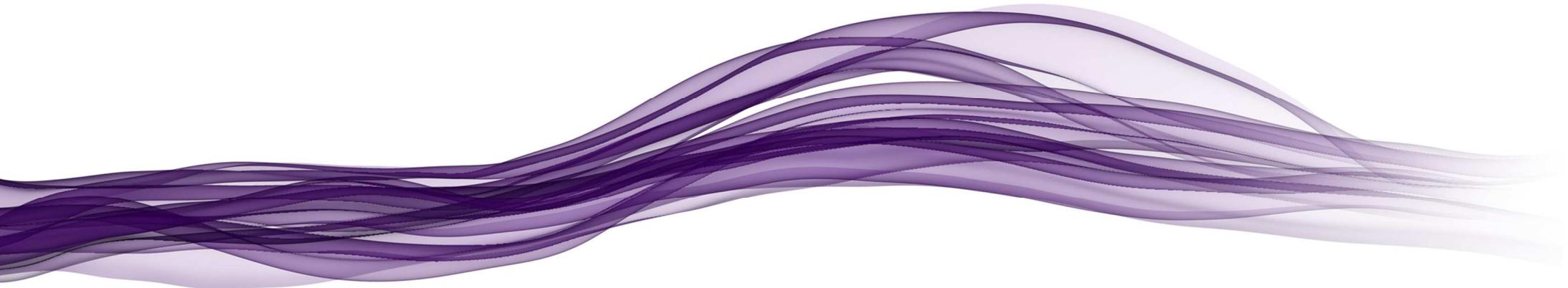


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Royal London UK Smaller Companies Fund

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 Smaller Companies 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 Small Cap ex-IT (Investment Trusts) Total Return GBP Index over rolling 5-year periods, through capital growth, after the deduction of charges. For further information on the Fund's index, please refer to the Prospectus. The Fund is actively managed. In addition to the benchmark for the Fund's performance as noted above, the IA UK Smaller Companies sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2025	300.18

Fund analytics

	Fund
Fund launch date	20 July 2007
Fund base currency	GBP
Benchmark	FTSE SmallCap ex Inv Co Index (Total Return, GBP)
Number of holdings	68

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(2.58)	3.23	(5.82)
1 Year	(3.05)	10.89	(13.95)
3 Years (p.a.)	1.34	11.66	(10.32)
5 Years (p.a.)	(1.98)	8.61	(10.59)
10 Years (p.a.)	3.77	7.32	(3.55)
Since inception (p.a.)	7.25	9.97	(2.72)

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 underperformed the benchmark in the fourth quarter (Q4). The IA UK Smaller companies peer group returned -0.2% during the period. Regarding sectors, consumer staples and energy performed strongly as value stocks outperformed.

Cohort, Chemring and AJ Bell detracted from performance during the period. Cohort and Chemring sold off amid 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.

The largest individual detractor relative to the benchmark was Ceres Power, which is not held in the portfolio. Ceres is a loss-making fuel cell company which has experienced a surge in investor enthusiasm, with its share price more than doubling as the market searches for potential AI beneficiaries. Ceres could fit that narrative if it succeeds in bringing a product into mass production, something it has historically failed to achieve.

Positive contributors included Active Ops, GB Group and Hollywood Bowl. Software group Active Ops soared after record first half results, boosted by new customer wins, significant up-sell success and a maiden contribution from recent M&A activity. Identity verification business GB Group announced solid results demonstrating a return to organic growth alongside an increased share buyback. Hollywood Bowl delivered better-than-expected profits, defying concerns that the summer sunshine would deter customers.

Performance and activity

Top 10 holdings

	Weighting (%)
PORVAIR PLC	3.19
BOKU INC. INC	2.63
XPS PENSIONS GROUP PLC	2.52
ALFA FINANCIAL SOFTWARE HOLDINGS P	2.48
RESTORE PLC	2.40
NORCROS PLC	2.39
TATTON ASSET MANAGEMENT PLC	2.36
KEYSTONE LAW GROUP PLC	2.33
HOLLYWOOD BOWL GROUP PLC	2.21
WILMINGTON PLC	2.14
Total	24.63

Fund activity

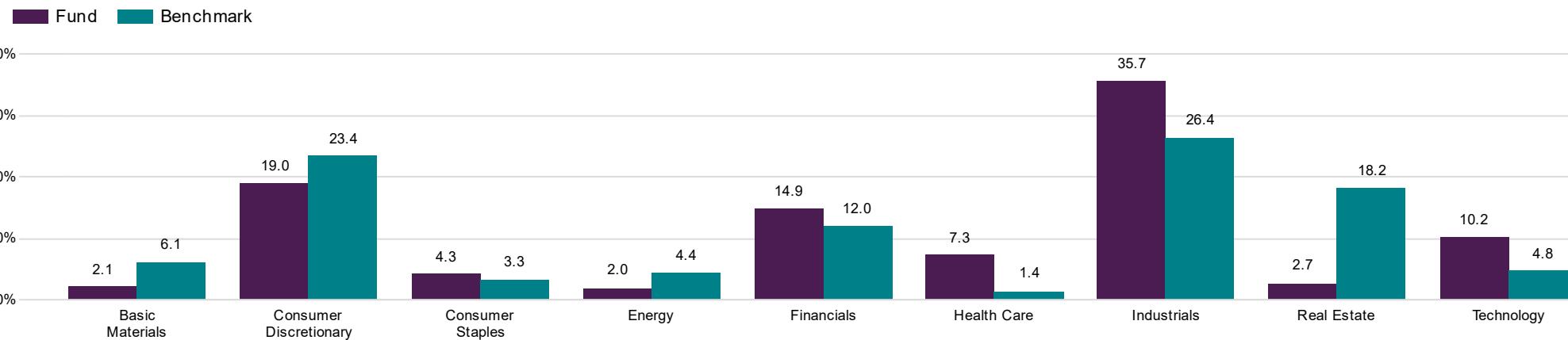
The fund initiated new positions in Mears and AB Dynamics. These were partly funded by the disposal of Kitwave and Hilton Food Group.

Mears are a specialist housing services business, delivering long-term contracts for a range of local housing associations and central government departments. There is an ever-increasing need for their services; the management team have presided over improving margins as well as steady growth, thanks to their strong culture and scalable technology. The asset light business model is highly cash generative and the valuation is compelling.

AB Dynamics is an engineering company specialising in testing and simulation for the automotive industry. The company is the global market leader in their niche and have a long track record of product innovation and a compelling long-term growth opportunity. We have long admired the business but avoided the stock because of its historic valuation. With the shares having de-rated to their lowest valuation in over five years, we started a position.

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	5	46
Number of engagements	5	63

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



Governance	5
Corporate Governance	3
Remuneration	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.

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 Inspecs, 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, 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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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.rlams.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.

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.

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.

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.

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)	(2.39)	(6.47)	(2.31)	6.50	(5.98)	2.12	(1.22)
Fund (net)	(2.58)	(6.83)	(3.05)	4.08	(9.52)	1.34	(1.98)

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)	(2.31)	4.30	4.51	(30.34)	26.74
Fund (net)	(3.05)	3.51	3.72	(30.88)	25.77

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 Smaller Companies 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.