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Royal London UK Equity Fund

Quarterly Investment Report

31 December 2025

Quarterly Report

The fund as at 31 December 2025

The purpose of this report is to provide an update on the Royal London UK Equity 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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The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the FTSE All-Share Total Return GBP Index over rolling 5-year periods, through capital growth, after the deduction of charges.

Fund value

	Total £m
31 December 2025	924.39

Fund analytics

	Fund
Fund launch date	11 April 1984
Fund base currency	GBP
Benchmark	FTSE All-Share Index (Total Return, GBP)
Number of holdings	66

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	6.08	6.38	(0.30)
1 Year	23.11	24.02	(0.92)
3 Years (p.a.)	12.28	13.56	(1.28)
5 Years (p.a.)	11.48	11.70	(0.22)
10 Years (p.a.)	7.99	8.36	(0.37)
Since inception (p.a.)	7.94	8.08	(0.13)

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges, including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces your investment. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on M Acc GBP. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 1 May 2012.

Performance commentary

The fund lagged the benchmark in the fourth quarter, but outperformed the peer group average, placing in the second quartile. Positive contributors to performance included Standard Chartered which performed strongly amid the ongoing recovery in Asian markets. UK housebuilder Persimmon and retailer Next both also outperformed, following better-than-expected results.

Detractors to performance included 3i Group which came under pressure after a trading update showed a slowdown in France for its main business – Action – a European discount retailer. Specialist UK lender, Paragon, also struggled to keep up with its larger UK bank peers, in what was a challenging quarter for the UK economy given the budget uncertainty. Marks & Spencer was also weak following a slower-than-expected recovery from its cyber-attack earlier in the year.

Performance and activity

Top 10 holdings

	Weighting (%)
HSBC HOLDINGS PLC	7.25
ASTRAZENECA PLC	6.85
SHELL PLC	5.49
UNILEVER PLC	3.57
ROLLS-ROYCE HOLDINGS PLC	3.36
LLOYDS BANKING GROUP PLC	3.13
STANDARD CHARTERED PLC	2.74
BARCLAYS PLC	2.58
COMPASS GROUP PLC	2.51
NATWEST GROUP PLC	2.51
Total	39.99

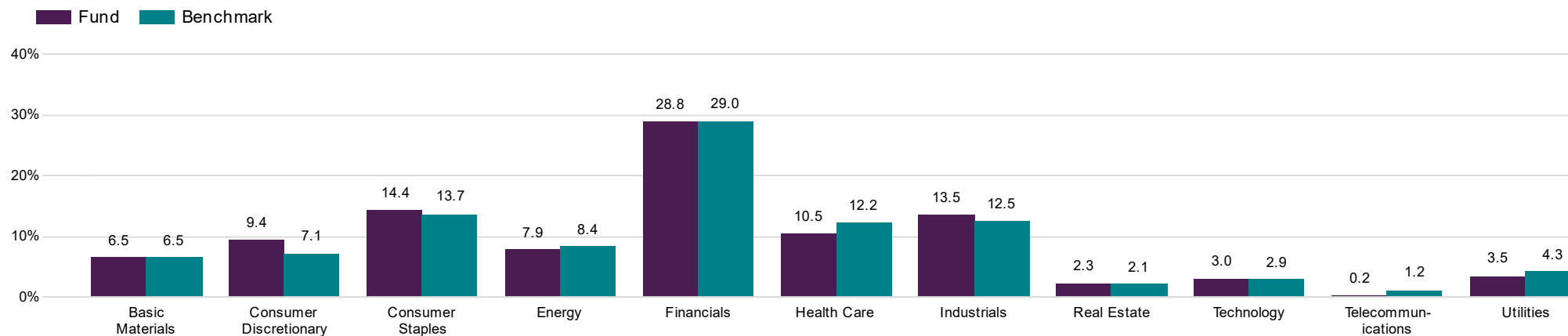
Fund activity

The main activity over the quarter involved the complete sale of Intercontinental Hotels Group on valuation grounds. The fund also modestly reduced its holdings in Relx and Sage to manage risk in stocks perceived to be impacted by AI. Proceeds were reinvested in global events organiser Informa, where we continue to believe the market underestimates its future growth potential, particularly in the Middle East.

