For professional clients only, not suitable for retail clients.

Royal London UK Income with Growth Trust

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 UK Income with 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.

Contents

The fund

Fund performance objective and benchmark

The fund's investment objective is to achieve an aboveaverage income with some capital growth over the medium-to-long term (5-7 years) by primarily investing in the shares and sterlingdenominated bonds of UK companies listed on the London Stock Exchange. The fund's income target is to produce an annual income that exceeds the income of the FTSE All-Share Index (the "Index") by at least 20% over a rolling 7-year period. For further information on the fund's index, please refer to the Prospectus.

The scheme's income target is to produce an annual income that exceeds the income of the FTSE All-Share Index (the "Index") by at least 20% over a rolling 7-year period. For further information on the fund's index, please refer to the Prospectus.

Benchmark: FTSE All-Share Index

Fund value

	Total £m
30 September 2023	221.09

Fund analytics

	Fund
Fund launch date	25 September 1989
Base currency	GBP
Number of holdings	228

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	3.27	1.88	1.39
YTD	1.01	4.54	(3.53)
1 Year	11.40	13.84	(2.44)
3 Years (p.a.)	10.27	11.81	(1.54)
5 Years (p.a.)	4.25	3.66	0.59
10 Years (p.a.)	5.45	5.56	(0.11)
Since inception (p.a.)	8.49	7.50	0.99

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 Income with Growth Trust (A Inc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 25 September 1989.

Performance commentary

The fund continues to meet its income target.

Both UK equities and bonds produced positive returns in the quarter. The fund's equity holdings outpaced the FTSE All-Share. The holdings in BP and Shell were key contributors, driven by the strength in the oil price, and the holding in housebuilder Vistry was also strong.

Performance and activity

Top 10 holdings

	Weighting (%)
Shell Plc	6.04
BP p.l.c.	3.70
British American Tobacco p.l.c.	3.05
HSBC Holdings Plc	2.99
GSK plc	2.94
AstraZeneca PLC	2.83
Unilever PLC	2.83
Glencore plc	2.72
Tesco PLC	2.45
Imperial Brands PLC	2.28
Total	**31.83**

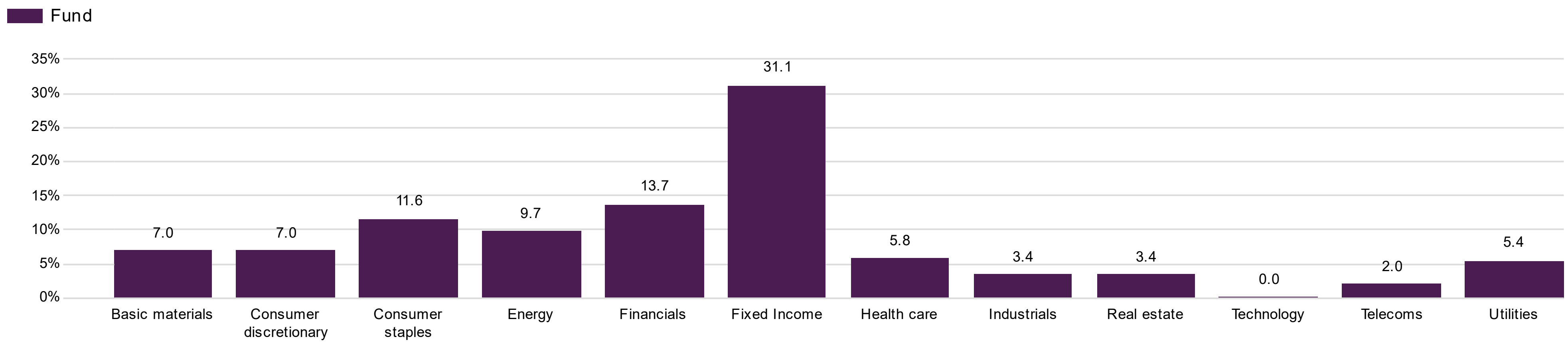
Fund activity

The main trading during the quarter was increasing the fund's weighting in bonds. Corporate bonds now yield significantly more than equities, making them useful in helping the fund meet its income target.

Equities were trimmed, with the holdings in Vistry, BP and Shell being reduced. The holding in Dunelm was also trimmed, before subsequently being rebuilt at lower levels.

