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Royal London Emerging Markets ESG Leaders Equity Tracker

Quarterly Investment Report

30 September 2023

Quarterly Report

The fund as at 30 September 2023

The purpose of this report is to provide an update on the Royal London Emerging Markets ESG Leaders Equity Tracker. 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 over the long term (at least 7 years), the capital growth and income of the MSCI Emerging Markets ESG Leaders Net Total Return Index (expressed in GBP) (the "Index"). This is carried out principally by matching the performance of the Index, which is made up of companies that are selected based on criteria including MSCI ESG rating, the trend in that rating and the company's industry-adjusted score.

Benchmark: MSCI EM ESG Leaders Net Total Return GBP Index.

Fund value

	Total £m
30 September 2023	4,619.24

Fund analytics

	Fund
Fund launch date	12 June 2017
Base currency	GBP
Number of holdings	414

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.53)	(0.18)	(0.35)
YTD	(2.51)	(1.83)	(0.67)
1 Year	0.55	1.03	(0.48)
3 Years (p.a.)	(2.45)	(2.79)	0.34
5 Years (p.a.)	1.73	1.63	0.10
10 Years (p.a.)	-	-	-
Since inception (p.a.)	0.53	0.45	0.08

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 RL Emerging Markets ESG Leaders Equity Tracker Fund (Z Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 5 March 2018.

Performance commentary

The Fund aims to track the net total return of MSCI Emerging Markets ESG Leaders GBP Index. The Fund uses an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. It generates efficient rebalancing and cashflow trades and allows flexibility not to trade every index or cashflow event. However, perfect replication can result in unnecessary and costly trading which may outweigh the benefits. In practice, the Fund holds most of its benchmark's names, as well as holding futures and cash.

Performance and activity

Top 10 holdings

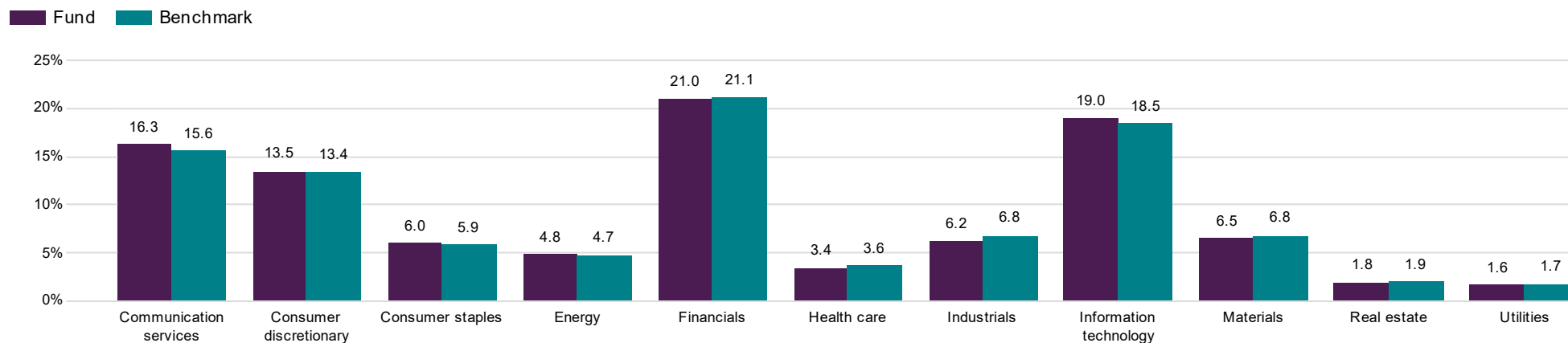
	Weighting (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	11.22
Tencent Holdings Ltd.	7.39
Alibaba Group Holding Limited	5.06
Reliance Industries Limited	2.38
Infosys Limited	1.63
China Construction Bank Corporation Class H	1.52
Tata Consultancy Services Limited	1.12
Netease Inc	1.11
Baidu, Inc. Class A	1.07
JD.com, Inc. Class A	0.98
Total	33.48