The fund also initiated a new position in ITV, where we anticipate value unlock as the group considers splitting itself up. 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.

Fund breakdown

Sector weights



Fund Engagement

Engagement definition

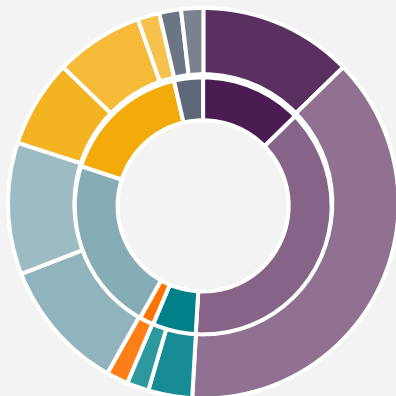
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	25	54
Number of engagements	40	157

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



Biodiversity	7
Climate	21
Climate - Transition Risk	21
Diversity	3
Gender Diversity	2
Ethnic Diversity	1
Environment	1
Governance	12
Corporate Governance	6
Remuneration	6

Social & Financial Inclusion	9
Just transition	4
Social & Financial inclusion	4
Labour & Human Rights	1
Technology, Innovation & Society	2
Cybersecurity	1
Technology & Society	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; nature and 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.

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Fund Engagement

Engagement outcomes

Experian plc – Sustainable and Ethical AI

Purpose:

Experian plc, a global information services company, was engaged to review its approach to ethical artificial intelligence (AI) and sustainability performance, focusing on supplier engagement, emissions data management, and governance frameworks.

Outcome:

Experian outlined its strategy to embed responsible AI practices across its operations, supported by a global AI policy scheduled for launch in December. This policy will govern fairness testing, bias mitigation, and transparency. The company confirmed that AI governance is integrated at the product level, with oversight mechanisms to ensure compliance with emerging regulations such as the EU AI Act. Experian also shared progress on climate-related goals, including its target for 78% of suppliers to set Science Based Targets initiative (SBTi) commitments by 2029; 38% of suppliers currently have targets in place. To improve emissions reporting, Experian uses a hybrid approach combining actual supplier data with industry averages for Scope 3 emissions (indirect emissions across its value chain). The company is transitioning data centres to cloud infrastructure, which is expected to reduce energy consumption and improve efficiency. Experian also leverages its position as one of Amazon Web Services' largest clients to influence sustainability practices among technology partners. We will monitor the publication of Experian's global AI policy and encourage further transparency on supplier engagement and climate performance.

HSBC Holdings plc – Just Transition

Purpose:

HSBC Holdings plc, a global bank, was engaged as part of our long-running engagement with banks on just transition, seeking for it to integrate social considerations into its Net Zero transition plan.

Outcome:

HSBC is updating its Net Zero transition plan and benchmarking peers to improve just transition disclosures. The bank recognised deficiencies in managing climate-related human rights risks and sector-specific social impacts, but emphasised ongoing measures, such as the implementation of enhanced vulnerability standards and various financial inclusion initiatives. HSBC emphasised challenges in retrofitting liability and Use of Proceed loans in the retail mortgage market. Following our meeting, we will review our draft assessment and share it with the bank to encourage improved disclosure and integration of social considerations.

Fund Engagement

Engagement outcomes

Johnson Matthey plc – Net Zero

Purpose:

Johnson Matthey plc, a UK-based chemicals company, was engaged to clarify its net zero roadmap and understand how recent strategic decisions impact sustainability targets.

Outcome:

Johnson Matthey provided insights into its net zero roadmap, approved by the Science Based Targets initiative (SBTi) and explained the implications of its £1.8 billion sale of Catalyst Technologies to Honeywell. This divestment enables Johnson Matthey to focus on its core areas of hydrogen technologies and PGM recycling (the recovery and reuse of platinum group metals critical for clean energy and industrial applications), while freeing capital for investment in low-carbon solutions. The company reaffirmed its 2040 net zero goal and outlined short-term milestones, including a 57% reduction in Scope 1 and 2 emissions by 2026/27. Focus areas within the company's roadmap include hydrogen technologies, policy advocacy, and climate risk management. Incentives and disclosures are aligned with sustainability objectives. A follow-up call is scheduled for late January to discuss progress and next steps.

