For professional clients only, not suitable for retail clients.

Royal London Global Sustainable Equity Fund (IRL)

Quarterly Investment Report

31 March 2024

ROYAL LONDON ASSET MANAGEMENT

Quarterly Report

The fund as at 31 March 2024

The purpose of this report is to provide an update on the Royal London Global Sustainable Equity 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.

Contents

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term, which should be considered as a period of 3-5 years by predominantly investing globally in the shares of companies listed on Recognised Markets that are deemed to make a positive contribution to society. 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. Investments in the Fund will adhere to the Investment Manager's Ethical and Sustainable Investment Policy, as detailed in the "Responsible Investment" section of the Prospectus.

Benchmark: MSCI All-Countries World Net Total Return Index USD

Fund value

	Total $m
31 March 2024	135.02

Fund analytics

	Fund
Fund launch date	13 July 2021
Base currency	USD
Number of holdings	44

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	8.62	8.20	0.43
1 Year	26.26	23.22	3.04
Since inception (p.a.)	4.68	4.56	0.12

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 Sustainable Equity Fund (IRL) M USD (Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 13 July 2021.

Performance commentary

The fund performed broadly in line with the benchmark during the first quarter.

In particular, companies enabling and exposed to advancements in artificial intelligence (AI) performed well and were amid the top contributors to performance over the quarter. TSMC, which produces the world's most advanced semiconductor chips and has customers like Nvidia and Broadcom, witnessed strong performance over the period. ASML, which produces the world's most advanced semiconductor manufacturing equipment, continued to benefit from structural growth trends. In the US, many companies are benefiting from the huge amount of money being spent on physical infrastructure projects and part of that being a result of geopolitical tensions and deglobalisation, but also parts of it related to multiple decades of underinvestment. These trends been beneficial to companies like Comfort Systems, a leading building and service provider for mechanical, electrical and plumbing systems. Core & Main was another strong contributor to performance, which is a relatively new holding for us. The company is the leading distributor of water infrastructure products in the US.

A key detractor during the quarter was HDFC Bank, India's leading private sector bank. It was a weak performer as a result of guiding down profitability targets following their merger with HDFC. AIA Group, Asia's leading life insurance company, was also weak, partly as a result of continually disappointing Chinese economic growth. Global leader in offshore wind SSE also detracted after reporting slightly disappointing quarterly results.

We have a portfolio exposed to some exciting and powerful multi-year structural growth themes – the key ones being the ongoing digitalisation of society through things such as cloud computing and AI, which we think we're incredibly early in. We also have exposure to companies enabling the development of a more sustainable and resilient physical world. These include areas such as HVAC (heating, ventilation and air conditioning), building electrification and more sustainable transport such as rail. We also continue to be excited by the opportunities in the healthcare sector where we observe advancements in computing are accelerating new drug discovery combined with large disease categories such as obesity emerging.

Performance and activity

Top 10 holdings

	Weighting (%)
Microsoft Corporation	4.42
Schneider Electric SE	3.38
Westinghouse Air Brake Technologies Corporation	3.31
Thermo Fisher Scientific Inc.	3.18
Texas Instruments Incorporated	3.03
Visa Inc. Class A	2.93
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	2.89
ASML Holding NV	2.82
MercadoLibre, Inc.	2.78
AstraZeneca PLC	2.77
Total	**31.51**