Fund breakdown

Sector weights



Market commentary

Market review

Despite the flurry of first half corporate results, inflation data and interest rates remained at the forefront of investor mindsets during the third quarter. Data released in July showed that the rate of UK core inflation had slowed to 6.9%, meaningfully lower than most commentators had expected, and softening slightly further in August. As a result, Bank of England policy makers decided to hold base rates steady in September, ending their cycle of 14 sequential rate hikes. The US Federal Reserve also held rates steady in September. Indications are that policy makers will leave rates around current levels for longer than normal (rate cuts are not expected for some time), nevertheless it should not be overlooked that the current monetary policy tightening cycle - which has dominated financial markets for the last two years - is effectively over. Base rates have most likely peaked. This excites us, as in the fullness of time this should reduce pressure on equity market valuations, and should allow more focus on company specific fundamentals, as opposed to macroeconomic data being the primary determinant of returns.

UK equity markets initially rallied in July, with UK small and mid-cap indices leading the way following lower than expected inflation data and supported by a generally upbeat earnings season. However rising 10-year bond yields (as investors anticipated “higher for longer” base rates), and weak PMI and house price data (which raised concerns of a slowing domestic economy), resulted in equity market declines through August and September. The mid-cap FTSE 250 index significantly underperformed its large-cap FTSE 100 counterpart in this environment.

We are not normally avid followers of the minutiae in macroeconomic data, however a slew of revisions to UK GDP data in September did grab our attention. New ONS numbers suggested that the UK economy bounced back from the COVID pandemic significantly faster than initially estimated, with GDP now believed to have grown 1.8% between December 2019 and June 2023 – faster than France or Germany – compared to a previous estimate for a contraction. Figures for GDP growth in the first quarter of 2023 were also revised higher. While it is tempting to dismiss these revisions as another example of the issues with macro data, and why we avoid constructing the portfolio to fit any single macroeconomic outcome, there is an important narrative here. Specifically, that the UK economy has consistently been more resilient than expected through the sequential shocks of the pandemic, supply chain disruption and the cost of living crisis. In our view this speaks to the fact that corporate and consumer balance sheets were significantly repaired through Covid, resulting in less sensitivity to rising interest rates. It also suggests that the economy might be able to better withstand higher interest rates for some time without seeing a destructive economic contraction.

In positive news, the UK’s agreement to region the EU’s Horizon science program in September is another sign of incrementally improving relationships with our largest trading partner. This follows the “Windsor Framework” in February and speaks to increased political stability, key to unlocking both foreign and domestic corporate investment into the economy.

Outlook

There is considerable uncertainty about the outlook for the rest of 2023, with the risk that elevated interest rates could tip economies into a recession. However, corporate balance sheets remain very robust (meaning that the balance of power is in our hands as equity holders, rather than the debt holders), cost inflation is now receding (freight rates, raw materials and energy prices are materially lower than was the case a year ago) and much of the destocking and supply disruption following Covid appears to be moving into the rear-view mirror.

UK equity market valuations are currently at extreme levels. Indeed, the FTSE 250 is trading at the cheapest levels in 30 years relative to the FTSE 100 on a median 12-month forward dividend yield basis (Berenberg, September 2023). What has been interesting over the recent earnings season is how share prices have reacted to corporate newsflow. In several cases share prices have jumped significantly higher on in-line statements, suggesting investor sentiment has become overly negative. There is a reasonable argument to suggest that we are looking at a tempting combination of companies trading on trough valuations and trough earnings forecasts! It is of course difficult to predict the catalyst for improved UK stock market performance, but a normalisation in macroeconomic conditions and an end to UK equity outflows might just trigger it.

Our focus has always been on the long term and we continue to seek out companies with the valuable fundamental attributes that will allow them to ‘control the controllables’ in any economic environment. We continue to believe that it is these fundamental attributes that drive stock prices over the long term, and macroeconomic data or technical headwinds such as asset allocation flow can lead to short term mispricing. As such, we are excited by the opportunities currently on offer for UK investors.

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.

Telephone calls may be recorded. For further information please see the Privacy Policy at 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 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.

FTSE indexes and data are an intellectual property of FTSE International Limited ("FTSE"). "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. The Index is calculated by FTSE or its agent.

FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Royal London Asset Management.

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.

Credit Risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

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.

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.

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.

Charges from Capital Risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

Performance to 30 September 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	3.27	0.15	11.40	34.10	23.17
Fund (net)	2.94	(0.48)	10.02	29.09	15.09

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
10.27	4.25
8.88	2.85

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)	11.40	(5.29)	27.09	(12.83)	5.37
Fund (net)	10.02	(6.47)	25.44	(14.12)	3.81

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 Royal London UK Income with Growth Trust (A Inc).

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 FTSE ICB (Industry Classification Benchmark) sector relative to the benchmark index.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.