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Royal London Global Equity Select Fund (IRL)

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 Select Fund (IRL). 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, which should be considered as a period of 7-plus years. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index USD (the "Benchmark") by 2.5% per annum over rolling three year periods. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track it. While the Fund may invest in investments which are constituents of the Benchmark, the Fund will be actively managed and its portfolio will not be constrained by reference to any index.

Benchmark: MSCI All Countries World Net Total Return Index USD

Fund value

	Total $m
31 March 2024	498.04

Fund analytics

	Fund
Fund launch date	9 November 2021
Base currency	USD
Number of holdings	43
Active share (%)	83.0
Tracking error (%)	5.2

Ex-post tracking error calculated since inception to 31 March 2024. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	11.90	8.18	3.71
1 Year	38.15	23.20	14.95
Since inception (p.a.)	14.69	3.20	11.48

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 Global Equity Select Fund (IRL) Z USD ACC. Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 9 November 2021.

Performance commentary

The fund outperformed the index during the quarter.

Among the positive contributors was Steel Dynamics, the US steel manufacturer which is currently in the Slowing & Maturing stage of the Life Cycle. Steel Dynamics uses electric arc furnaces to recycle scrap steel differentiating itself from competitors who typically use coal blast furnaces. Q4 2023 results were announced in January cementing strong fiscal year performance. Long-term wealth creation characteristics of this business remain positive, and we believe the valuation pay-off opportunity persists.

Safran is an industry leading Aerospace business currently in the Turnaround segment of the Life Cycle. Safran manufactures the engines that are used in narrowbody commercial planes such as the Airbus A320/21 & Boeing 737 MAX. Safran announced positive Q4 2023 & FY 2023 results in February which the market reacted positively to. Safran has now recovered from the pandemic induced slump in engine deliveries and now stands to benefit from a potential boom in global air travel.

Progressive, US auto insurance group Progressive, currently in the Accelerating portion of the Life Cycle, was another contributor to performance in Q1. Progressive reported results during the period and this was well received by the market with a special focus paid to their improved combined ratio of 83.4%. The combined ratio of an insurance business measures the efficiency of their underwriting business, and an improvement here is considered material.

Detractors during the period under review included UnitedHealth, the Compounding US health insurance company. 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.

Lithia Motors, the US online and physical auto dealership in the Slowing & Maturing portion of the Life Cycle detracted from performance as the automotive industry continues to combat cyclical headwinds. Lithia announced Q4 results in February which highlighted the challenges the industry face. However, we were encouraged by the management's pragmatic approach to future capital allocation plans, which align with our principles for wealth creation. When looking through short-term headwinds we continue to observe an attractive valuation pay-off opportunity.

Performance and activity

Performance commentary (continued)

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.