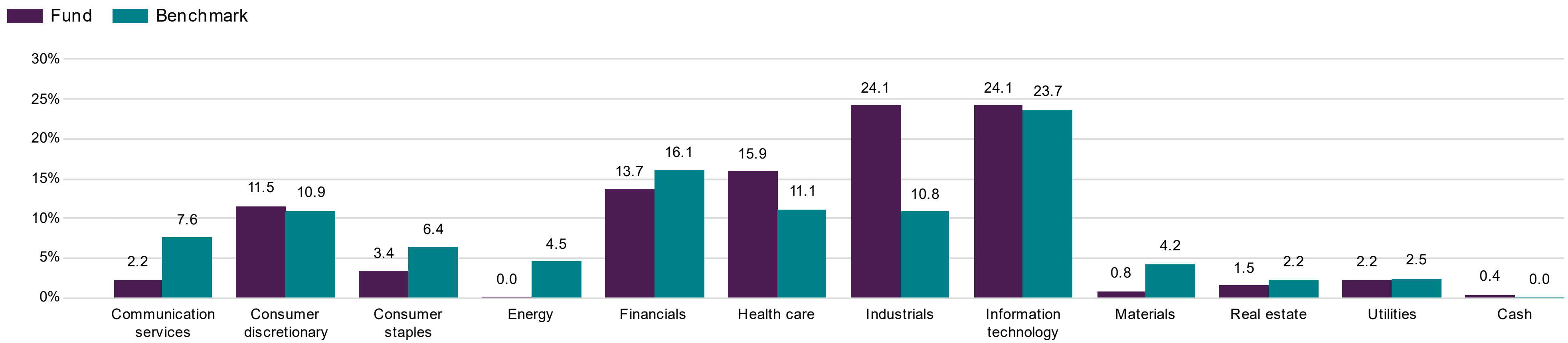
Fund activity

Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

During the period, we did not initiate or exit any positions but instead we continued to add exposure to some of our newer holdings, such as Hologic, provider of a women's health diagnostics technology and Core & Main, the leading distributor of water infrastructure products in the US. We also added to our position in Latin American e-commerce and payments platform MercadoLibre.

Fund breakdown

Sector weights



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society and that breach our Do No Significant Harm principle. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com

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.

Adult entertainment	✓
Alcohol	✓
Animal welfare	✓
Armaments	✓
Controversial weapons	✓
Fossil fuels	✓
Gambling	✓

High environmental impact	✓
Human rights issues	✓
Nuclear power	✓
Nuclear weapons	✓
Tobacco	✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	1,630	n/a	n/a
Financed emissions coverage	97.90%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	12.13	52.29	(76.81)
Carbon footprint coverage	97.90%	99.01%	(1.13)
Weighted average carbon intensity (tCO2e/$M sales)	42.32	114.38	(63.00)
Weighted average carbon intensity coverage	100.00%	99.22%	0.79

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	97.90	98.94	(1.06)
% of portfolio below 2°C ITR	56.67	50.71	11.76
% of portfolio below 1.5°C ITR	34.04	22.47	51.50

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	36.70	25.27	45.24
SBTi Near-Term committed	8.09	12.00	(32.55)
SBTi Near-Term targets set	47.04	38.27	22.94

Fund Engagement

Engagement definition

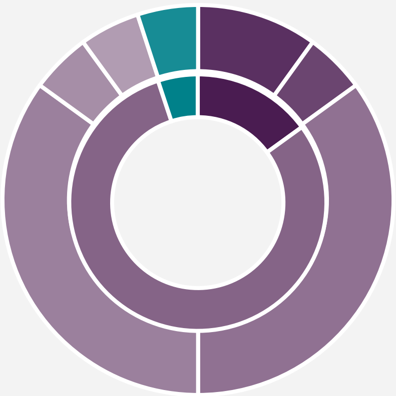
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	10	33
Number of engagements	13	72

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Total engagements by theme and topic



Climate	**3**
Climate - Transition Risk	2
Climate - Physical Risk	1
Governance	**16**
Corporate Governance	7
Remuneration	7
Board	1
Strategy	1
Social & Financial Inclusion	**1**
Labour & Human Rights	1

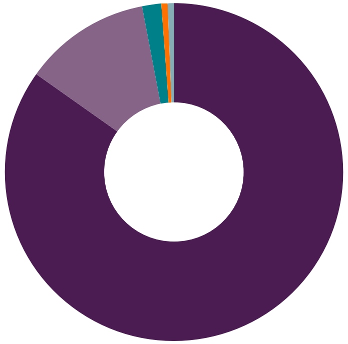
Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Fund Voting

Total proxy voting activity



For	84.85%
Against	12.12%
Abstain	1.82%
1 Year	0.61%
Withhold	0.61%

Executive remuneration voting activity

For	57.89%
Against	31.58%
Abstain	5.26%
1 Year	5.26%

Notable votes

Intuit Inc

Advisory vote on executive compensation - against: The LTIP continues to raise some concerns with noted retesting opportunities and short performance periods. We would also prefer to see a more stretching set of performance metrics under variable incentive plans.

