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This fund uses the Sustainability Focus label which is for funds that invest mainly in assets that focus on sustainability for people or the planet.



Royal London Sustainable 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 Sustainable 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's financial objective is to achieve capital growth over the medium term, which should be considered as a period of 3-5 years. The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard".

Fund value

	Total £m
31 December 2025	187.38

Asset Mix

	Holdings	Weight
Equity	45	73.37%
Fixed Income	195	23.67%
Cash	28	2.96%

Fund analytics

	Fund
Fund launch date	24 May 2022
Fund base currency	GBP

Performance and activity

Performance

	Fund (%)
Quarter	4.65
1 Year	14.08
3 Years (p.a.)	13.35
Since inception (p.a.)	11.32

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; Gross performance; Since inception date of the share class is 24 May 2022.

Performance commentary

The fund produced a positive performance over the period under review. Both the equity and sterling credit portions of the portfolio contributed to these positive returns.

Asian-focused lender Standard Chartered contributed to performance. The positive macroeconomic environment in Asia has been positive, particularly the small improvements in the Chinese economy and the generally positive interest rate environment. Elsewhere in the banking sector, Spain's BBVA performed well. The bank offers valuable exposure to growing Latin American markets and is benefiting from supportive monetary and economic conditions.

Comfort Systems was another top performer. The company is an installer of heating, ventilation and air conditioning (HVAC) systems, which is a primary beneficiary of the data centre build-out in the US.

On the downside, MercadoLibre was a detractor from performance owing to concerns about competition from Amazon in Brazil. However, in our view, the company's fundamentals remain strong despite the competitive pressures. Shares in Linde, the global chemical and industrial gas supplier, underperformed. While more resilient the company is negatively impacted by weak industrial activity globally.

The fixed income holdings generated a positive return, benefiting from sector positioning that was positive over the quarter. Our bias towards insurance bonds was helpful as the sector performed strongly, as was our exposure to the structured sector.

Performance and activity

Top 10 holdings

	Weighting (%)
TAIWAN SEMICONDUCTOR MANUFACTURING	2.92
STANDARD CHARTERED PLC	2.83
HSBC HOLDINGS PLC	2.83
BANCO BILBAO VIZCAYA ARGENTARIA SA	2.81
AMAZON COM INC	2.75
ALPHABET INC CLASS A	2.61
TESCO PLC	2.55
CORE & MAIN INC CLASS A	2.50
HCA HEALTHCARE INC	2.49
MERCADOLIBRE INC	2.45
Total	26.74

Fund activity

Given our expectations for ongoing market volatility, effective portfolio construction remains our focus, and we have made a number of changes to our fund to ensure it is appropriately diversified and resilient across a range of potential market outcomes.

During the quarter, we initiated a new position in Chinese e-commerce and cloud computing provider Alibaba. This provides a solid exposure to the recovery of the Chinese economy – the company stands to benefit from improvements in Chinese consumption.

We also initiated a position in API Group, a market-leading provider of safety and speciality services, delivering fire protection, HVAC, security, and industrial infrastructure solutions across commercial and industrial sectors

These positions were partly funded by selling our position in Dutch-listed specialty chemical distributor IMCD, which is a speciality chemical distributor. It has been negatively affected by weak demand for chemicals.

