19 | 50.80 | 95.94 |
| | | | | | | |
| RL Global Equity Income Fund M Inc | Gross | 8.37 | 10.03 | 21.62 | 56.85 | - |
| RL Global Equity Income Fund M Inc | Net | 8.18 | 9.63 | 20.75 | 53.50 | - |

## Annualised (%)

| 3 Years (p.a) | 5 Years (p.a) |
|---|---|
| 20.81 | 20.40 |
| 19.96 | 19.55 |
| | |
| 15.13 | 14.85 |
| 14.66 | 14.38 |
| | |
| 16.17 | - |
| 15.34 | - |

## Year on year performance (%)

| | | 31/12/2023-31/12/2024 | 31/12/2022 – 31/12/2023 | 31/12/2021 – 31/12/2022 | 31/12/2020 – 31/12/2021 | 31/12/2019 – 31/12/2020 |
|---|---|---|---|---|---|---|
| RL Global Equity Select Fund M Acc | Gross | 22.21 | 27.77 | 1.84 | 30.64 | 17.33 |
| RL Global Equity Select Fund M Acc | Net | 21.35 | 26.87 | 1.12 | 29.72 | 16.51 |
| | | | | | | |
| RL Global Equity Diversified Fund M Acc | Gross | 20.80 | 20.49 | -6.55 | 27.22 | 11.32 |
| RL Global Equity Diversified Fund M Acc | Net | 20.31 | 20.00 | -6.93 | 26.71 | 10.86 |
| | | | | | | |
| RL Global Equity Income Fund M Inc | Gross | 18.39 | 17.53 | 3.36 | 26.64 | - |
| RL Global Equity Income Fund M Inc | Net | 17.54 | 16.69 | 2.62 | 25.73 | - |

**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 31 January 2025 unless otherwise stated. All figures are mid-price to mid-price in GBP.