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Royal London UK Equity Income 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 Income 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

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 (the "Index") over rolling 3-year periods, through a combination of capital growth and income, after the deduction of charges. In addition, the Fund also aims to produce an income greater than the Index's income over rolling 3-year periods. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA UK Equity Income sector is considered to be an appropriate benchmark for performance comparison.

Fund analytics

	Fund
Fund launch date	11 April 1984
Fund base currency	GBP
Benchmark	FTSE All-Share Index (Total Return, GBP)
Number of holdings	51

Fund value

	Total £m
31 December 2025	1,154.70

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	5.47	6.38	(0.91)
1 Year	22.43	24.02	(1.59)
3 Years (p.a.)	13.69	13.56	0.13
5 Years (p.a.)	13.08	11.70	1.38
10 Years (p.a.)	8.59	8.36	0.22
Since inception (p.a.)	10.19	7.58	2.61

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 Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 5 November 2010.

Performance commentary

The fund lagged the benchmark and the peer group average over the quarter.

The main detractor to performance was the healthcare sector, notably the underweight to AstraZeneca which performed strongly on improving sentiment in the US. Hikma Pharmaceuticals also detracted after a disappointing update in light of temporary production delays. Elsewhere, the lack of exposure to banks was a headwind, in what was a strong quarter for the sector.

Among the positives were holdings in Rio Tinto and Glencore, which both performed strongly alongside the broad rally in commodity prices. Real estate was also a bright spot, with Land Securities and Segro both delivering encouraging trading updates and generally gaining from lower interest rate expectations. Drax shares also contributed positively after announcing a strong trading update alongside plans to develop a data centre at its power station in North Yorkshire.

Performance and activity

Top 10 holdings

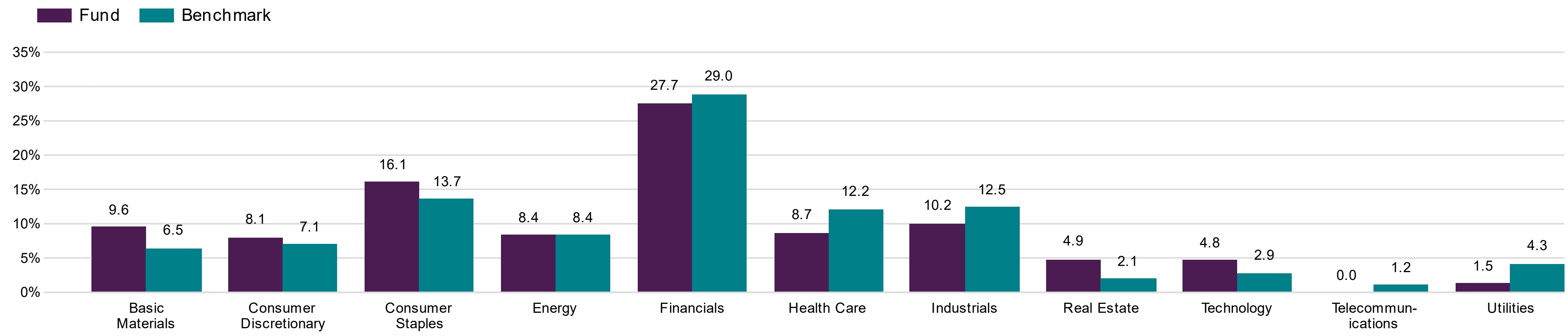
	Weighting (%)
SHELL PLC	5.92
HSBC HOLDINGS PLC	4.81
ASTRAZENECA PLC	4.17
BRITISH AMERICAN TOBACCO	4.09
UNILEVER PLC	3.64
AVIVA PLC	3.55
RELX PLC	3.33
RIO TINTO PLC	3.11
IMPERIAL BRANDS PLC	2.96
INFORMA PLC	2.77
Total	**38.34**

Fund activity

Activity over the quarter was largely related to taking profits and recycling into other positions within the fund. We took the opportunity to reduce our holdings in NatWest, GlaxoSmithKline and Glencore after a period of strong performance. Proceeds were used to increase our existing position in UK food producer Cranswick, as well as build new positions in global distributor Bunzl and Tate & Lyle.

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	20	41
Number of engagements	31	121

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	**2**
Climate	**15**
Climate - Transition Risk	**15**
Diversity	**3**
Gender Diversity	**2**
Ethnic Diversity	**1**
Governance	**14**
Corporate Governance	**8**
Remuneration	**6**
Social & Financial Inclusion	**5**
Just transition	**3**
Social & Financial inclusion	**2**

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

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.

