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# **Royal London Asset Management**

**Equity Fund Commentary**

**31 August 2025**



# Fund Commentary

**31 August 2025**

The purpose of this report is to provide an update on the Royal London Equity Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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# Equity

## Royal London Global Equity Diversified Fund

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

The fund was ahead of its benchmark over the month. BHP contributed positively to performance amid resilient commodity prices and robust operational execution, drawing investor optimism. On the negative side, Microsoft dragged on performance following its August security updates, marring sentiment.

We continue to focus on enhancing the long-term Wealth Creation and valuation opportunities in the portfolio. The result is a highly idiosyncratic portfolio with balance across the corporate Life Cycle.

## Royal London Global Equity Diversified Fund (IRL)

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

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We continue to focus on enhancing the long-term Wealth Creation and valuation opportunities in the portfolio. The result is a highly idiosyncratic portfolio with balance across the corporate Life Cycle.

## Royal London Global Equity Income Fund

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

The rally that we had seen in previous months from some large benchmark positions that pay no or very low dividends finally came to an end, with the fund benefiting from not holding Nvidia, Meta and Amazon. Meanwhile, a large benchmark position that is held in size in the fund, Alphabet, delivered another month of strong performance. On the downside, Wolters Kluwer shares came under pressure as fears of AI disruption to software incumbents increased.

We continue to focus on allocating capital to wealth creating companies that offer an attractive income profile.

# Equity

## Royal London Global Equity Select Fund

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

The fund underperformed its benchmark during August. The primary detractor of performance was Wolters Kluwer, as the market aggressively discounted shares amid competitive concerns from AI-native peers, which caused concern.

The fund is well balanced across the Life Cycle, albeit notably with an underweight to Slowing & Mature companies for the first time this year, following several sales. Stock specific risks now drive around 80% of the overall performance.

## Royal London Global Equity Select Fund (IRL)

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

The fund underperformed its benchmark during August. The primary detractor of performance was Wolters Kluwer, as the market aggressively discounted shares amid competitive concerns from AI-native peers, which caused concern.

The Fund is well balanced across the Life Cycle, albeit notably with an underweight to Slowing & Mature companies for the first time this year, following several sales. Stock specific risks now drive around 80% of the overall performance.

## Royal London Global Equity Transitions Fund

Global equity markets posted mixed results in August, with US indices gaining amid broadening investor optimism, while European and Asian markets saw more modest advances. The month was marked by growing expectations of monetary easing, strong earnings in technology and industrials, and signs of rotation into small-cap and cyclical stocks.

The fund underperformed its benchmark over the month. The primary detractors to performance were Wolters Kluwer as the market aggressively discounted shares as competitive concerns from AI-native peers caused concern. Not owning Apple was also a detractor.

We continue to focus on enhancing the long-term Wealth Creation/valuation in the portfolio. The result is a highly idiosyncratic portfolio aiming to be Life Cycle balanced alongside identifying Improvers and Enablers aligned with our four Transitions themes.

# Equity

## Royal London UK Dividend Growth Fund

The UK equity market rose in August as defensive sectors like consumer staples performed well, while stocks seen as being vulnerable to artificial intelligence (AI) disruption were weak. The oil price went up in the month, with oil equities rising in sympathy. The Bank of England reduced interest rates to 4%, but as concerns remain about the persistency of inflation and the stretched state of UK government finances, domestic sectors such as housebuilders and real estate were weak. Widespread share buybacks and UK companies continuing to attract takeover bids have also helped to support the market.

The fund underperformed the benchmark in the month. WH Smith was the key detractor, after the company announced that it is investigating accounting irregularities in its US business. The holdings in RELX and Sage were also weak, as some investors worried that the companies were vulnerable to AI disruption.

Geopolitics and the global economy remain very hard to predict but we continue to feel that our approach of investing in a broad range of companies from different sectors and stages of their lifecycle is very appropriate and will allow fund performance to continue to be driven by the success of our hunting for undervalued long-term cashflows.

## Royal London UK Equity Fund

The UK equity market continued to rise in August as defensive sectors like consumer staples and pharmaceuticals performed well, while stocks seen as being vulnerable to artificial intelligence (AI) disruption were weak. Broadly consistent with the rise in long-term government bond yields, interest rate sensitive sectors such as Real Estate and Utilities underperformed. There was also general weakness among more domestically orientated companies over the month and strength in commodity related sectors.

The fund underperformed the benchmark in the month. WH Smith was the key detractor, after the company announced that it is investigating accounting irregularities in its US business. The holdings in RELX and Sage were also weak, as some investors worried that the companies were vulnerable to AI disruption.

The fund increased its position in Diageo, the global spirits producer, on increased confidence in operational improvements. We also initiated a new position in Informa, the global events organiser, as we believe the market underestimates its future growth potential. We continue to invest broadly across sectors and in companies at different stages of the corporate lifecycle that we believe are undervalued relative to their long-term cash flow potential.

## Royal London UK Equity Income Fund

The UK equity market rose in August as defensive sectors like consumer staples performed well, while stocks seen as being vulnerable to artificial intelligence (AI) disruption were weak. The oil price went up in the month, with oil equities rising in sympathy. The Bank of England reduced interest rates to 4%, but as concerns remain about the persistency of inflation and the stretched state of UK government finances, domestic sectors such as housebuilders and real estate were weak. Widespread share buybacks and UK companies continuing to attract takeover bids have also helped to support the market.

