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# **Royal London Global Equity Diversified Fund**

**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 Global Equity Diversified 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 long term (7 years) by investing at least 80% in the shares of companies globally that are listed on stock exchanges. The fund's performance target is to outperform, after the deduction of charges, the MSCI World (the "Index") by 0.4-0.8% over rolling 3-year periods. For further information on the fund's index, please refer to the Prospectus.

Benchmark: MSCI World

## Fund value

	Total £m
30 September 2023	3,801.00

## Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	187
Active share (%)	63.3
Tracking error (%)	1.4

Ex-post tracking error calculated since inception to 30 September 2023. Please refer to the glossary for a description of the tracking error used.

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.51	0.56	1.96
YTD	12.92	9.50	3.43
1 Year	15.34	11.54	3.80
3 Years (p.a.)	12.76	10.17	2.58
5 Years (p.a.)	10.25	8.68	1.57
10 Years (p.a.)	-	-	-
Since inception (p.a.)	11.50	9.88	1.62

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 RL Global Equity Diversified Fund (M Acc). Source: Royal London Asset Management; Net performance; Since inception date of the shareclass is 5 March 2018.

## Performance commentary

The fund outperformed its benchmark index over the quarter and remains ahead on a year-to-date basis.

Contributors during the period included Shell, the energy company, which is in the Turnaround Life Cycle category. The company benefited from strong oil prices and a reinforcement of capital discipline message on projects from the new management team. Japanese financial group Sumitomo Mitsui Financial Group – 'Mature' – posted earnings that exceeded expectations this year, helping to drive strong performance from the shares. There is a focus on improving returns on capital and managing costs. The company has several initiatives to execute on especially in overseas markets, though key is the consistency of the attractive returns in the domestic market. The company continues to offer an attractive valuation pay-off. UBS Group, the Swiss bank in the Turnaround section of the Life Cycle benefited from positive sentiment towards acquisition and integration of Credit Suisse, which closed in mid-June.

Delta Airlines, a Turnaround, has been hurt by higher fuel prices in the recent period, putting some pressure on shares along with the potential for a significant increase in costs with the new contract for pilots. There is a shortage of pilots in the industry, which acts as a barrier to increasing industry capacity and limiting the potential for new low-cost airlines to enter the market. HCA Healthcare the US hospital and clinic operator in the Compounding segment of the Life Cycle, declined over the quarter. During the period the company announced Q2 results that were ahead of expectations and raised guidance for the full year. We continue to have a positive view on the wealth creation that the company can generate at the corporate level. Timken, the US industrials business in the Mature section of the Life Cycle, declined over the period, the company announced weak Q2 results in August which missed analysts' expectations, management also cut their full year earnings guidance. The company put the weakness down to destocking, which they expect to be transient.

# Performance and activity

## Top 10 holdings

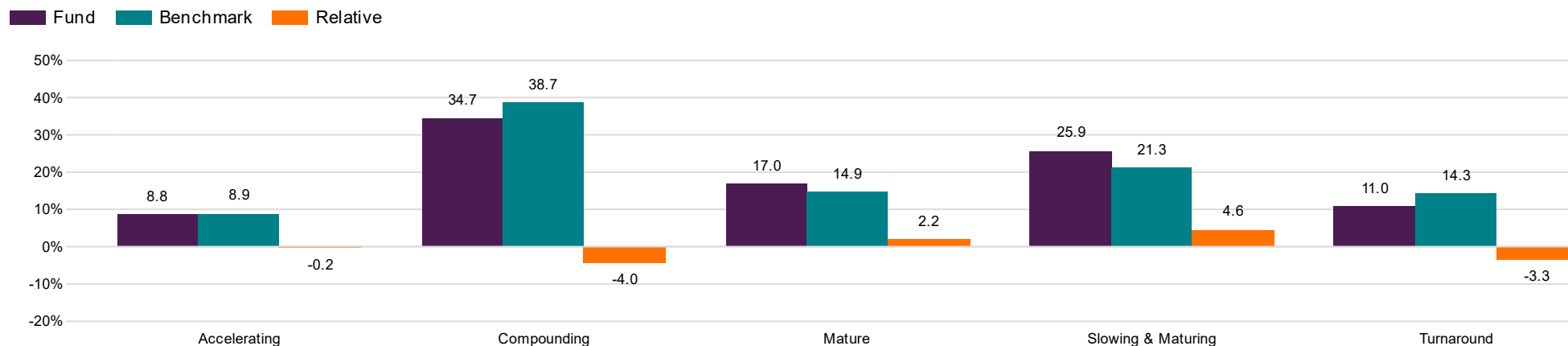
	Weighting (%)
Apple Inc.	5.09
Microsoft Corporation	4.85
Alphabet Inc. Class A	3.11
Amazon.com, Inc.	2.60
NVIDIA Corporation	2.51
Shell Plc	2.40
UnitedHealth Group Incorporated	1.87
JPMorgan Chase & Co.	1.49
Berkshire Hathaway Inc. Class B	1.34
Visa Inc. Class A	1.27
<b>Total</b>	<b>26.53</b>