Amendment to the 2005 Equity Incentive Plan - against: We have concerns over the total dilution from all the plans under this amendment.

Ratification of Auditor - against: There are concerns over the auditor's independence given the length of tenure.

Report on Portfolio Risk in Employee Retirement Options (Shareholder Proposal - SHP) - against: The company's 401(k) plans offer participants a diverse array of investment options, including a self-directed brokerage account that allows participants to choose ESG-related investments.

Fund Voting

Notable votes

Sika AG

Compensation Report - abstain - There was a fatality recorded at one of the company's operational sites, however, we are concerned by the compensation committee's assessment of bonus safety metrics for the year under review.

Elect Monika Ribar - against - The nominee is not considered independent due to length of tenure and serves on the Audit Committee that lacks sufficient independence in our view.

Elect Paul Schuler - against - The nominee is not considered independent and serves on the Remuneration Committee that lacks sufficient independence in our view.

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.

Market strength seen in the fourth quarter of 2023 continued though the first three months of 2024 as a result of generally supportive macroeconomic data and indications that the majority of developed market central banks are planning to cut interest rates in 2024. Q4 2023 corporate results were also notably better than Q3 2023 which supported markets. The best performing sectors in the quarter were information technology, communication services and energy while real estate, utilities and materials underperformed.

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.

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. Copper futures meanwhile gained 2.45% in US dollar terms.

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

Outlook

Combined with ongoing macroeconomic uncertainty, one thing we see as likely to continue through 2024 is heightened geopolitical tensions around the world. That said, though, these tensions might be a tailwind to some of our construction and infrastructure related investments, as it will likely serve to only accelerate these trends towards onshoring and near shoring. The macro environment remains complex and confusing, but we continue to have high conviction in the underlying drivers of the companies in which we are invested and in many cases find valuations to be undemanding.

Markets have moved significantly over the last six months, pricing in peak interest rates, yet history has taught us the macroeconomic environment can change quickly. We are not macroeconomic forecasters and refrain from predicting the direction of interest rates or inflation, but evidence is accumulating that we might be at peak interest rates. We believe longer-term microeconomic trends are more important drivers of investment returns and should be the focus of investors.

There is a narrative that sustainable investing is becoming less relevant given the economic and political changes we have seen over the last few years, however we believe the drive towards a more sustainable society which we define as cleaner, healthier, safer, and more inclusive continues unabated. When looking at markets we see sustainability becoming more, not less relevant and is illustrated by, but not limited to, trends in digitalisation through artificial intelligence, infrastructure through electrification and healthcare through obesity drugs. These trends make us optimistic about the long-term outlook for sustainable investing.

We will continue to follow our process which has served us well over the years and believe our portfolios are diversified and focused on high quality sustainable and financial companies that are well positioned to drive long-term performance.

It seems likely to us we are still in the early stages of the digitisation of society. For many this will bring fears as well as opportunities, in much the same way the personal computer and the internet did. Technological progress is however one of life's inevitabilities and sustainable funds can and do benefit from it.

Weight loss drugs are the other social revolution in its early stages. Obesity could be argued to be partly responsible for climate change, through excessive consumption and the pressure that puts on resources, as well and many serious illnesses such as diabetes and heart disease. That there may be medicines which, with clinical supervision, can be taken to reduce cravings for food could be the most underestimated of areas with the potential to transform society. Novo Nordisk, and healthcare in general, is highly investable for sustainable funds.

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.

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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 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.

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.

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.

ROYAL LONDON ASSET MANAGEMENT

Performance to 31 March 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	8.62	23.85	26.26	-	13.24
Fund (net)	8.40	23.33	25.21	-	10.74

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	-	4.68
Fund (net)	-	3.82

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)	26.26	(5.59)	-	-	-
Fund (net)	25.21	(6.37)	-	-	-

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 Sustainable Equity Fund (IRL) M USD (Acc);Since inception date 13 July 2021.

Glossary

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

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

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.

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.

Glossary

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.

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.