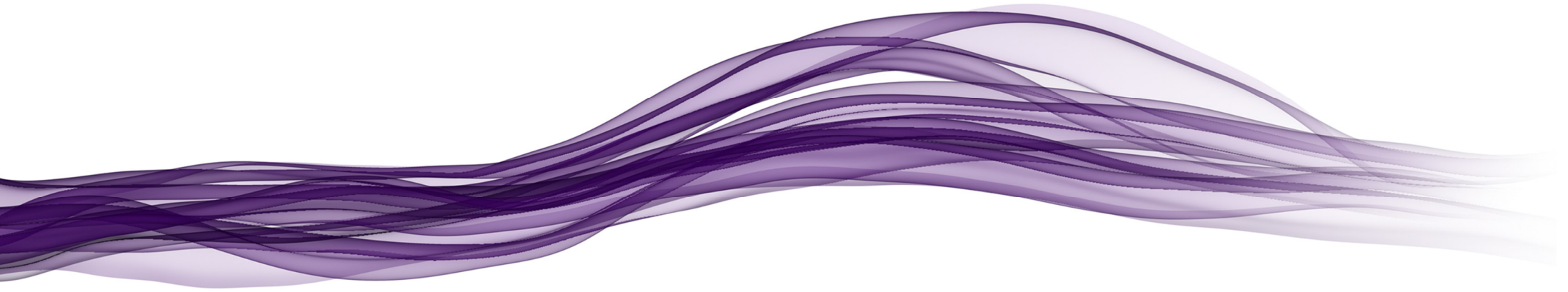


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# Royal London UK Broad Equity Tilt Fund

Quarterly Investment Report

31 March 2024

# Quarterly Report

## The fund as at 31 March 2024

The purpose of this report is to provide an update on the Royal London UK Broad Equity Tilt 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 deliver capital growth and income over the medium term, which should be considered as a period of 3-5 years, by primarily investing in the 600 largest UK companies by market capitalisation listed on the London Stock Exchange, and incorporating responsible investment ("RI") and environmental, social & governance ("ESG") insights into the investment process. The Fund's performance target is to deliver the performance, after the deduction of charges, of the FTSE® All-Share Total Return GBP Index (the "Index") over rolling 3-year periods. The Investment Manager will seek to achieve carbon intensity for the Fund at least 10% lower than that of the Index whilst also considering a company's ability and willingness to transition and contribute to a lower carbon economy. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's investments will predominantly be included in the Index. In addition to the Index, which the Fund aims largely to replicate, 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
31 March 2024	657.79

## Fund analytics

	Fund
Fund launch date	3 December 2021
Base currency	GBP
Number of holdings	541

# Performance and activity

## Performance

	Fund Official 12pm return (%)	Fund End of day return (%)	Benchmark (%)
Quarter	2.87	3.54	3.57
1 Year	8.44	8.50	8.43
Since inception (p.a.)	6.67	5.43	6.73

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 Broad Equity Tilt (Z Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 3 December 2021.

## Performance commentary

The fund uses sophisticated portfolio modelling tools to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. In practice, the fund holds most of its benchmark's names.

The fund will take underweight and overweight stock positions relative to the Index to achieve carbon intensity and ESG profile improvements, focusing on areas such as superior corporate governance, lower social risk, higher social value and superior environmental risk / reward. These factor contribute to the portfolio having a different weighting to some sectors than the index.