The fund underperformed the benchmark in the month. WH Smith was the key detractor, after the company announced that it is investigating accounting irregularities in its US business. The holding in RELX was weak, as some investors worried that the company were vulnerable to AI disruption and Hikma shares also fell after reducing profit expectations.

Geopolitics and the global economy remain very hard to predict but we continue to feel that our approach of investing in a broad range of companies from different sectors and stages of their lifecycle is very appropriate and will allow fund performance to continue to be driven by the success of our hunting for undervalued long-term cashflows.

# Equity

## Royal London UK Growth Trust

The UK equity market continued to move higher in August against a backdrop of rising borrowing costs and fiscal concerns, such is the current position of the UK government finances. Defensive sectors such as consumer staples and healthcare performed well alongside commodity related sectors, while interest rate sensitive sectors such as real estate and utilities underperformed. There was also weakness among more domestically orientated companies.

The Trust lagged the benchmark and the peer group over the month. Key detractors were RELX and Sage, as investors increasingly question whether companies originally seen as AI beneficiaries could in fact be disrupted by the technology. While AI disruption remains to be seen, we think this share price weakness has to a large extent been indiscriminate and could present an opportunity if the winners can be separated from the losers. Sector allocation was also a negative on a relative basis, notably the underweight to consumer staples, healthcare and energy.

We continue to invest broadly across sectors and in companies at different stages of the corporate lifecycle that we believe are undervalued relative to their long-term cash flow potential.

## Royal London UK Income With Growth Trust

The UK equity market rose in August as defensive sectors like consumer staples performed well, while stocks seen as being vulnerable to artificial intelligence (AI) disruption were weak. The oil price went up in the month, with oil equities rising in sympathy. The Bank of England reduced interest rates to 4%, but as concerns remain about the persistency of inflation and the stretched state of UK government finances, domestic sectors such as housebuilders and real estate were weak. Widespread share buybacks and UK companies continuing to attract takeover bids have also helped to support the equity market. Corporate bond prices were broadly unchanged.

The fund underperformed the benchmark during the month. The equity portfolio was ahead of the benchmark, but asset allocation was a drag, with bonds being weaker than equities. The holding in Vodafone was the biggest contributor to performance, with improved investor sentiment towards the telecommunications sector.

Geopolitics and the global economy remain very hard to predict but we continue to feel that our approach of investing in a broad range of companies from different sectors and stages of their lifecycle is very appropriate and will allow fund performance to continue to be driven by the success of our hunting for undervalued long-term cashflows.

## Royal London UK Mid Cap Growth Fund

August was a relatively uneventful month for UK equities. Small- and mid-cap indices posted modest declines as subdued economic growth and higher-than-expected inflation data weighed on sentiment. The fund underperformed the benchmark over the month. The underperformance was driven by stock selection, whilst sector allocation was a positive. The fund's stock selection in the industrials sector contributed positively.

From a stock perspective, JTC was a significant contributor as it was revealed that private equity company Permira had made two approaches for the company. Rotork was another contributor as it delivered a solid set of interim results with positive sales growth across all its divisions and a strong order intake.

Auction Technology Group (ATG) was a detractor as it announced an acquisition (leading to the cancellation of its share buyback programme) alongside tough trading. WH Smith was a detractor after announcing that it was investigating accounting irregularities in its US business. The fund started new positions in Johnson Matthey, XPS Group and Alfa Financial Software.

# Equity

## Royal London UK Smaller Companies Fund

August was a relatively uneventful month for UK equities. Small- and mid-cap indices posted modest declines as subdued economic growth and higher-than-expected inflation data weighed on sentiment. The fund underperformed the index in August. The underperformance was driven by stock selection, whilst sector allocation was a positive. The fund's stock selection in the industrials sector contributed positively.

The largest positive contributors came from benchmark stocks not held in the fund. Examples include Costain and Videndum who delivered negative updates. In terms of fund holdings, Bytes Technology Group was a positive contributor after announcing material insider buying, alongside a share buyback. Genus continued to perform strongly following its positive trading update last month and upgraded analyst profit expectations.

Auction Technology Group (ATG) was a detractor as it announced an acquisition (leading to the cancellation of its share buyback programme) alongside tough trading. The fund started a new position in Forterra and took profits in Alpha Group International, following the bid.

# Disclaimers

## Important information

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**RL Global Equity Diversified (IRL), RL Global Equity Select Fund (IRL), RL Global Equity Enhanced Fund, RL Global Equity Transitions Fund:**

### Notice for UK Investors

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

The Fund is a sub-fund of Royal London Asset Management Funds plc, which is an umbrella fund with segregated liability between sub-funds. As a consequence, the holdings of one sub-fund are kept separate from the holdings of other sub-funds and your investment in the Fund cannot be used to pay the liabilities of any other sub-fund. Investors may exchange their shares in the Fund for shares in other sub-funds of Royal London Asset Management Funds plc.

### **RL UK Growth Trust and RL UK Income With Growth Trust:**

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# Risk 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.

## 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.

## 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 stock market and therefore more volatile.

## 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.

## Efficient portfolio management (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.

## 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.

## 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.

## Smaller companies risk

The Fund invests in smaller companies, the prices for which can be less liquid and be more volatile than those of larger companies and therefore may have a greater impact on the value of the Fund.