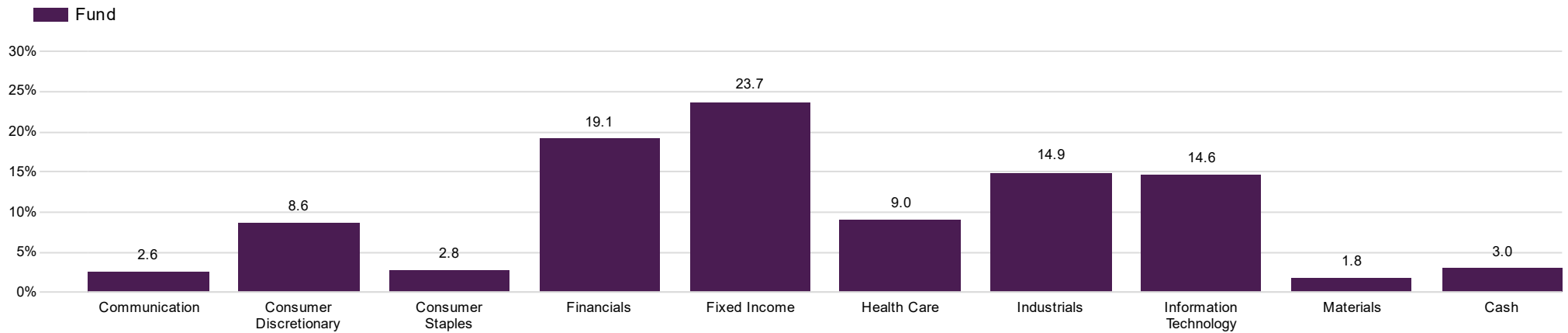
Within the sustainable credit holdings, financials remain the largest part of the market. The portfolio has a long-standing high level of exposure to the sector as we believed that the spread in yields over equivalent government bonds looked very attractive for the risk taken. Following two years of outperformance, the overall valuation picture looks less compelling than it did. However, we continue to find attractive opportunities. An example over the quarter included senior bonds from Commerzbank, which is not a major issuer in the sterling market and therefore offered an attractive spread and diversification benefits.

Structured bonds remain a key exposure for the portfolio. With corporate bond spreads over equivalent government bonds tightening over the year, we were happy to take advantage of new issue opportunities to add secured bonds that often offered more attractive spreads than similar unsecured bonds.

While we retain exposure to financials, secured bonds and social housing, we look for issues in other sectors that add diversification and resilience to our portfolios. During the quarter we added a new issue from US communications giant Verizon. These hybrid bonds offer a yield of over 6%.

Fund breakdown

Sector weights



Characteristics and climate








Sustainability approach

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard". The Sustainability Standard requires 50% of a company or issuer's revenues to be derived from product or services aligned to one or more of the four Sustainability themes.

Overall, at least 70% of the Fund is invested in sustainable companies or issuers. Up to 30% may be held in non-sustainable companies or issuers that do not conflict with the sustainability objective for any of the four sustainability themes of the Fund.

Fund exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

	Pornography production	✓		Nuclear-power generation	✓
	Non-health animal testing	✓		Tobacco manufacturing	✓
	Armament manufacturing	✓			
	Fossil fuel extraction	✓			
	Gambling establishments	✓			

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	2,213	n/a	n/a
Financed emissions coverage	88.43%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	9.00	n/a	n/a
Carbon footprint coverage	88.43%	n/a	n/a
Weighted average carbon intensity (tCO2e/\$M sales)	44.77	n/a	n/a
Weighted average carbon intensity coverage	98.19%	n/a	n/a

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	87.64	n/a	n/a
% of portfolio below 2°C ITR	40.38	n/a	n/a
% of portfolio below 1.5°C ITR	20.52	n/a	n/a

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	14.98	n/a	n/a
SBTi Near-Term committed	6.60	n/a	n/a
SBTi Near-Term targets set	29.48	n/a	n/a

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	55
Number of engagements	30	137

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	1
Climate	7
Climate - Transition Risk	6
Climate - Physical Risk	1
Environment	4
Governance	6
Corporate Governance	5
Remuneration	1
Social & Financial Inclusion	10
Just transition	4
Labour & Human Rights	4
Social & Financial inclusion	2

Technology, Innovation & Society	9
Technology & Society	8
Cybersecurity	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

HDFC Bank Ltd – Just Transition

Purpose:

HDFC Bank Ltd, a leading private lender in India, was engaged to encourage the integration of social considerations into its decarbonisation strategy. The discussion focused on how the bank plans to align its transition efforts with the principles of a just transition, ensuring fairness and inclusivity for workers and communities affected by the shift to a low-carbon economy.

Outcome:

HDFC Bank shared updates on its evolving approach to just transition and highlighted its conversations with relevant parties regarding the Indian Climate Finance Taxonomy. The bank indicated that once timelines are confirmed, it will consider making public commitments on just transition. Current initiatives include compliance with India's mandated Corporate Social Responsibility law and programmes aimed at workforce skilling for future green jobs. However, the company did not yet demonstrate a clear understanding of investor expectations for action beyond regulatory requirements. We agreed to hold a follow-up call once the taxonomy is published to assess progress and encourage stronger integration of social considerations into the bank's climate strategy.