Fund Engagement

Engagement outcomes

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.

Hikma Pharmaceuticals plc – Diversity

Purpose:

Hikma Pharmaceuticals plc, a global pharmaceutical company, was engaged under the 30% Club UK Investor Group initiative to assess progress on gender and ethnic diversity at board and executive levels.

Outcome:

Hikma reported strong progress, with board gender diversity at 45% and ethnic minority representation at 36%, both above FTSE 100 averages. Executive Committee diversity is also improving, with women expected to reach 37.5% and ethnic minorities 50% at the executive level in 2025. Succession planning is robust, with women making up 25% of identified successors globally. Legal and regulatory constraints, such as GDPR in Europe, limit ethnicity reporting in some regions, but Hikma is implementing a new pay gap analysis system in 2026 to expand coverage beyond gender. Progress is strong, demonstrating leadership in diversity, though transparency on ethnicity data remains an area for improvement. We will continue engagement to monitor the implementation of the new pay gap analysis system and encourage Hikma to publish verified diversity data in its annual report, ensuring alignment with best practice standards.

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 Ma0-ptthey 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.

Lloyds Banking Group plc – Just Transition

Purpose:

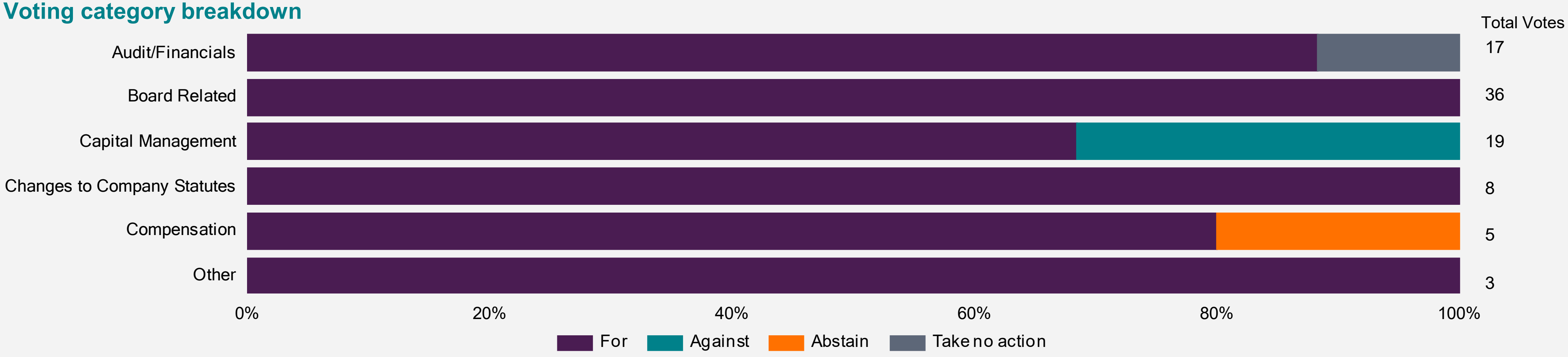
Lloyds Banking Group plc (Lloyds), a UK-based financial institution, was engaged as part of our long-running engagement with banks on just transition. We sought the integration of social considerations into the company's decarbonisation strategy.

Outcome:

Lloyds continues to integrate just transition across its strategy, committing £1 billion to its Regional Impact Fund to address regional inequality and drive inclusive economic growth. The bank showcased partnerships with the North East Combined Authority and Office of Investment to channel private investment into green infrastructure. It also expanded its 'Eco Home Reward' scheme, offering up to £2,000 cashback for energy efficiency measures, returning over £2 million to customers in 2025. Lloyds is working with Octopus Energy to reduce heat pump installation wait times and exploring property-linked financing. Before implementing mortgage policy changes, Lloyds conducted analysis to ensure alignment with just transition principles. We will continue this engagement to monitor disclosure improvements.

Fund Voting

Voting category breakdown



Notable votes

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.

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 Nicoll, go to the Our Views section at www.rlam.com.

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

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Issued in January 2026 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 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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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.

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 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	5.47	9.79	22.43	47.00	84.96
Fund (net)	5.28	9.39	21.56	43.87	78.44

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	13.69	13.08
Fund (net)	12.88	12.27

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)	22.43	8.13	11.04	3.08	22.06
Fund (net)	21.56	7.36	10.25	2.35	21.19

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 Income Fund M Inc 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 3-year period

A rolling 3-year period is any period of three 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.

Total return

A total return is a combination of capital growth and income. Capital growth is defined as the rise in an investment's value over time and income as the payment an investment generates, such as dividends or bond coupons.