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# **Royal London UK Mid Cap Growth 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 Mid Cap Growth 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 250 ex-IT (Investment Trust) Total Return GBP Index (the "Index") over rolling 5-year periods, through capital growth, after the deduction of charges. 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 All Companies sector is considered an appropriate benchmark for performance comparison.

## Fund value

	Total £m
31 December 2025	358.01

## Fund analytics

	Fund
Fund launch date	1 June 2006
Fund base currency	GBP
Benchmark	FTSE 250 (ex-Investment Trusts) Index (Total Return, GBP)
Number of holdings	57

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.46	2.93	(2.47)
1 Year	0.98	12.53	(11.54)
3 Years (p.a.)	5.13	10.30	(5.17)
5 Years (p.a.)	1.16	5.32	(4.16)
10 Years (p.a.)	4.05	5.04	(0.98)
Since inception (p.a.)	4.91	5.50	(0.59)

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 Z Acc GBP. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 6 May 2014.

## Performance commentary

The fund delivered positive performance but underperformed the benchmark during the period under review. The peer group is largely made up of funds investing against the FTSE All Share benchmark and has a significant skew towards larger companies, which outperformed mid-caps in the period. Basic materials, financials and utilities led the way as value stocks outperformed.

Significant contributors to relative performance included Games Workshop and Shawbrook, although some of the largest positive contributions came from not owning B&M Value Retail, Baltic Classifieds and Qinetiq – these are in the benchmark and had disappointing updates. Games Workshop issued results in November which demonstrated around 15% organic sales growth from their core products, an impressive number when up against a record prior year and from a period when they didn't launch any major new product lines. Specialist lender Shawbrook launched an IPO in October and the fund participated in the transaction. The shares performed well following a steady first trading update and initial inclusion in the FTSE 250 index.

Detractors to performance included Telecom Plus, AJ Bell and Chemring. Chemring saw its share price decline alongside most European and UK listed defence stocks, as investors reacted to the possibility of a peace deal between Russia and Ukraine. AJ Bell published strong full year results but also issued new guidance for greater cost investment than previously expected. Management see a multi-year growth opportunity and want to turbocharge it through investment in additional marketing and technology, which will depress near-term margins. Telecom Plus shares declined in the quarter after its interim results presented a few complexities. This included a rephasing of some costs causing first half profits to be depressed (however this has no impact on full year profits or cash flow), as well as a falling service take-up per net new organically acquired customer.

# Performance and activity

## Top 10 holdings

	Weighting (%)
COATS GROUP PLC	3.18
ROTORK PLC	3.18
INTEGRAFIN HOLDINGS	3.02
BODYCOTE PLC	2.92
JTC PLC	2.87
HILL AND SMITH PLC	2.68
AJ BELL PLC	2.65
PARAGON BANKING GROUP PLC	2.62
SAFESTORE HOLDINGS PLC	2.57
SHAFTESBURY CAPITAL PLC	2.43
<b>Total</b>	<b>28.12</b>

## Fund activity

New holdings were initiated in Tate & Lyle, Shawbrook and Mitchells & Butlers. Each has a compelling individual investment thesis, but together with the new holdings in the previous quarter, also represent an adjustment to the portfolio to bring more style diversification. Tate & Lyle is a global market leader in ingredients including sweeteners, with significant self-help opportunities available following the acquisition of CP Kelco. Free cashflow generation positively inflects next year and will provide scope for substantial shareholder returns.

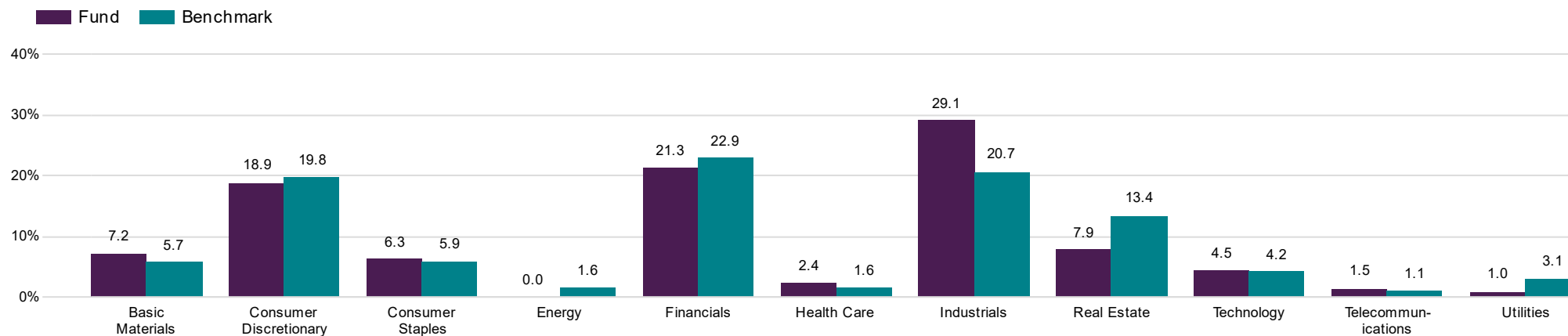
Shawbrook is a specialist lender which launched an IPO during the quarter and the fund participated. The highly regarded management team have built a next-generation bank which is growing faster than peers, while scaling on a lean cost digital base. The IPO was priced attractively coming before the UK's budget and the shares have since performed strongly.

