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Royal London Global Equity Diversified Fund

Quarterly Investment Report

31 March 2024

Quarterly Report

The fund as at 31 March 2024

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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ROYAL LONDON
ASSET MANAGEMENT

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 Net Total Return Index GBP (the "Index") by 0.4-0.8% per annum over rolling 3-year periods. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index.

Fund value

	Total £m
31 March 2024	4,918.39

Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	187
Active share (%)	61.0
Tracking error (%)	1.4

Ex-post tracking error calculated 3 years to 31 March 2024 using EOD prices. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund Official 12pm return (%)	Fund End of day return (%)	Benchmark (%)
Quarter	11.19	11.35	9.88
1 Year	28.16	26.55	22.45
3 Years (p.a.)	15.17	15.13	11.83
5 Years (p.a.)	14.92	14.70	12.76
Since inception (p.a.)	14.00	13.06	11.92

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; Gross performance; Since inception date of the shareclass is 5 March 2018.

Performance commentary

The fund outperformed the index during the quarter. Among the positive contributors was NVIDIA, the semi-conductor design company in the Accelerating segment of the Life Cycle as the shares continued an incredible run that started in early 2023, with the shares up 518% since 31st December 2022. NVIDIA reported Q4 earnings during the period which delivered on widely held high expectations. They reported a staggering 265% increase in sales YOY which has been driven by continued momentum in Data Centre revenue but also a resurgence in Gaming. The wealth creation characteristics are hard to question at this stage, but the valuation draws more focus with a wide range of outcomes possible from here onwards. Through the lens of our process, we continue to observe an attractive probabilistic pay-off structure for a business of this quality.

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 reported Q4 earnings during the period which were well received by the market. Our investment thesis for Kinsale centres on their technological and informational advantages, enabling them to reduce costs and capture market share. For FY 2023, they led the industry in Return on Equity (ROE) and combined ratio, indicating that their competitive advantages are positively impacting their business performance. We believe the long-term wealth creation remains strong, as does the valuation pay-off opportunity.

Sprouts Farmers Market, Inc. is a US-based grocery chain that offers fresh, natural, and organic food products. Sprouts leverages its scale to deliver a 'Farmers Market' experience to all consumers, focusing on providing fresh foods at good value. Q4 2023 and FY 2023 results were announced in February and were positive in aggregate. Management appears to be executing on sensible strategy for a Compounding business whilst the market values the company as it if were Slowing & Maturing, presenting a valuation opportunity.

Performance and activity

Performance commentary (continued)

The largest detractor during the period was UnitedHealth, the Compounding US health insurance company detracted from performance in Q1. The shares underperformed following quarterly results announced January which were not received well by the market, at least in part because of an unexpected increase in UnitedHealth's medical loss ratio (MLR). They continued to underperform on the news that the US Justice department launched an antitrust investigation into the healthcare conglomerate, the focus is on the acquisitions made by UnitedHealth and their potential anti-competitive effects.

Roche is a leading Swiss multinational pharmaceutical and diagnostics company in the Slowing & Maturing phase of the Life Cycle. Roche is focused on hospital medicine for critical diseases and differentiated unmet medical needs. Roche is also the world leader in Oncology, with a high exposure to biologic based drugs and has recently expanded its therapeutic focus, with successful launches in neurology and haemophilia. The latest set of results amounted to a miss versus consensus expectations. There are signs of growth in certain areas but in aggregate sales and cash flow metrics were down year on year. The market appears to take a dim view on Roche's ability to revitalise its pipeline and our thesis is centred on just that, Roche has demonstrated over time it has the ability to replace the drug franchise with new products. Following the YTD share performance the valuation pay-off opportunity is attractive.

UPM Kymmene is a late Life Cycle Finland-based forestry products company. Key is its pulp and paper related businesses, with a broad range of end-markets in Europe, but it also has exposure to biofuel and energy generation. Historic assets are predominantly in Finland but there is an attractive expansion underway in Uruguay. The shares reacted negatively to the company's quarterly results announced early in February. There were unexpected maintenance shutdowns and weakness in Pulp prices, the underlying FCF generation at UPM is weak but this does seem to reflect a cyclical trough. The valuation opportunity remains extremely attractive and therein is the margin of safety.

