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Royal London UK Smaller Companies Fund

Quarterly Investment Report

30 June 2025

Quarterly Report

The fund as at 30 June 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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ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve capital growth over the medium term, which should be considered as a period of 3-5 years, by predominantly investing in the shares of UK smaller companies listed on the London Stock Exchange. The Fund's performance target is to outperform. after the deduction of charges, the FTSE Small Cap ex-IT (investment trusts) Total Return GBP Index over rolling 5-year periods. 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 analytics

	Fund
Fund launch date	20 July 2007
Fund base currency	GBP
Benchmark	FTSE Small Cap (ex-Investment Trusts)
Number of holdings	70

Fund value

	Total £m
30 June 2025	339.49

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	11.66	15.08	(3.42)
YTD	4.06	7.55	(3.49)
1 Year	2.42	13.10	(10.69)
3 Years (p.a.)	2.75	10.13	(7.38)
5 Years (p.a.)	3.81	13.50	(9.69)
10 Years (p.a.)	4.73	7.10	(2.37)
Since inception (p.a.)	8.12	10.12	(2.00)

Past performance is not a guide to future performance. 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 quarter began with a bang as President Trump announced wide ranging tariffs to be levied on imports into the US. Global equity markets had fallen in advance of the “Liberation day” announcements and sold off further immediately after the event. However, they subsequently staged a broad recovery amid signs that the US government would seek to negotiate trade deals. Small and mid-cap equities outperformed their larger peers.

The fund returned +11.7%, which compares to a return of +12.7% from the IA UK Smaller companies peer group, and +15.0% from the benchmark (FTSE Small Cap ex IT) index. Pro-cyclical sectors such as financials, consumer discretionary and industrials generally outperformed. The fund’s underweight allocation to the financials sector and overweight allocation to the healthcare sector, were headwinds to relative performance.

Significant positive contributors included technology and defence group Chemring, photonics group Gooch & Housego, and payments technology group Boku. Chemring reported better than expected first half results with another new record order book for their energetics and countermeasures division. The shares also responded positively to the publication of the UK government’s defence review, which was supportive of long-term demand for Chemring’s unique capabilities. Gooch & Housego completed a strategic acquisition of a US photonics business. This enhances their customer breadth in the US defence industry as well as bringing a well invested manufacturing base from which they will be able to grow efficiently. Boku announced impressive results at the end of March and the shares continued to rally through the second quarter.

Negative contributors were largely companies which the fund did not own but which contributed to the benchmark index performance. Most of these companies would never fit the investment process as they fail the “balance of power” test. Specifically, contractors with substantial off balance sheet liabilities and thin margins such as Capita, Costain and Galliford Try. Others include those which we deem to have excessive regulatory risk such as speciality lender Vanquis (formerly Provident Financial) and gambling group Rank.

Performance and activity

Top 10 holdings

	Weighting (%)
BOKU INC. INC	3.11
PORVAIR PLC	2.56
COHORT PLC	2.42
XPS PENSIONS GROUP PLC	2.39
ALFA FINANCIAL SOFTWARE HOLDINGS P	2.36
JOHNSON SERVICE GROUP PLC	2.14
HOLLYWOOD BOWL GROUP PLC	2.13
WILMINGTON PLC	2.12
TATTON ASSET MANAGEMENT PLC	2.10
CHEMRING GROUP PLC	2.09
Total	**23.41**

Fund activity

The fund substantially sold down its positions in Urban Logistics REIT and Warehouse REIT after recommended takeover offers by LondonMetric and Blackstone respectively. The fund also sold its holding in telecoms software group Cerillion after a significant share sale by the CEO & founder. New positions in Helical, New River REIT and Sabre were initiated.

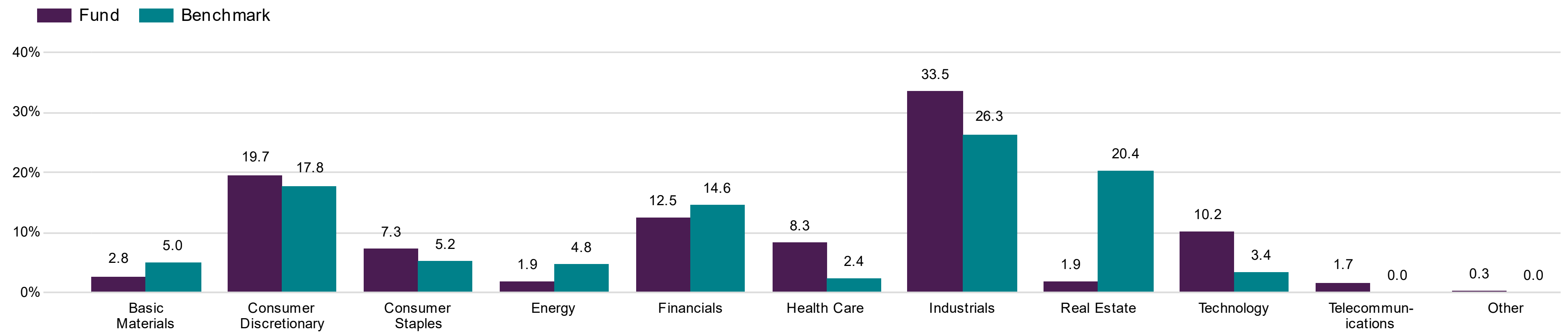
Helical is a developer of commercial real estate with a focus on prime offices and mixed-use properties in central London. Their model is relatively asset light as they often work with third party investors or landowners (such as TFL) on both new schemes and large-scale refurbishments. The management team have a good track record, the balance sheet is lowly geared and the shares are trading at an almost 40% discount to net tangible assets.