# Performance and activity

## Top 10 holdings

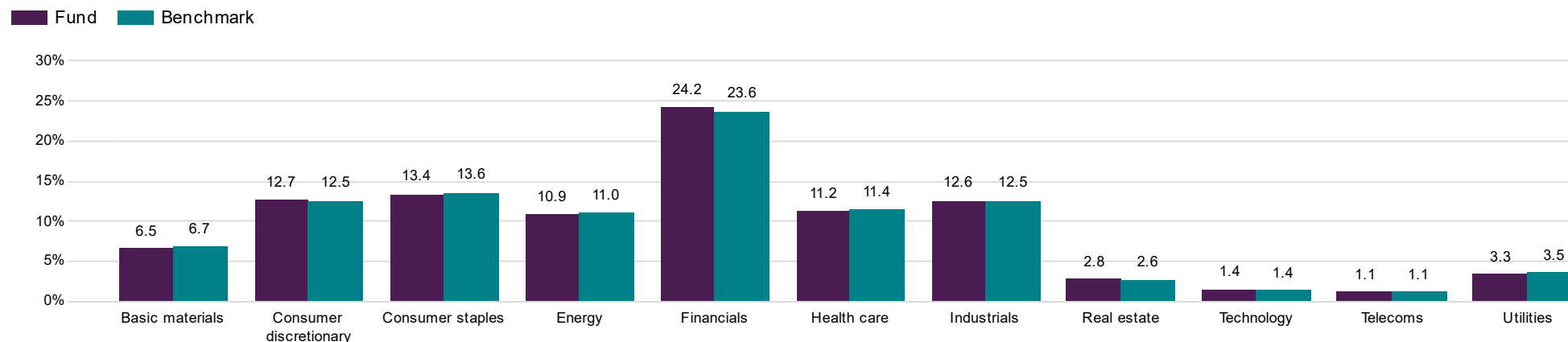
	Weighting (%)
Shell Plc	6.56
AstraZeneca PLC	6.11
HSBC Holdings Plc	4.64
Unilever PLC	3.85
BP p.l.c.	3.23
GSK plc	2.66
RELX PLC	2.53
Diageo plc	2.49
Rio Tinto plc	2.02
Glencore plc	1.98
<b>Total</b>	<b>36.07</b>

## Fund activity

When constructing our portfolio, we manage our exposure relative to the index across a number of dimensions. These include sector, region, country, and size. The fund is constructed with an optimisation algorithm that aims to minimise tracking error to the benchmark and lower transaction costs at the same time.

# Fund breakdown

## Sector weights



# Characteristics and climate

## ESG characteristics rationale

The Fund considers environmental, social, governance ("ESG") standards of the companies it invests in alongside financial analysis, and Responsible Investment criteria are applied to provide better and sustainable outcomes for investors. Underweight and overweight stock positions relative to the Index will be taken to achieve carbon intensity and ESG profile improvements. The Fund will seek to achieve an improved ESG profile than the Index by focusing on superior corporate governance, lower social risk and higher social value and superior environmental risk-reward.

## ESG characteristics

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics		✓
Sustainable fund objective		✓
Additional exclusions	✓	

## Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Controversial weapons	✓
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## Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	44,795	n/a	n/a
Financed emissions coverage	94.95%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	58.60	65.75	(10.87)
Carbon footprint coverage	94.95%	95.01%	(0.06)
Weighted average carbon intensity (tCO2e/\$M sales)	72.72	83.77	(13.20)
Weighted average carbon intensity coverage	94.33%	94.37%	(0.04)

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	94.93	95.02	(0.09)
% of portfolio below 2°C ITR	56.65	56.68	(0.05)
% of portfolio below 1.5°C ITR	30.25	30.33	(0.29)

## SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	34.75	34.85	(0.30)
SBTi Near-Term committed	7.71	7.51	2.63
SBTi Near-Term targets set	42.75	42.75	0.02

# Fund Engagement

## Engagement definition

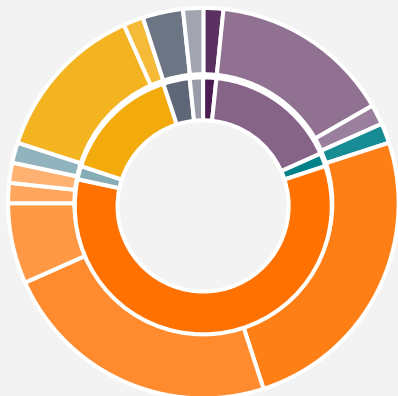
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	33	132
Number of engagements	47	292

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

## Total engagements by theme and topic



<b>Biodiversity</b>	<b>1</b>
<b>Climate</b>	<b>10</b>
Climate - Transition Risk	9
Climate - Physical Risk	1
<b>Diversity</b>	<b>1</b>
Ethnic Diversity	1
<b>Governance</b>	<b>35</b>
Corporate Governance	15
Remuneration	14
Strategy	4
Board	1
Succession Planning	1

<b>Health</b>	<b>1</b>
Health - Community	1
<b>Social &amp; Financial Inclusion</b>	<b>9</b>
Just transition	8
Labour & Human Rights	1
<b>Technology, Innovation &amp; Society</b>	<b>2</b>
Cybersecurity	2
<b>Other</b>	<b>1</b>

## Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.