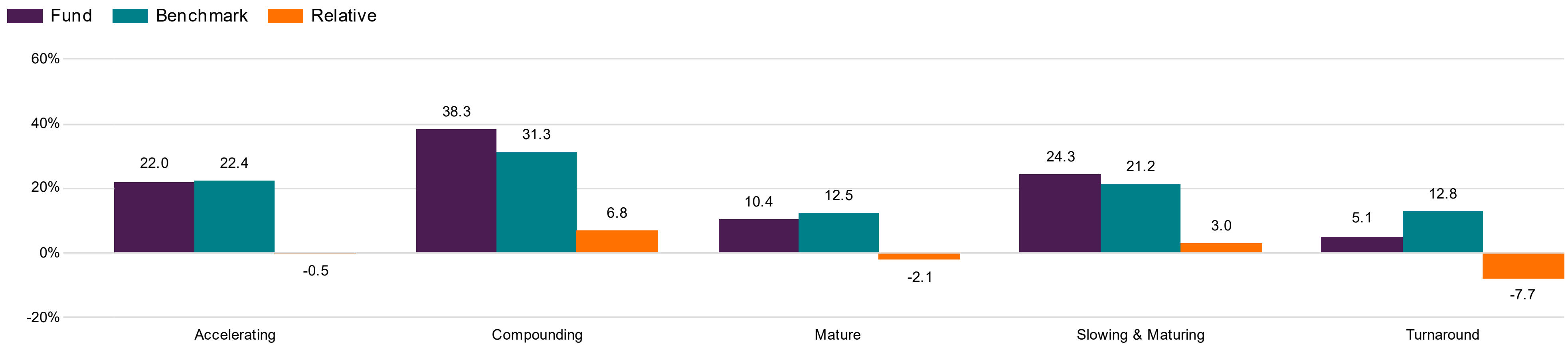
Performance and activity

Top 10 holdings

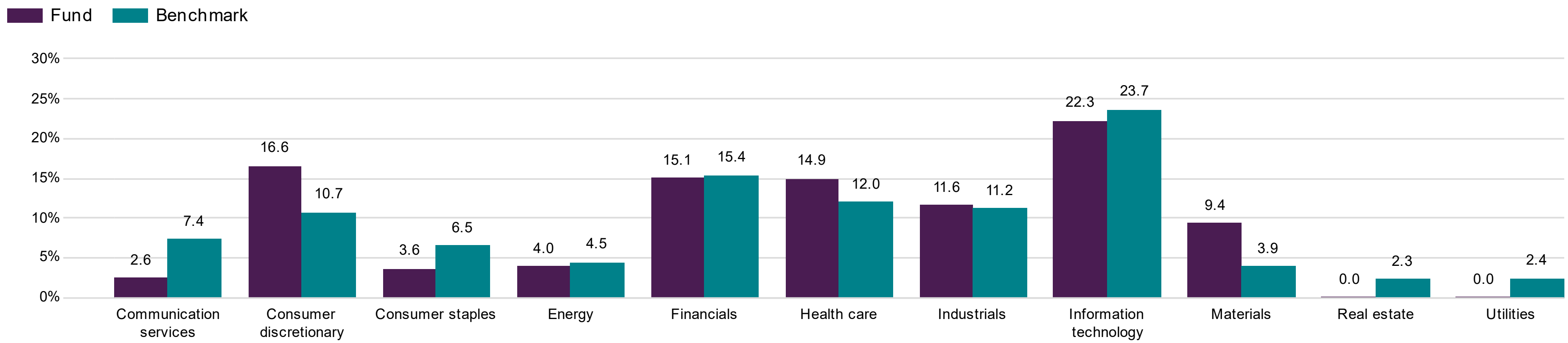
	Weighting (%)
Microsoft Corporation	8.63
Amazon.com, Inc.	6.10
Steel Dynamics, Inc.	4.86
UnitedHealth Group Incorporated	4.77
Safran SA	4.10
Constellation Software Inc.	3.60
Thor Industries, Inc.	3.42
HCA Healthcare Inc	3.41
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	3.39
NVIDIA Corporation	3.33
Total	**45.61**

Fund breakdown

Holdings and weights

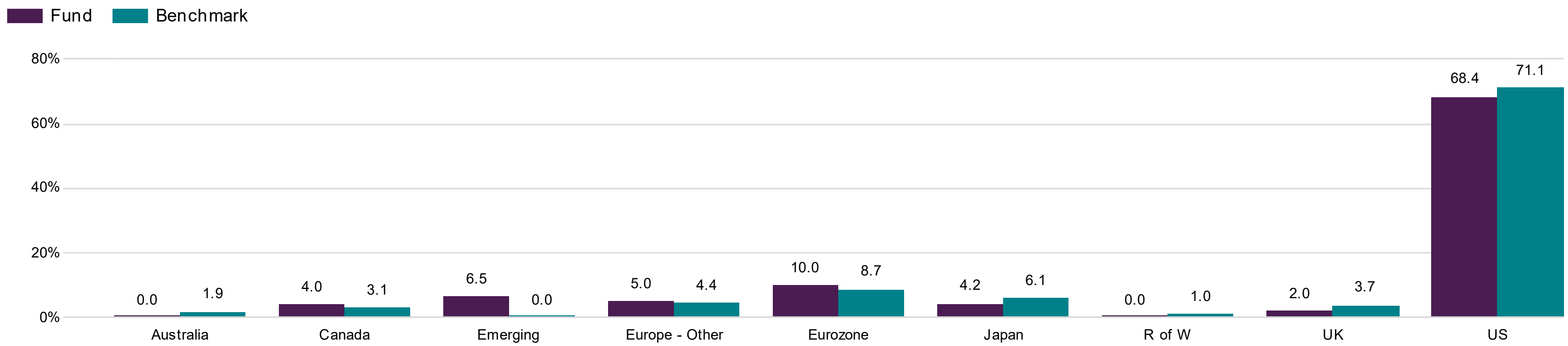


Sector weights



Fund breakdown

Regional weights



Characteristics and climate

ESG characteristics rationale

The Fund seeks to promote environmental characteristics relating to climate change mitigation by promoting those corporates with willingness and ability to accelerate decarbonisation towards net zero by 2050. We consider mitigation efforts to be most credible if there are tangible improvements by 2030. The Fund also promotes good governance using a principles based approach.

