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Royal London UK Income with Growth Trust

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 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.

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The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve an above-average income with some capital growth over the medium-to-long term (5-7 years) by primarily investing in the shares and sterling-denominated 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. The Index is considered an appropriate benchmark for the Scheme's performance, as the Scheme's potential investments will predominantly be included in the Index.

Benchmark: FTSE All-Share Index

Fund value

	Total £m
31 March 2024	221.42

Fund analytics

	Fund
Fund launch date	25 September 1989
Base currency	GBP
Number of holdings	224

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.37	3.57	(1.19)
1 Year	7.82	8.43	(0.61)
3 Years (p.a.)	6.65	8.04	(1.39)
5 Years (p.a.)	5.53	5.44	0.10
10 Years (p.a.)	5.53	5.77	(0.24)
Since inception (p.a.)	8.59	7.60	1.00

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

In the first quarter of 2024 the fund underperformed the benchmark.

Performance was boosted by the holdings in 3i, Intermediate Capital, Nat West and Clarkson, all of which reported good results or trading statements. The holding in ITV was also strong after the company announced that it was selling its stake in Britbox International to the BBC and using the proceeds received to execute a major share buyback. Not holding Reckitt Benckiser beneficial for relative performance as the shares were weak on lacklustre trading and fears of litigation in their infant formula milk business in the USA.

The biggest individual detractor was the holding of Close Brothers. The shares were a drag on performance after regulators announced a review of financing in the motor financing market. This review is likely to drag on, but our view is that the hit to Close Brothers shares represents something of an overreaction.

During the quarter both equities and bonds produced positive returns, but with equities the stronger.

Data continues to suggest that inflation is past its peak and that interest rates could be eased at some point this year. This has helped to spur equity markets to a relatively strong quarter. However, investor expectations continue to be somewhat at odds with policy makers, with many expecting cuts to be both deeper and sooner than the monetary authorities are guiding to.

The quarter saw a large amount of corporate reporting which, while mixed, was on balance reassuring. Results from mining companies, housebuilders, building materials companies and more discretionary retailers were relatively weak while financials and industrials made more upbeat reports.

Corporate activity has been a notable feature, with a merger between Barratt and Redrow being announced and DS Smith, Wincanton and Spirent among other companies received bid approaches.

Performance and activity

Top 10 holdings

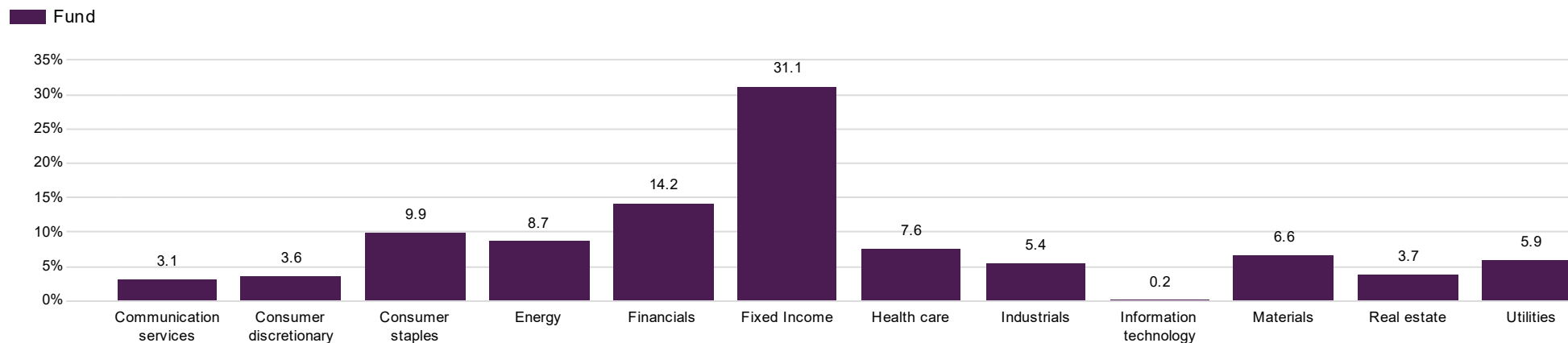
	Weighting (%)
Shell Plc	5.62
AstraZeneca PLC	3.61
GSK plc	3.08
BP p.l.c.	2.79
HSBC Holdings Plc	2.79
British American Tobacco p.l.c.	2.76
Unilever PLC	2.69
Glencore plc	2.45
NatWest Group Plc	2.39
Imperial Brands PLC	2.35
Total	30.53

Fund activity

During the quarter the fund exited holdings in Rentokil, Croda, Spirax Sarco and Vistry. Hikma reported results in the quarter and the shares were strong on the day of the results, but subsequently drifted back down. The fund reduced its holding on the bounce, before rebuilding the position at lower prices. A position was also purchased in the food retailer Sainsbury, whose shares had been relatively weak so far in 2024 and now appear attractively priced.

Fund breakdown

Sector 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.

Data continues to suggest that UK inflation is past its peak and that interest rates could ease at some point this year. This has helped to spur UK equities to a relatively strong quarter, with the FTSE All-Share index returning 3.6%. However, investor expectations continue to be somewhat at odds with policy makers, with many expecting cuts to be both deeper and sooner than the monetary authorities are guiding to.

The quarter saw a large amount of corporate reporting which, while mixed, was on balance reassuring. Results from mining companies, housebuilders, building materials companies and more discretionary retailers were relatively weak while financials and industrials made more upbeat reports.

UK market corporate activity has been a notable feature, with a merger between Barratt and Redrow being announced and DS Smith, Wincanton and Spirent among other companies received bid approaches.

Outlook

Inflation data has moderated in the quarter and modest interest rate cuts seem likely at some point in the coming months.

Takeover activity is likely to remain a feature in the UK market as, despite the recent rally, the UK equity market remains relatively lowly valued compared to overseas markets. These relatively depressed valuations also continue to prompt many companies to buy back their own shares.

We believe our approach of investing in a broad range of companies who are in control of their own fates, irrespective of market conditions is the right one. As well as looking for durable businesses, a willingness to look through short-term extremes of sentiment and buy stocks when they are out of favour, or take profits when sentiment becomes exuberant should drive longer term performance.

Further Information

Please click on the links below for further information:



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.

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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.

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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 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.

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 31 March 2024

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	2.37	7.70	7.82	21.33	30.95	6.65	5.53
Fund (net)	2.08	7.08	6.57	16.96	22.60	5.36	4.15

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)	7.82	(0.78)	13.41	25.22	(13.81)
Fund (net)	6.57	(2.01)	12.00	23.45	(15.09)

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 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.