Severn Trent plc – Climate & Nature

Purpose:

Severn Trent plc, a UK water utility, was engaged to review its approach to just adaptation and integration of nature-based solutions.

Outcome:

Severn Trent applies a natural and social capital approach to assess the wider benefits of its investments, guided by frameworks from the UK's Environment Agency (EA) and the Water Industry National Environment Programme (WINEP). Nature-based solutions, such as rain gardens (is a shallow planted area that collects rainwater) and tree planting, are embedded into project planning, with stakeholder engagement central to managing trade-offs between environmental and operational priorities. While the company is making progress, challenges remain around accurately quantifying these benefits and improving transparency on monitoring data. Severn Trent is working toward alignment with the Taskforce on Nature-related Financial Disclosures (TNFD) and the Taskforce on Climate-related Financial Disclosures (TCFD), which set global standards for reporting on nature and climate respectively. We will continue to monitor progress and encourage enhanced disclosure on how the company identifies and mitigates climate maladaptation risks.

Fund Engagement

Engagement outcomes

Tesco plc – Workplace Culture

Purpose:

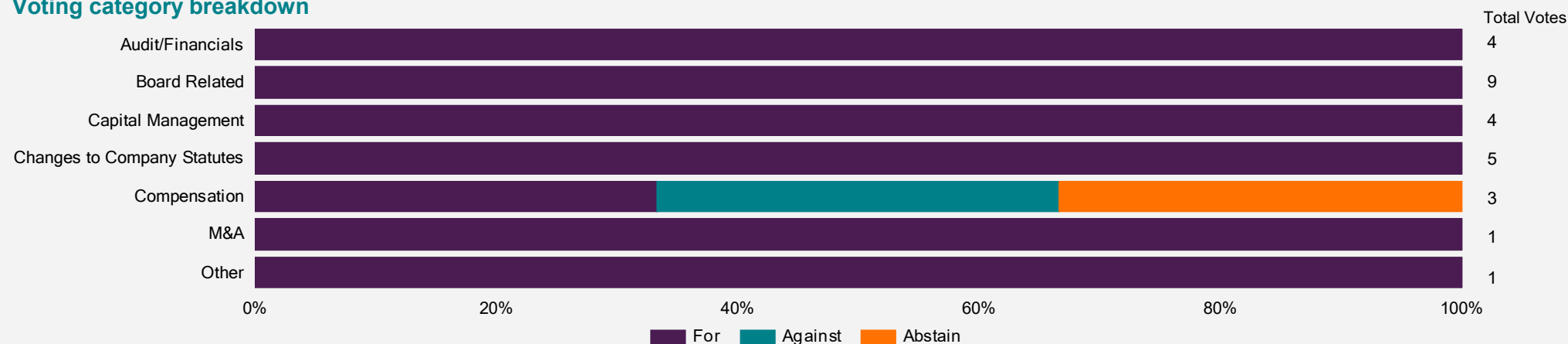
Tesco plc, a multinational retailer, was engaged to address concerns around misconduct reporting and workplace culture transparency.

Outcome:

Tesco confirmed that improving data collection systems is now a strategic priority. The company has introduced new policies covering bullying, harassment, and third-party conduct, including customers and contractors. Legal changes around employer responsibility to prevent sexual harassment have prompted Tesco to strengthen controls and training programmes. While timelines for improved disclosures remain unclear, Tesco is actively developing mechanisms to support effective reporting. We will maintain engagement to encourage Tesco to set clear timelines for improved disclosures and adopt best practice reporting standards, including publishing substantiated case data and progress metrics.

Fund Voting

Voting category breakdown



Notable votes

Anglo American plc

Amendment of 2024 and 2025 LTIP In-flight Awards - against: We remain concerned that the proposal would potentially result in the automatic vesting of 62.5% of the awards, particularly when the formulaic vesting outcomes are below this level, should the merger be completed.

Astrazeneca plc

Adoption of New Articles - for: Supported adoption of new articles as technical changes enhance listing structure with no governance concerns.

Diageo plc

Remuneration Report - abstain: While we acknowledge the challenging context and recent leadership changes, we retain concerns over bonus outcomes relative to performance and welcome continued dialogue on the company's forward trajectory.