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

Intuit Inc – Sustainable and Ethical AI

Purpose:

Intuit Inc, a global financial and business software company, was engaged to review its approach to ethical artificial intelligence (AI) and sustainability performance, focusing on governance practices, supplier engagement, and transparency in climate-related disclosures.

Outcome:

Intuit has embedded ethical AI governance across its operations, including formal risk assessments for high-risk use cases and stakeholder review processes to ensure responsible deployment of AI technologies. Intuit provides customers with clear information on the risks associated with its AI tools and monitors usage to prevent misuse. On climate performance, Intuit has set ambitious Scope 3 emissions targets and is actively engaging suppliers, including AI service providers, on sustainability requirements. While the company scored poorly on certain climate-related indicators due to limited disclosure on escalation policies and industry collaboration, it expressed openness to improving transparency and exploring environmental initiatives. We will follow up by email with examples of industry initiatives and will continue to support Intuit in strengthening its disclosures and governance framework.

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 Engagement

Engagement outcomes

Microsoft Corp – Sustainable and Ethical AI

Purpose:

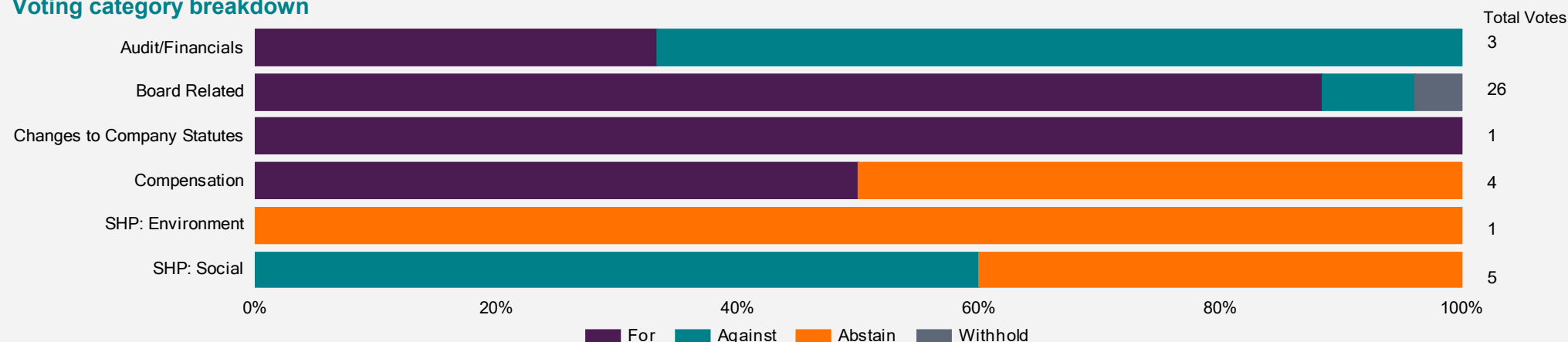
Microsoft Corp was engaged to review its sustainability performance and address investor concerns related to human rights and ethical AI practices.

Outcome:

Microsoft reaffirmed its commitment to achieving hourly carbon-free energy matching, a leading-edge approach that ensures its data centres run on clean energy every hour of the day rather than relying on annual averages. This positions Microsoft ahead of many peers in decarbonisation efforts. However, the company acknowledged gaps in its human rights due diligence for commercial agreements, particularly following concerns about the use of its cloud and AI services in sensitive contexts. In response, Microsoft has launched a review of its ethical AI governance and oversight framework. The company is evaluating when additional safeguards should apply beyond standard protocols and plans to share its findings in a forthcoming report. We will continue to monitor progress and encourage Microsoft to strengthen its governance framework and provide clearer evidence of how these measures mitigate human rights risks.

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.

Ferguson Enterprises Inc.

Advisory Vote on Executive Compensation - abstain: While these changes reflect market norms following its US transition, we would prefer to see a more phased approach and clearer bonus disclosure.

Microsoft Corporation

Elect Hugh F. Johnston - against: We are concerned that holding two external public board roles, in addition to an executive position, may limit the nominee's ability to devote sufficient time to their core responsibilities and shareholder obligations.

Elect Satya Nadella - against: The nominee serves as both Chairman and CEO. We would prefer to see these roles separated and an independent chair appointed.

Advisory Vote on Executive Compensation - abstain: While CEO pay is performance-based, with equity delivered exclusively through performance stock awards, we hold an ongoing concern over the relatively short LTIP performance period.