# Fund Engagement

## Engagement outcomes

### AJ Bell Plc - Diversity

#### Purpose:

As part of a collaborative investor engagement with the 30% Club, we met with AJ Bell to discuss the 2024 year-end deadline to meet the Parker Review for FTSE 250 firms; which recommends at least one director from an ethnic minority background on the Board. We requested more information about the company's progress to meet this target and provide any feedback that may help improve its practices.

#### Outcome:

The Chair is highly focused on achieving the objectives set by the Parker Review within this year and exhibits confidence in meeting these goals. Additionally, there is a noted interest in addressing the ethnicity pay gap through reporting measures, although this goal has not yet been realised. We will continue to monitor the company's efforts in recruiting another Non-Executive Director (NED) to the Board to further this progress.

### BP Plc - Cyber Security

#### Purpose:

To evaluate the company against our established cyber investor expectations of best practice and identify areas where improvement is needed. We then communicate these findings to the company and encourage the adoption of stronger practices.

#### Outcome:

We engaged in a constructive dialogue with BP which allowed us to gain in depth insights into BP's cyber governance and practices, particularly in relation to our published cybersecurity investor expectations. We found an above average approach to managing suppliers, conducting cyber due diligence, and integrating cyber security measures through inorganic growth. As BP transitions from an International Oil Company (IOC) to an Integrated Energy Company (IEC), it faces unique cyber security challenges and opportunities. This transition involves expanding customer touchpoints, growing the renewables portfolio, and leveraging AI, all of which require a vigilant and adaptive cyber security framework.

# Fund Engagement

## Engagement outcomes

### HSBC Bank Plc - Just Transition

#### Purpose:

To review and provide feedback on the company's draft Net Zero Transition Plan.

#### Outcome:

HSBC's Net Zero Transition Plan, informed by GFANZ and TPT, sets a strategic vision for sector specific transitions and an actionable plan. In a feedback session with the Chief Sustainability Officer, the company highlighted its commitment to the real economy decarbonisation, especially in developing markets. The plan details a sectoral approach based on global financing needs, and HSBC's strategies to support decarbonisation and leverage financing opportunities. It also emphasises a fair and inclusive transition, with ongoing efforts to integrate just transition principles. We will continue to engage with the company, placing particular emphasis on the operationalisation of their commitment to a just transition.

### Johnson Matthey Plc - Just Transition

#### Purpose:

To encourage the company to disclose its strategy for incorporating just transition considerations into its decarbonisation efforts and to improve its climate transition plan to minimise its impact on climate change.

#### Outcome:

Johnson Matthey recognises the importance of a just transition in the shift to a low carbon economy and is actively developing its approach, despite the absence of a public commitment. The company has initiatives to retrain and redeploy employees impacted by site closures, with a focus on skills for new technologies. The company is also crafting a procurement plan to address scope 3 emissions in its platinum supply chain and is vigilant about human rights risks. Johnson Matthey was open to feedback on just transition and climate issues and our suggestions included enhancing lobbying transparency, scenario analysis, and establishing a detailed scope 3 emissions roadmap.

### Shell Plc - Net Zero

#### Purpose:

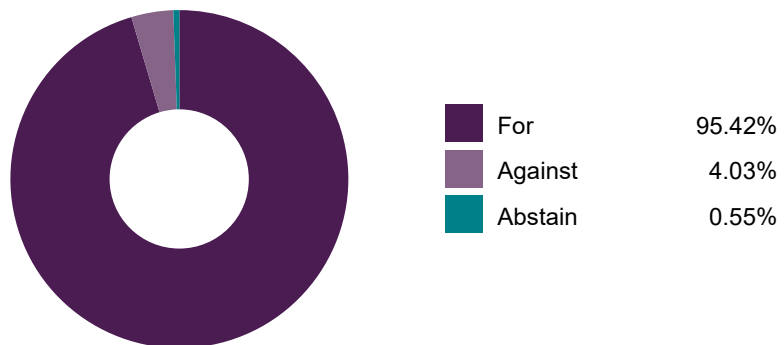
To ensure the largest greenhouse gas emitters set targets aligned with the Paris Agreement and work to address policy, technology, and stakeholders' consideration in the journey to net zero to minimise their impact on climate change.