Fund Voting

Notable votes

Unilever plc

Share Consolidation - for: This is linked to the demerger of their ice cream business and will have no substantive economic effect on shareholders. The consolidation is intended to maintain comparability of share price and per share metrics before and after the demerger, while preserving the value of awards under share plans.

Market commentary

Market Review

The UK equity market posted solid gains in the fourth quarter, led by large-cap stocks and bolstered by favourable central bank policy. However, the febrile geopolitical backdrop, particularly around the prospects for a peace deal between Russia and Ukraine made markets jittery.

The FTSE 100 hit record highs, briefly flirting with the 10,000 point mark. The FTSE 100 sector mix – heavy in metals, aerospace and defence – proved beneficial throughout the quarter. In contrast, the FTSE 250 and small-cap stocks underperformed, weighed down by concerns over UK domestic growth and fiscal policy.

The Budget loomed in the quarter, with frequent twists and turns in views on its potential content. Generally, this uncertainty depressed UK economic activity, as many consumers and companies adopted a ‘wait and see’ approach. When finally delivered on November 26 the Budget contained little to hearten investors, but nor did it contain any real shocks.

More generally, markets were focused on the US during the quarter, with rate cuts from the Federal Reserve bookending the longest US Federal Government shutdown in history. The decision was accompanied by language suggesting a pause after three cuts in the final four months of 2025. In the euro zone, the European Central Bank left rates unchanged – with inflation concerns causing reluctance to cut further after four cuts in the first half of 2025. The Bank of England (BoE) cut rates from 4% to 3.75%, the sixth cut since mid-2024 from the recent peak of 5.25%. The BoE noted that inflation was still a concern (reflected in a 5-4 vote) but concerns over downside risks including an unemployment rate that has edged to its highest rate since the Covid pandemic.

Risk assets closed the year strongly. After the sharp fall in the wake of the Trump tariff announcement in early April, global equity markets generally ground higher, including during the fourth quarter, helped by ongoing optimism over AI as well as supportive corporate earnings. For the year as a whole, there was strong performance from all major markets – the US, Europe, UK and Japan – with the US lagging in common currency terms after the US dollar weakened significantly. Global credit has benefited from falling interest rates and the strong corporate backdrop leading to tighter credit spreads. Government bond yields were mixed, with US and German government bond yields edging higher, while UK yields moved lower on hopes that the November budget announcement would be gilt-friendly.

Outlook

Dividend payments remain very healthy in the UK. The market offers an attractive dividend yield of over 3% and the levels of those dividends has risen over time. Growth in dividends is part of what can help equities offset the impact of inflation on savers. In recent years, in addition to dividends, investors have also benefited from share buybacks. UK companies have been huge buyers of their own shares.

This year will likely bring highly variable economic and foreign policy from the US, ongoing uncertainty about the Russia-Ukraine conflict and governments struggling with stretched public finances. Offsetting these rather negative headwinds are the factors that buoyed the UK in 2025 – high levels of mergers and acquisitions amid a market with a well-diversified sector mix and attractive valuations.

For more insights into the outlook for 2026, including from our CIO, Will Nicholl, go to the Our Views section at www.rlam.com.

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

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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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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.

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.

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 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	6.26	11.68	23.93	44.48	78.06	13.04	12.22
Fund (net)	6.08	11.31	23.11	41.61	72.22	12.28	11.48

Annualised (%)

Year on year performance (%)

	31/12/2024 - 31/12/2025	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021
Fund (gross)	23.93	7.16	8.79	1.73	21.15
Fund (net)	23.11	6.45	8.06	1.06	20.34

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges, including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces your investment.

Source: RLAM as at 31 December 2025. All figures are mid-price to mid-price for the Royal London UK Equity Fund M Acc GBP share class.

Glossary

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Performance

The Fund price is taken at mid-day using swing prices where applicable, while the index performance is priced at close of business. Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

Pricing

The Fund's price may swing to bid or offer to protect existing investors from the costs associated with buying or selling the fund's underlying assets when other investors are entering or leaving the fund. Performance is based on this pricing.

Rolling 5-Year Period

A rolling 5-year period is any period of five years, no matter which day you start on.

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.