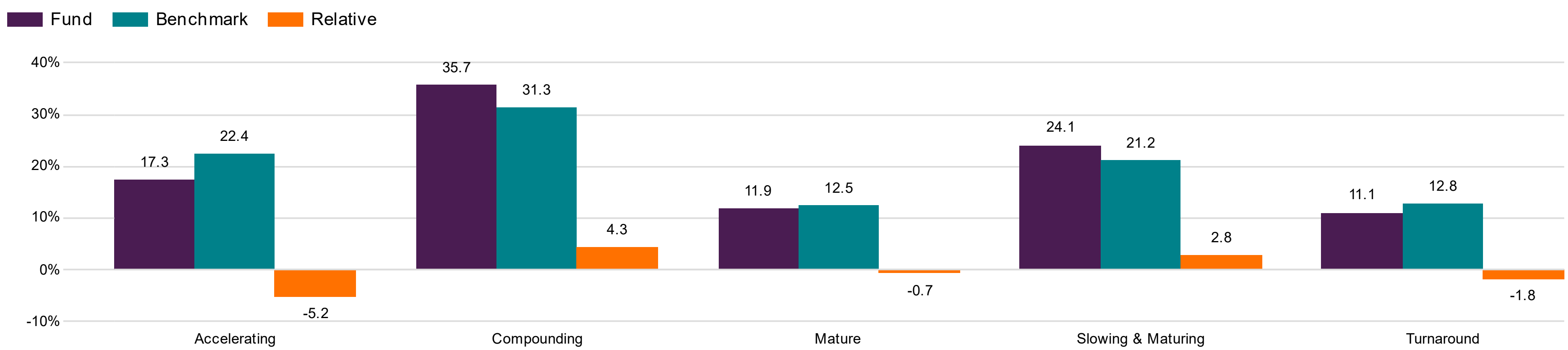
Performance and activity

Top 10 holdings

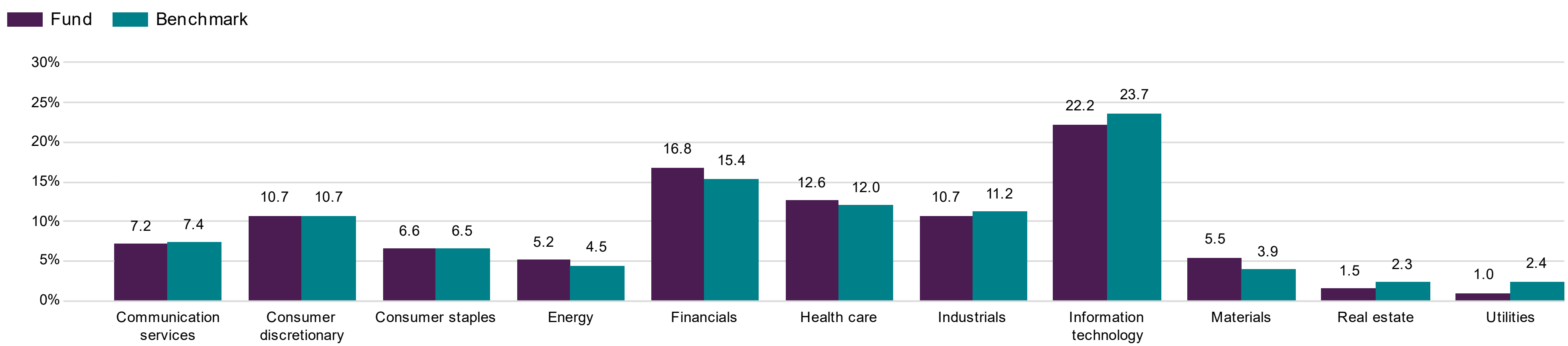
	Weighting (%)
Microsoft Corporation	5.54
Apple Inc.	4.28
NVIDIA Corporation	3.78
Alphabet Inc. Class A	3.15
Amazon.com, Inc.	3.05
Shell Plc	2.03
JPMorgan Chase & Co.	1.67
Meta Platforms Inc Class A	1.66
UnitedHealth Group Incorporated	1.65
Eli Lilly and Company	1.37
Total	**28.18**

