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Royal London US Growth Trust

Quarterly Investment Report

31 December 2023

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 December 2023

The purpose of this report is to provide an update on the Royal London US Growth Trust. 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 achieve capital growth over the medium-to-long term (5-7 years) by investing at least 80% in the shares of US companies listed on the New York Stock Exchange. The fund's performance target is to outperform, after the deduction of charges, the MSCI USA £ Net Total Return Index (the "Index") over a rolling 7-year period. For further information on the fund's index, please refer to the Prospectus.

Benchmark: MSCI USA £ Net Total Return Index

Fund value

	Total £m
31 December 2023	313.35

Fund analytics

	Fund
Fund launch date	19 February 2001
Base currency	GBP
Number of holdings	108
Active share (%)	54.8
Tracking error (%)	1.6

Ex-post tracking error calculated 3 years to 31 December 2023. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	6.93	7.05	(0.12)
1 Year	26.02	19.36	6.66
3 Years (p.a.)	14.90	11.19	3.71
5 Years (p.a.)	18.68	15.13	3.55
10 Years (p.a.)	15.19	14.31	0.88
Since inception (p.a.)	8.51	7.89	0.62

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 US Growth Trust (A Inc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 19 February 2001.

Performance commentary

The two largest contributors to performance this past quarter were stocks we did not own; Tesla, and Chevron. An expected outcome of running a diversified portfolio with a high allocation to stock specific risk is that performance will come from an array of idiosyncratic stock picks as opposed to one or two names. This means that when assessing the performance of the Core portfolio over a short time horizon in volatile markets we are not surprised by this result. One of the top contributing name we did own was Thor Industries, the largest recreational vehicle (RV) manufacturer in the world which is currently Slowing & Maturing performed well in Q4 against a number of industry headwinds. At the beginning of 2023 the market had priced in a complete collapse in Thor's ability to generate profit and ROI's and this somewhat corrected in 2023. We believe that Thor is uniquely setup to manage through down cycles and that the valuation pay-off remains attractive.

Kinsale Capital Group is an Accelerating US insurance business, focused on Excess & Surplus lines also known as non-admitted insurance. This is insurance that does not fit within the regulated insurance market due to market regulations or the cost to provide cover. Kinsale announced Q3 results in October which highlighted the potential for a slowdown in the exceptionally fast growth of recent years, the shares fell as a result of this. We believe that the long-term wealth creation remains strong and that Kinsale has a small share in a large market. As ever, we remain focused on the long-term fundamentals.

Old Dominion Freight Line is a pure play less than truck load (LTL) US trucking company in the Compounding stage of the Life Cycle. ODFL announced quarterly results during the period. Company revenues missed analysts' expectations primarily due to weaker volumes. The management team operate the business for the long-term and we remain confident in the wealth creation that the business can generate on a through cycle basis.

UnitedHealth, the US health insurance company, in the Compounding segment of the Life Cycle detracted from performance in Q4. The business reported during the period and against our milestones the results were broadly positive. We maintain a positive view on UNH's Compounding ability over the long-term and believe that the valuation pay-off remains attractive.

Performance and activity

Top 10 holdings

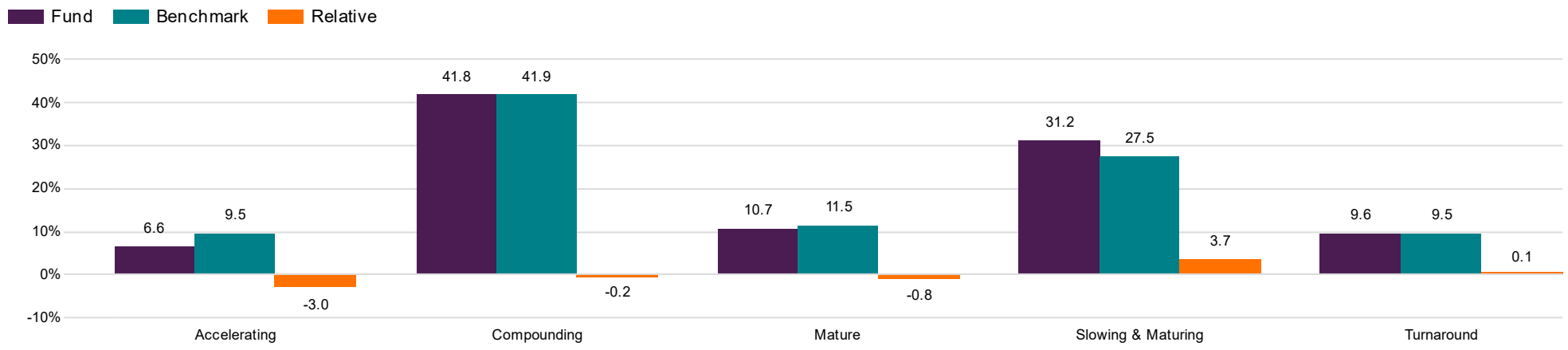
	Weighting (%)
Microsoft Corporation	8.26
Apple Inc.	7.79
Alphabet Inc. Class A	4.49
NVIDIA Corporation	3.97
Amazon.com, Inc.	3.92
UnitedHealth Group Incorporated	2.37
JPMorgan Chase & Co.	2.14
Adobe Incorporated	1.85
Meta Platforms Inc. Class A	1.81
Visa Inc. Class A	1.76
Total	**38.36**