Ratification of Auditor - against: We have concerns with the independence of the Auditor, Deloitte & Touche, which has served for over 40 years.

Market commentary

Market review

Most major economies produced growth in the fourth quarter, continuing to show some resilience in the face of this year's higher US tariff rates and global trade tensions. Despite inflation generally remaining above central bank targets, there were further rate cuts, from the US Federal Reserve and the Bank of England. However, the US rate cut in December was accompanied by language suggesting a pause after three cuts in the final four months of 2025.

European equities were the best performers in the quarter in sterling terms, benefitting from positive momentum of financials and continuously attractive valuations while US equities underperformed. This is a good illustration of the trends we have seen in 2025. Most equity markets delivered strong local performance however US Dollar based markets were significantly lower on the US dollar. Emerging market equities also outperformed despite Chinese equities underperforming, as investors continue to diversify away from US Equities.

In terms of sectors, more defensive areas of the market, such as healthcare, rebounded from previous weakness to produce a strong performance. Materials stocks also outperformed as metal prices have globally strengthened, driven by concerns about the long-term inflation outlook and a positive demand outlook. Both gold and silver recorded their best year since 1979.

On the downside, real estate and consumer staples underperformed global equity markets. Both sectors are facing issues: for real estate it is the interest rate environment and for consumer staples it is weak consumer demand.

The sterling investment grade credit market (iBoxx non-gilt index) returned 2.58% over the period under review. Gilts outperformed credit over the quarter, helped by the longer duration of this market in a quarter where UK government bond yields edged lower. The average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) was relatively unchanged over the period. Spreads began and ended the quarter at 0.77% (iBoxx), compared to the narrowing of spreads seen during the second and third quarters after the widening seen in the first quarter. Sector returns were generally positive, led by banks, insurance and structured bonds.

Outlook

Over many decades, there's been a strong correlation between innovation and growth. In the last 60 years we've seen the mainframe computer, PC, internet, smartphones and now AI transform the world we live in. Each of these waves of innovation has created significant investment opportunities and risks. Today we think we see innovation accelerating.

In the digital world, AI has the potential to be much more impactful than the internet and to benefit all businesses and consumers. In healthcare, obesity drugs have the potential to meaningfully enhance the health and wellbeing of a major segment of society. In the physical world, electrification is driving large investments into infrastructure.

These themes are well aligned with our sustainable objective and companies that are able to take advantage of these trends should be able to deliver strong earnings growth. Alongside these, we are seeing a renaissance in sectors which provide fundamental and basic services to society, such as banks, insurance and utilities. This is creating an attractive mix of old and new areas to invest in within a balanced portfolio.

While we are positive over the long term, we recognise the macroeconomic and geopolitical environment is uncertain, and as such we will continue to follow our disciplined process; we aim to build diversified portfolios focused on high quality sustainable and financial companies that are well positioned to drive long-term performance.

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:



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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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.

Exchange rate risk

Investing in assets denominated in a currency other than the base currency of the Fund means the value of the investment can be affected by changes in exchange rates.

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.

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.

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.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception		
Fund (gross)	4.65	10.58	14.08	45.67	47.23	13.35	11.32
Fund (net)	4.45	10.15	13.20	42.35	43.20	12.48	10.46

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)	14.08	11.04	15.00	-	-
Fund (net)	13.20	10.19	14.12	-	-

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 Sustainable Growth Fund M Acc GBP share class. Since inception date 24 May 2022.

Glossary

Bonds

Securities that represent an obligation to repay a debt, with interest. Investment grade bonds are high quality bonds that are viewed as being highly likely to make all scheduled payments of interest and principal. Low quality bonds carry higher risk but also typically pay higher rates of interest. Corporate bonds are those issued by companies to raise finance.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO₂e/\$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

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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.

Environmental, social and governance

A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO₂e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

Fund restrictions definitions

Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

Armaments: Companies who manufacture armaments or nuclear weapons or associated products.

Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

Nuclear Power: Companies who generate energy from Nuclear Power.

Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

Tobacco: Companies which are growing, processing or selling tobacco products.

Glossary

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

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.

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.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

Sector weights

Breakdown of holdings by GICS (Global Industry Classification Standard) sector relative to the benchmark index.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO₂e / \$M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.