Fund activity

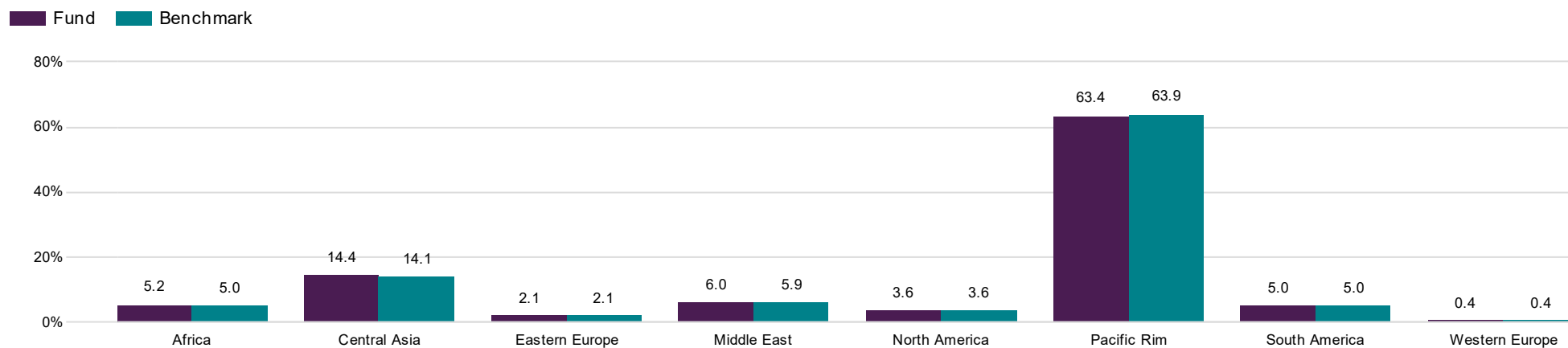
When constructing our portfolio, we manage our exposure relative to the index across a number of dimensions. These include sector, region, country, and size. The fund is constructed with an optimisation algorithm that aims to minimise tracking error to the benchmark and lower transaction costs at the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

Fund breakdown

Sector weights



Geographical breakdown



Market commentary

Equity markets made losses over the period under review on fears that policy will remain tighter for longer than expected, which saw equities drop to their lowest levels since early June. The quarter also saw a market rotation with the best performing sector being the fossil fuel-based energy sector, which had underperformed in prior quarters, and the information technology sector giving back some gains, having been the best performing sector year-to-date. For the third quarter, MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced negative returns for the quarter in US dollar terms. Looking at national MSCI indices, the strongest market was Japan, while the weakest was Eastern Europe. In terms of style, the MSCI World Growth Index produced weaker returns versus the MSCI World Value Index.

The price of Brent crude oil soared by 24.7%, to \$92.20 a barrel. Copper futures also declined a further 1.5% in dollar terms on the back of warning signs emerging of a weakening in global demand as China's economic rebound stalls.

The US dollar appreciated by 3.1% against the yen, by 2.96% against the euro, and by 4% against sterling. On a translational basis, sterling's strength against the dollar impacts sterling investors in overseas assets as it lowers the returns over the quarter. However, the weaker dollar will benefit any emerging markets countries and companies that have borrowed in dollars.

The third quarter was characterised by mixed data around the world, with central banks coming towards the end of their rate hiking path, but with cuts still seemingly a while away. The global economic picture is rosier now than it was at the start of the year, but global growth is spluttering again amid a disappointing bounce in China activity, slow-to-no growth in Europe and against a backdrop of restrictive monetary policy. The US still looks at risk of recession too, even if activity data to date has been fairly robust.

Inflation has fallen significantly and, although higher energy prices threaten a widespread revival in headline inflation, other factors – including a weak economic activity backdrop – should pull inflation lower still. With taming inflation still the priority for central banks, there is still a possibility of further rate hikes from the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE), but peak rates look to be near, with real rates now well into positive territory.

Further Information

Please click on the links below for further information:



Find out more

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. Notable publications in the third quarter include our annual Climate Report, as well as our annual Assessment of Value reports, available from the home page of www.rlam.com.

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 November 2023 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 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.

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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

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.

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.

Responsible Investment Risk

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

Performance to 30 September 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years		
Fund (gross)	(0.53)	(4.58)	0.55	(7.17)	8.97	3 Years (p.a.)	5 Years (p.a.)
Fund (net)	(0.59)	(4.70)	0.30	(7.99)	7.33	(2.45)	1.73
						(2.74)	1.42

Annualised (%)

Year on year performance (%)

	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020	30/09/2018 - 30/09/2019
Fund (gross)	0.55	(18.12)	12.75	10.88	5.87
Fund (net)	0.30	(18.35)	12.35	10.50	5.57

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 2023. All figures are mid-price to mid-price in GBP for the RL Emerging Markets ESG Leaders Equity Tracker Fund (Z 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

The Fund price is taken at midday using swing prices where applicable, while the index performance is priced at End Of Day (EOD). Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

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.