Fund activity

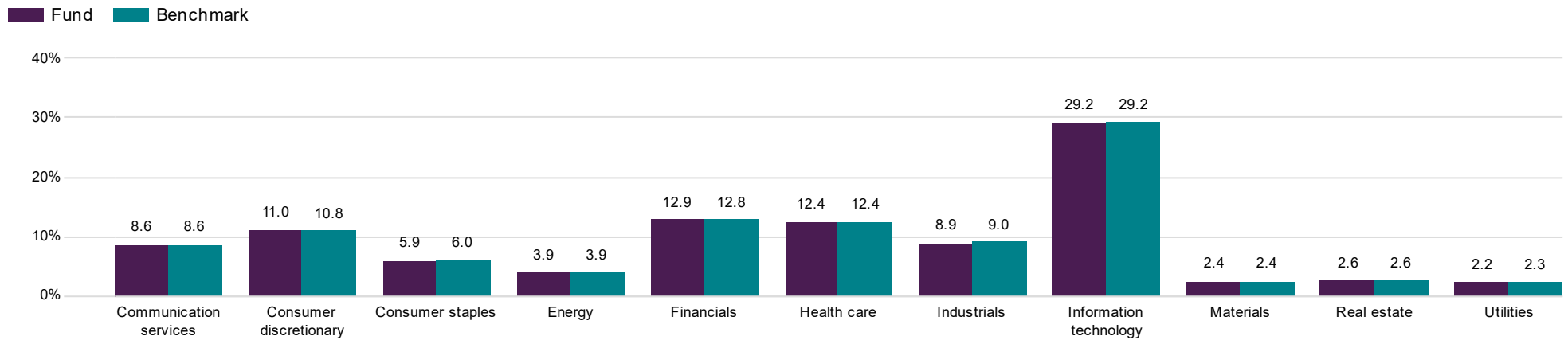
We believe that business fundamentals are the long-term drivers of stock prices. However, we recognise that different fundamentals matter at different points of a company's life, and that these are often unappreciated or misunderstood by the market. Our approach therefore aims to identify and exploit 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

Holdings and weights



Sector weights



Market commentary

Market overview

Economic attention over the quarter has been on inflation. At the start of the quarter investors focussed on the persistence of large price increases and central bank messaging on rates being held higher for longer. Yet, as headline inflation fell, sentiment swung dramatically towards the end of the quarter, pushing markets to price in interest rate cuts in 2024. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all left rates unchanged over the quarter, maintaining official rates at multi-year highs. The Fed has now held rates unchanged at its last three meetings. There has however been a significant shift in messaging, with the US central bank now indicating that it expects to cut rates by 0.75% in 2024. The ECB has similarly kept rates steady at its two most recent meetings, but central bankers in the eurozone said that no rate cuts have yet been discussed.

Equities saw a significant turnaround over the quarter, rebounding sharply from their October lows as investor sentiment recovered. This was thanks to softer growth and inflation data, that reduced fears of higher for longer rates and raised hopes of early and deep rate cuts in 2024.

For the fourth quarter, the MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced positive returns in US dollar terms. Looking at national MSCI indices, the strongest market was Sweden, while the weakest was China. In terms of style, the MSCI World Growth Index produced stronger returns than the MSCI World Value Index.

The change in backdrop meant that the fourth quarter has been one of the strongest for global equity markets for a long time. The best performing sectors in the quarter were information technology, real estate and industrials. The tech sector continues to benefit from the excitement around artificial intelligence (AI) and real estate is a sector that stands to benefit from falling interest rates. Industrials experienced a tailwind from a resilient macro backdrop combined with government stimulus towards infrastructure spending. The only sector that was negative in the quarter was energy, reflecting the weaker tone in the oil market and the plunge in the price of Brent crude oil to just over $77 a barrel.

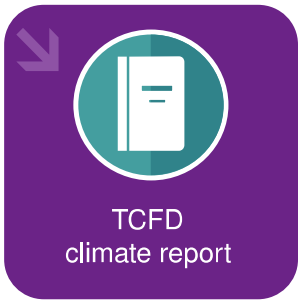
As in other markets, currency markets saw some significant changes in Q4. The change in expectations of future Fed movements meant that the US dollar fell against the yen, euro, sterling and most other currencies.

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

Royal London Asset Management's Outlook 2024 document and podcasts are both available on our website. In this year's Outlook document, our fund managers assess the challenges and opportunities in their respective asset classes for 2024. With an environment of falling inflation and modest recession, the benefits or risk for equities or credit is not so clear cut and knowing your companies is key. We analyse the areas of concern and potential growth within this environment.

In our Outlook 2024 podcast, Piers Hillier, CIO, looks ahead to 2024 and discusses the issues he believes will be prominent over the next 12 months, and where the key investment risks and opportunities may lie.

Articles, videos and webinars explaining our investment thinking 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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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the Trust 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

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.

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 31 December 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	6.93	9.70	26.02	51.68	135.57
Fund (net)	6.59	9.01	24.45	46.10	120.25

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
14.90	18.68
13.47	17.10

Year on year performance (%)

	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019
Fund (gross)	26.02	(9.80)	33.44	16.52	33.29
Fund (net)	24.45	(10.92)	31.78	14.80	31.32

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 December 2023. All figures are mid-price to mid-price in GBP for the Royal London US Growth Trust (A Inc).

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

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 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 measures how closely a portfolio follows its benchmark. It quantifies the standard deviation of the difference in return between the portfolio and benchmark.