Mitchells & Butlers is a large pub group which is using its prodigious cash generation to reduce debt, with the possibility of being debt-free by 2030. The business is operating well in a tough environment and management are driving cost efficiencies such that they're not depending on the external environment to deliver earnings growth, further supported by falling net interest costs.

Holdings in JTC and Telecom Plus were reduced, while holdings in WH Smith and Hilton Foods were both sold. JTC was reduced after announcing a recommended cash offer from Permira at around a 50% premium to the undisturbed share price. As described above, Telecom Plus results were complex but also disappointing on a number of underlying key performance indicators (KPIs), so the position was significantly reduced. Hilton Foods and WH Smith were both sold after disappointing updates and changes in their management teams.

# Fund breakdown

## Sector weights



# Fund Engagement

## Engagement definition

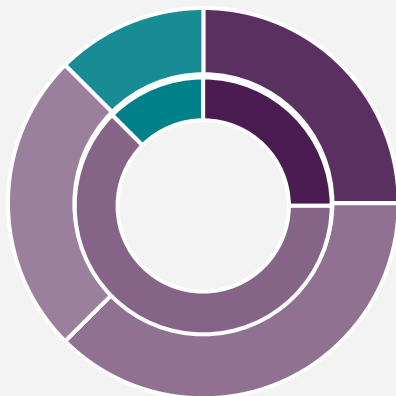
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	6	41
Number of engagements	7	59

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	2
Climate - Transition Risk	2
Governance	5
Corporate Governance	3
Remuneration	2
Social & Financial Inclusion	1
Social & Financial inclusion	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

### 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.



# Market commentary

## Market Review

UK small and mid-cap equities delivered modest positive returns over the quarter. Market sentiment was subdued in October and November, reflecting uncertainty ahead of the Autumn budget. Rachel Reeves' long-awaited statement delivered tax rises and increased spending, while maintaining fiscal headroom. The market reaction was relatively muted, as most key policy changes had been trailed ahead of the event. One area of surprise was the increased business rates burden on hospitality companies.

Data released in December revealed that UK inflation had fallen to 3.2%, below expectations, and sequentially lower than October. Partly in response to this, the Bank of England (BoE) cut interest rates to 3.75% and signalled that future rates remain on a gradual downward path.

Merger and activity continued throughout the fourth quarter. Notable takeover deals included JTC, Idox, TT Electronics and Inspec, who all announced that they had reached agreements on the terms of recommended cash offers. Blackstone also announced it was considering making an offer for Big Yellow, albeit it was confirmed later in the quarter that Big Yellow had ended discussions over a possible offer.

## Outlook

Many global equity markets ended 2025 at or close to all-time highs, with stocks trading on extended valuation metrics compared to history. Conversely, the UK small and mid-cap universe is trading at the widest discount relative to UK and global large cap equity indices that it has done in over five years. There are a few reasons for this, whether domestic politics or a sluggish domestic economy holding back earnings growth. But in a world where bargains are hard to find, our investment universe stands out. For those investors willing to be patient, there is a host of well managed and high-quality businesses available at a material discount to their international peers.

The UK government's November budget announcement, while not the decisive clearing event we had hoped for, has helped to remove a layer of uncertainty that weighed on sentiment throughout the latter half of the year. The UK economy continues to grow faster than many other G7 countries, and we expect the BoE to further reduce interest rates down during 2026. While we remain cognisant of geopolitical uncertainty which has resulted in great unpredictability throughout 2025, we remain optimistic on the outlook for UK small and mid-cap equities, especially given the compelling valuations that these companies trade at.

## 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](http://www.rlam.com), including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

# Disclaimers

## Important information

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This is a financial promotion and is not investment advice.

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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](http://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.)
<b>Fund (gross)</b>	0.62	(1.88)	1.61	18.39	9.26	5.78	1.79
<b>Fund (net)</b>	0.46	(2.18)	0.98	16.21	5.94	5.13	1.16

## 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
<b>Fund (gross)</b>	1.61	7.38	8.51	(22.10)	18.48
<b>Fund (net)</b>	0.98	6.72	7.84	(22.58)	17.75

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 Mid Cap Growth Fund Z 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.