ESG characteristics

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective		✓
Additional exclusions	✓	

Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Controversial weapons	✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	13,645	n/a	n/a
Financed emissions coverage	99.96%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	27.60	40.62	(32.05)
Carbon footprint coverage	99.96%	99.01%	0.96
Weighted average carbon intensity (tCO2e/$M sales)	45.80	92.02	(50.23)
Weighted average carbon intensity coverage	99.96%	99.19%	0.78

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

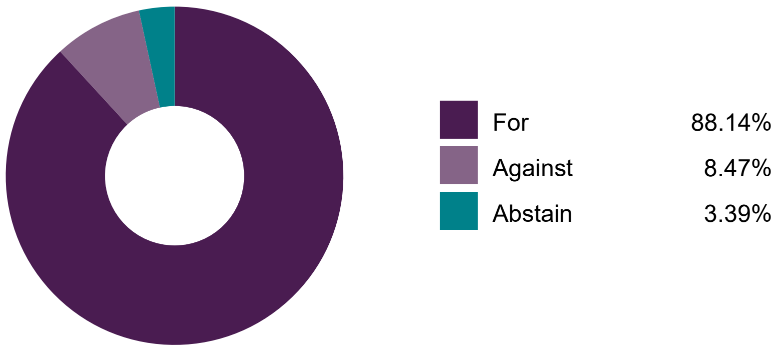
	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	99.96	98.95	1.02
% of portfolio below 2°C ITR	48.23	53.29	(9.50)
% of portfolio below 1.5°C ITR	23.75	24.43	(2.79)

SBTi net - zero

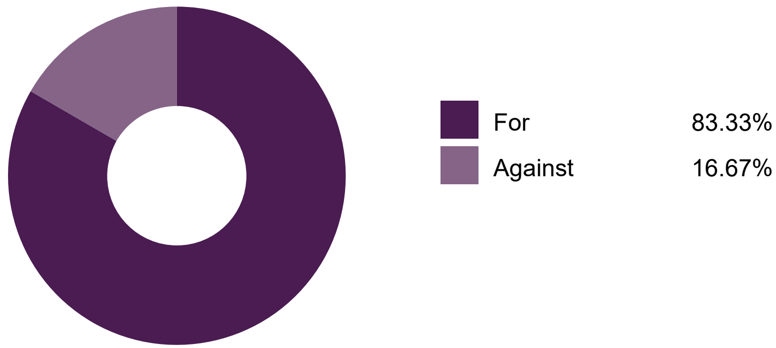
	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	31.60	26.30	20.15
SBTi Near-Term committed	10.69	12.42	(13.94)
SBTi Near-Term targets set	34.82	41.02	(15.11)

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

Apple Inc

Curating and Managing Disputes Concerning App Content (SHP) - abstain - While we acknowledge the proponent's concerns, we note the company's improved disclosure around its management of government information requests and raise no further concerns at this time.

Report on Median Gender and Racial Pay Equity (SHP) - for - Though we acknowledge the Company's current disclosures around pay equity, we are supportive of further disclosures in this area.

Report on Use of Artificial Intelligence (SHP) - for - We are supportive of further company disclosure in this area.

Visa Inc

Elect Denise M. Morrison - against: The nominee is chair of the remuneration committee and we have long-standing concerns with the company's remuneration.

Advisory vote on executive compensation - against: We remain concerned over the large area of discretion applied to bonus outcomes. We also take issue with the scale of discretionary awards granted during the year.

Severance Approval Policy (SHP) - against: While we are supportive of the request to seek shareholder approval for severance payments valued at 2.99 times the sum of the salary and target bonus, we note that the company has already adopted such a policy.

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.

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 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 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.

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.

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.

Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

Performance to 31 March 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	11.90	23.85	38.15	-	38.79
Fund (net)	11.71	23.43	37.21	-	36.55

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	-	14.69
Fund (net)	-	13.91

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)	38.15	(1.82)	-	-	-
Fund (net)	37.21	(2.49)	-	-	-

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 Royal London Global Equity Select Fund (IRL) Z USD ACC;Since inception date 9 November 2021.

Glossary

Active share

Active share is a measure used to assess the degree of difference between the portfolio's holdings and its benchmark.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO2e/$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

ESG Integration

The systematic and explicit inclusion of environmental, social and governance (ESG) factors into investment analysis and investment decisions.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO2e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.
Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.
Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).
Armaments: Companies who manufacture armaments or nuclear weapons or associated products.
Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.
Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.
Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.
High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.
Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.
Nuclear Power: Companies who generate energy from Nuclear Power.
Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.
Tobacco: Companies which are growing, processing or selling tobacco products.

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.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

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.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Regional weights

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

Glossary

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

Sector weights

Breakdown of holdings by GICS (Global Industry Classification Standard) sector relative to the benchmark index.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

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).

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO_2e / $M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.