#### Outcome:

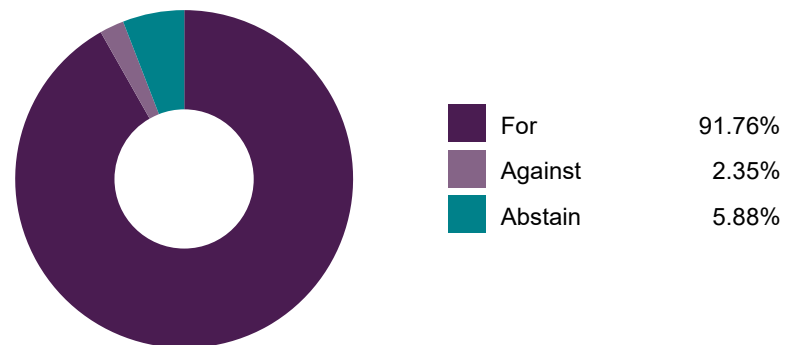
We met with Shell to discuss its progress on scope 1&2 emissions reduction targets, which are a key factor in its project evaluation process. We will continue to monitor progress on these targets. Shell is due to update its energy transition strategy, providing details on its scope 3 emissions ambition, and on the anticipated growth of its liquefied natural gas and biofuels business.

# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



## Notable votes

### Imperial Brands Plc

Remuneration Report - abstain - The introduction of climate targets under the long-term incentive plan (LTIP) is noted and welcomed this year. However, we edge some concerns over the reduction in EPS and ROIC targets, as well as the modified weightings under the LTIP.

### IntegraFin Holdings Plc

Remuneration Report - against - We continue to hold concerns over the lack of a long-term pay element and the subjective nature of the bonus outturn.

## Market commentary

A key theme to emerge during the quarter was indication of a more favourable global macro backdrop. Despite some mixed signals, the US economy remains resilient, while Europe and the UK show signs of gradually exiting their recessions. Activity in China also seems to be stabilising. At the same time, core central banks are still confident that the disinflation trend remains intact, despite some recent setbacks in inflation prints. Policymakers have often highlighted that they are in no rush to cut rates – with markets now generally pricing the start of the easing cycles to begin this summer. The Federal Reserve, European Central Bank and Bank of England all left interest rates unchanged over the quarter.

One major development over the quarter is that markets have recalibrated their pricing for expected central bank cuts over this year. At the end of last year, markets were pricing in an aggressive rate cutting cycle, but then swiftly move to temper those forecasts. This re-pricing contributed to negative returns for global government bond markets over the quarter. Despite the belief of many that it was the anticipation of a 'Fed-pivot' that contributed to the rally in equity markets in late 2023, equity markets proved to be immune to this bond market sell-off as global growth and business confidence showed signs of resilience and investors focused on the potential offered by AI.

Some of the same trends that were driving markets during the fourth quarter continued into the first quarter of 2024. The tech sector continues to benefit from the excitement around AI and industrials continued to experience a tailwind from a resilient macro backdrop combined with government stimulus towards infrastructure spending. The energy sector benefitted from higher oil prices though the quarter.

For the first quarter, the MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced positive returns for the quarter. Looking at national MSCI indices, the strongest market was Ireland, while the weakest was Portugal. In terms of larger markets, Japan and the US were the best performing, followed by Europe and the UK. Emerging markets and Asia ex Japan were the worst performing.

The price of WTI crude oil gained 17.5% over the quarter to \$83.71 a barrel, reversing the losses of the prior quarter amid attacks on Russian refineries and OPEC signalling production cuts. The US dollar appreciated by 6.85% against the yen, by 2.23% against the euro, and by almost 1% against sterling.

## 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

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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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# 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.

## Interest rate risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

## 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 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.

# Performance to 31 March 2024

## Cumulative (%)

## Annualised (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception	3 Years (p.a.)	Since Inception (p.a.)
<b>Fund (gross)</b>	2.87	6.10	8.44	-	16.20	-	6.67
<b>Fund (net)</b>	2.84	6.04	8.32	-	15.90	-	6.55

## Year on year performance (%)

	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020
<b>Fund (gross)</b>	8.44	2.02	-	-	-
<b>Fund (net)</b>	8.32	1.90	-	-	-

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 March 2024. All figures are mid-price to mid-price in GBP for the Royal London UK Broad Equity Tilt (Z Acc); Since inception date 3 December 2021.



# Glossary

## Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO<sub>2</sub>e/\$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 systematic and explicit inclusion of environmental, social and governance (ESG) factors into investment analysis and investment decisions.

## 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 tCO<sub>2</sub>e. 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.

## SBTi

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

# Glossary

## Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) 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 tCO<sub>2</sub>e / \$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.