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Royal London Global Equity Enhanced Fund

Quarterly Investment Report

30 September 2023

ROYAL LONDON
ASSET MANAGEMENT

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 Enhanced 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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ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The fund's investment objective is to outperform the MSCI World Index USD (the "Benchmark") before fees per annum over rolling three-year periods.

Benchmark: MSCI World Net Total Return Index

Fund value

	Total $m
30 September 2023	2,599.51

Fund analytics

	Fund
Fund launch date	8 November 2022
Base currency	USD
Number of holdings	525

Performance and activity

Performance

	Fund (%)
Quarter	-
YTD	-
1 Year	-
3 Years (p.a.)	-
5 Years (p.a.)	-
10 Years (p.a.)	-
Since inception (p.a.)	-

Fund performance has been omitted as per FCA rules. Performance will be shown once one year history is available.

Performance commentary

Contributors doing the period included Vistra, the Texas based power producer, which is in the turnaround Life Cycle category. The company is well positioned to benefit from the state's shift towards renewable energy, due to its expertise as a renewables developer. A record hot summer led to higher-than-normal demand for energy. 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.

Detractors during the period included Adyen, the Amsterdam based provider of payment solutions, which is in the Slowing & Maturing Life cycle category. The company's latest earnings report signalled greater competitive pressures in the US. This may indicate a more commoditized US payments landscape than investors previously thought. Dollar General, the discount retailer in the Slowing and Maturing Live Cycle, fell heavily over the quarter. The company cut its profit forecast due to increased competition and economic pressure on consumers. Its core customers continue to say that they feel financially constrained and are focused on buying necessities.

Performance and activity

Top 10 holdings

	Weighting (%)
Apple Inc.	5.46
Microsoft Corporation	4.33
Alphabet Inc. Class A	2.98
NVIDIA Corporation	2.18
Amazon.com, Inc.	2.17
Tesla, Inc.	1.46
Meta Platforms Inc. Class A	1.45
UnitedHealth Group Incorporated	1.07
Eli Lilly and Company	0.99
JPMorgan Chase & Co.	0.89
Total	**22.98**

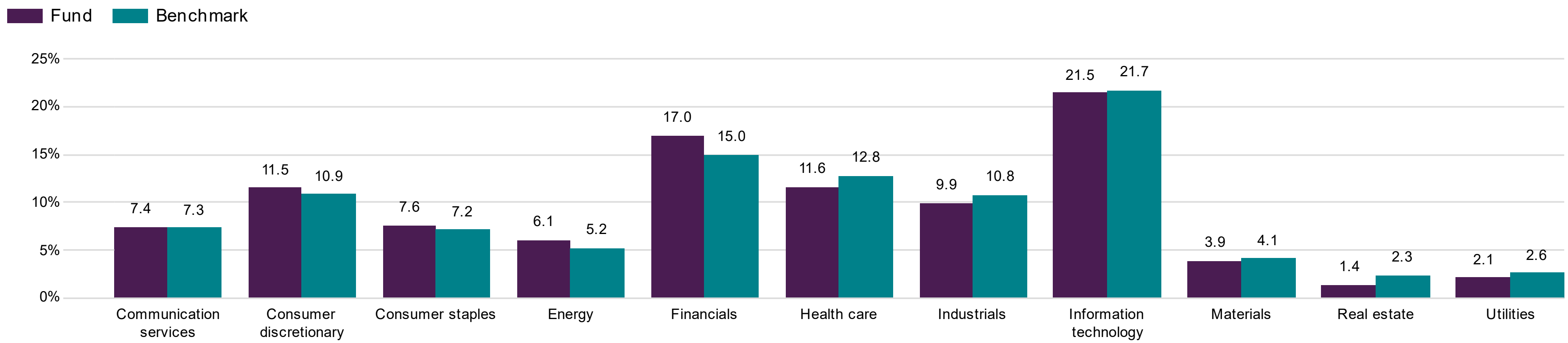
Fund activity

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.

When constructing our portfolio, we manage our exposure relative to the index across a number of dimensions. These include sector, region, country, size and lifecycle. We ensure that a position in any single company does not make up too significant a proportion of our risk budget. We build the portfolio by using a portfolio optimisation algorithm to maximise exposure to stocks with high wealth creation potential.

Fund breakdown

Sector 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:

Stewardship and responsible investment at RLAM

Royal London voting and engagement

TCFD climate report

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.

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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 Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L - 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

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.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

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.

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

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.