## Fund activity

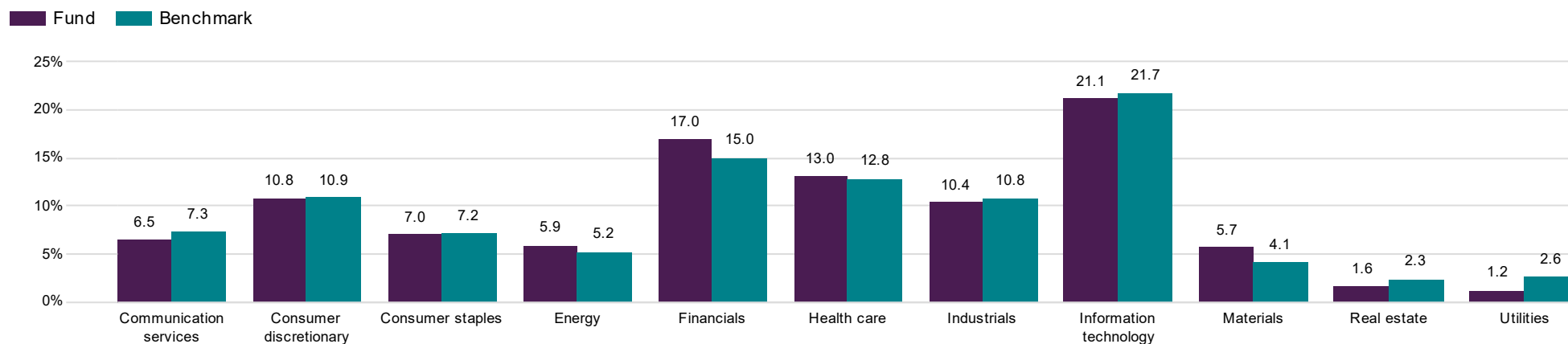
We believe that business fundamentals are the long-term drivers of stock prices. However, we recognise that different fundamentals matter at different points of a company's life, and that these are often unappreciated or misunderstood by the market. Our approach therefore aims to identify and exploit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

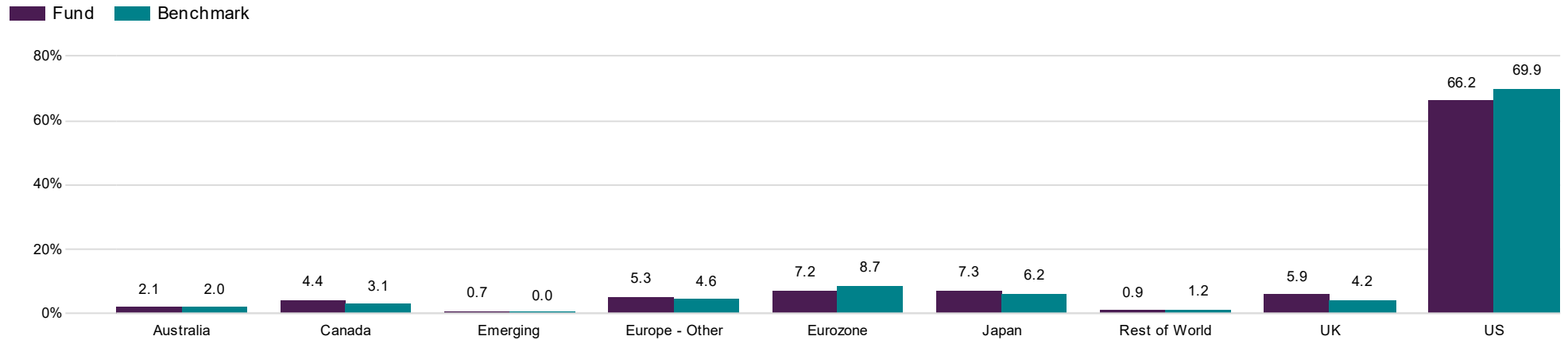


## Sector weights



# Fund breakdown

## Regional weights



## 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.

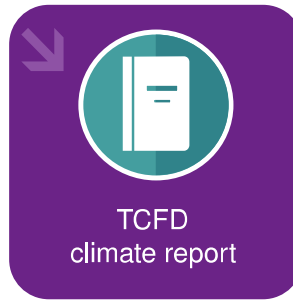
The third quarter was characterised by mixed data around the world, with central banks coming towards the end of their rate hiking path, but with cuts still seemingly a while away. The global economic picture is rosier now than it was at the start of the year, but global growth is spluttering again amid 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](http://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](http://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](http://www.rlam.com).

Issued in October 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](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

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.

# Performance to 30 September 2023

## Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years		
<b>Fund (gross)</b>	2.62	8.35	15.81	45.13	66.21	3 Years (p.a.)	5 Years (p.a.)
<b>Fund (net)</b>	2.51	8.13	15.34	43.36	62.97	13.22	10.69
						12.76	10.25

## 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
<b>Fund (gross)</b>	15.81	(0.90)	26.45	5.52	8.53
<b>Fund (net)</b>	15.34	(1.30)	25.94	5.09	8.17

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 Global Equity Diversified Fund (M Acc).

# 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.

## Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

## 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.