Fund breakdown

Holdings and weights

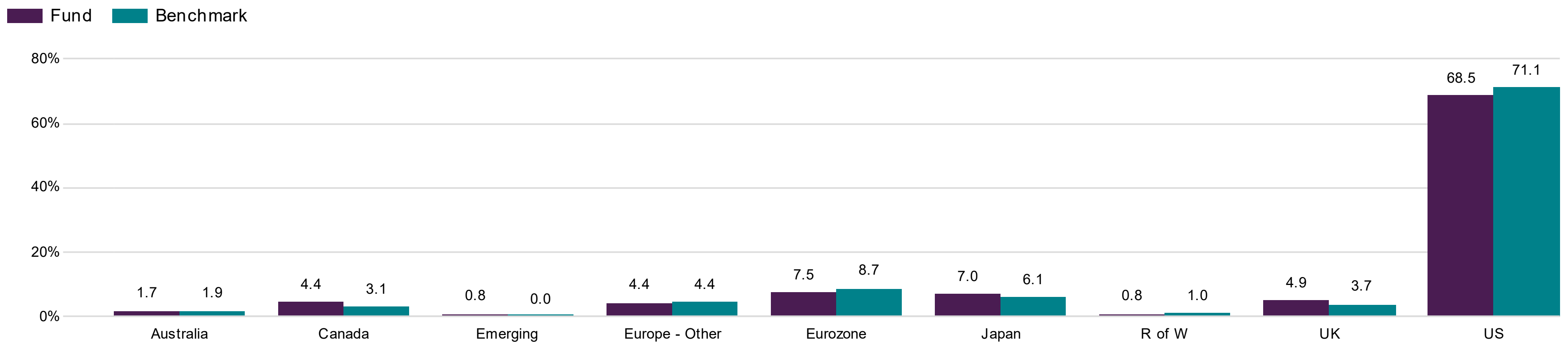


Sector weights



Fund breakdown

Regional weights



Market commentary

Market overview

A key theme to emerge during the quarter was indication of a more favourable global macro backdrop. Despite some mixed signals, the US economy remains resilient, while Europe and the UK show signs of gradually exiting their recessions. Activity in China also seems to be stabilising. At the same time, core central banks are still confident that the disinflation trend remains intact, despite some recent setbacks in inflation prints. Policymakers have often highlighted that they are in no rush to cut rates – with markets now generally pricing the start of the easing cycles to begin this summer. The Federal Reserve, European Central Bank and Bank of England all left interest rates unchanged over the quarter.

One major development over the quarter is that markets have recalibrated their pricing for expected central bank cuts over this year. At the end of last year, markets were pricing in an aggressive rate cutting cycle, but then swiftly move to temper those forecasts. This re-pricing contributed to negative returns for global government bond markets over the quarter. Despite the belief of many that it was the anticipation of a 'Fed-pivot' that contributed to the rally in equity markets in late 2023, equity markets proved to be immune to this bond market sell-off as global growth and business confidence showed signs of resilience and investors focused on the potential offered by AI.

Some of the same trends that were driving markets during the fourth quarter continued into the first quarter of 2024. The tech sector continues to benefit from the excitement around AI and industrials continued to experience a tailwind from a resilient macro backdrop combined with government stimulus towards infrastructure spending. The energy sector benefitted from higher oil prices though the quarter.

For the first quarter, the MSCI World and MSCI All Country World Index (ACWI – which also includes 26 emerging markets) produced positive returns for the quarter. Looking at national MSCI indices, the strongest market was Ireland, while the weakest was Portugal. In terms of style, the MSCI World Growth Index produced stronger returns versus the MSCI World Value Index.

The price of WTI crude oil gained 17.5% over the quarter to $83.71 a barrel, reversing the losses of the prior quarter amid attacks on Russian refineries and OPEC signalling production cuts.

The US dollar appreciated by 6.85% against the yen, by 2.23% against the euro, and by almost 1% against sterling.

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:

- Stewardship and responsible investment at RLAM
- Royal London voting and engagement
- TCFD climate report

Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts 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.

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Issued in April 2024 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 risk

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 31 March 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	11.19	18.28	28.16	52.81	100.58
Fund (net)	11.08	18.04	27.64	50.94	96.55

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
15.17	14.92
14.70	14.45

Year on year performance (%)

	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020
Fund (gross)	28.16	(0.82)	20.21	36.32	(3.71)
Fund (net)	27.64	(1.22)	19.72	35.76	(4.08)

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 March 2024. 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

Official Fund performance is shown on a mid-to-mid price basis, gross of fees and taxes, with gross income reinvested unless otherwise stated. Supplementary end of day performance has also been provided at fund level in order to show a comparison vs the benchmark which is also priced at end of day.

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 indicates how closely a fund follows its benchmark index. It is a measure of the risk in the fund that is due to active management decisions made by the fund manager. It is calculated on an ex-post basis (actual basis, post period end).