New River REIT specialises in retail assets across the UK, with a broad operational platform which lends them a cost advantage. Following last year’s takeover of Capital & Regional REIT, the management team have a variety of ways to generate shareholder value as they cut operating costs, dispose of non-core assets and reduce the debt. The shares are trading at a circa 25% discount to net tangible assets.

Sabre are specialists in the motor insurance market, with a best in class underwriting track record. They focus on the premium and complex end of car and motorbike insurance, where their data and underwriting capabilities enable them to earn highly attractive returns. The longstanding management team have evolved the strategy to target growth through cycle and drive positive operating leverage. The shares are attractively valued trading on circa 8x earnings at a low point in the cycle.

Fund breakdown

Sector weights



Fund Engagement

Engagement definition

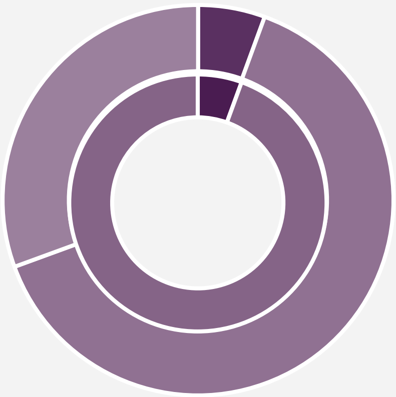
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	27	43
Number of engagements	29	61

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



Diversity	2
Ethnic Diversity	2
Governance	34
Corporate Governance	23
Remuneration	11

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 Overview

Financial markets started the quarter with a sharp drop following 'Liberation day'. Bond yields rose as global equity markets plunged and the US dollar sold off. However, a subsequent 90 day delay in implementation alongside signals that the US would seek trade deals, meant that equity markets staged a broad recovery. US large cap equities underperformed their UK and European counterparts, while US dollar weakness persisted. In a positive reversal, small and mid-cap companies outperformed, having fallen in the first quarter of the year ahead of the tariff announcements.

Tensions between Iran and Israel sparked into outright war in June. Alongside no sign of a ceasefire in the Russia Ukraine war, and repeated headlines about NATO investment into their armed forces, this drove share prices of European and UK defence stocks to outperform through the quarter.

Data showed UK GDP growth of +1.3% through the first quarter, demonstrating resilience with initial estimates suggesting continued growth through the second quarter. The UK government announced trade deals signed with the US and Indian governments, paving the way for lower tariffs, enhanced trading relationships and the potential for further growth. The Bank of England cut interest rates by another 0.25% in May.

The theme of UK smaller companies shifting their listing from the Alternative Investment Market (AIM) to the premium list of the LSE continued, with GB Group, GlobalData and Johnson Service Group all announcing their intention to move from AIM. This resulted in noticeable selling pressure on their share prices.

Merger and Acquisition activity continued at pace. Ricardo agreed to a takeover by Canadian-listed professional services group WSP, at a c. 70% premium to the undisturbed share price. Urban Logistics REIT agreed to a cash and shares takeover by UK listed peer LondonMetric. Alpha Group reported an approach by US listed group Corpay Both Craneware and GlobalData reported interest from private equity buyers, but in both instances no deals were agreed and the bidders walked away. In the case of Craneware, the board turned down at cash offer at an over 40% premium to the undisturbed share price.

Outlook

Even by the high standards of recent years, we are facing considerable economic and political uncertainty. Economic policy from President Trump is extremely hard to predict and conflicts in Ukraine and the Middle East remain very concerning. Closer to home, the state of UK government finances raises further challenges, particularly following the Labour government's failure to achieve their welfare reforms or cuts to winter fuel allowances. There are now suggestions that taxes need to rise again later this year.

In spite of these challenges, corporate results have been relatively robust and UK small and mid-cap companies remain well capitalised. Private equity and industry buyers continue to snap up good companies at attractive prices, demonstrating that much of our investment universe is undervalued. The takeover approach for Spectris at a more than 80% premium, is stark evidence that sequential years of outflows from the UK market has left valuations at irrational levels. We're confident that our portfolio companies have the balance sheets and management capabilities to navigate short term uncertainty and emerge stronger than their competitors. As such we believe that the UK small and mid-cap universe remains an attractive market for investors.

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 July 2025 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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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 30 June 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	11.88	4.45	3.21	11.02	25.28
Fund (net)	11.66	4.06	2.42	8.50	20.57

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
3.54	4.61
2.75	3.81

Year on year performance (%)

	30/06/2024 - 30/06/2025	30/06/2023 - 30/06/2024	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021
Fund (gross)	3.21	14.48	(6.03)	(25.06)	50.57
Fund (net)	2.42	13.61	(6.75)	(25.63)	49.42

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 30 June 2025. All figures are mid-price to mid-price for the Royal London UK Smaller Companies Fund M Acc GBP share class.

Glossary

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Number of holdings

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

Performance

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

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.