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# Royal London Global Equity Diversified Fund

Quarterly Investment Report

31 March 2025



# Quarterly Report

## The fund as at 31 March 2025

The purpose of this report is to provide an update on the Royal London Global Equity Diversified 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 investment objective is to achieve capital growth over the long term (7 years) by investing at least 80% in the shares of companies globally that are listed on stock exchanges. The Fund's performance target is to outperform, after the deduction of charges, the MSCI World Net Total Return Index GBP (the "Index") by 0.4-0.8% per annum 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.

## Fund value

	Total £m
31 March 2025	6,021.78

## Fund analytics

	Fund
Fund launch date	10 October 2017
Fund base currency	GBP
Benchmark	MSCI World Net Total Return Index
Number of holdings	194
Active share (%)	58.1
Tracking error (%)	1.7

Ex-post tracking error calculated 3 years to 31 March 2025 using EOD prices. Please refer to the glossary for a description of the tracking error used.

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(5.66)	(4.71)	(0.95)
1 Year	2.50	4.76	(2.26)
3 Years (p.a.)	9.21	8.29	0.92
5 Years (p.a.)	16.37	15.19	1.18
Since inception (p.a.)	12.30	10.88	1.43

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; Gross performance; Since inception date of the share class is 5 March 2018.

## Performance commentary

The portfolio slightly underperformed its benchmark index during the first quarter of the year.

Looking at the performance of individual stocks, the holding in Shell was one of the strongest contributors. The global energy company is in the Turnaround stage of its Life Cycle. Its shares benefited from rising energy prices. The company also announced an improved dividend policy, which demonstrated the kind of focus on shareholders that we look for from Turnaround companies. We remain optimistic about Shell's wealth creation potential and attractive valuation payoff opportunity.

Sprouts Farmers Markets again proved a strong contributor to performance. The company is in the Compounding phase of its Life Cycle, but it is still benefiting from strong growth rates as it expands geographically from its west coast US base. The company's strong emphasis on organic and natural foods continues to resonate well with consumers, and this has been the catalyst behind the remarkable recent share price performance. We believe that the runway for growth remains wide as management continues to deploy a sensible strategy, investing in technology and marketing strategies to maintain customer engagement. Following a period of strong share price performance we took some profits in our holding.

On the downside, the holding in Microsoft detracted from returns, as it was caught up in the technology mega-cap sell off. Microsoft is currently in the Accelerating phase of the corporate Life Cycle and reported results at the end of January, which elicited a slight negative reaction from investors due to weaker-than-expected growth from Azure (the cloud division) and lower earnings guidance. Microsoft, however, continues to perform well against our milestones and investment thesis.

The holding in Alphabet was a negative contributor, suffering from a downturn in sentiment after Chinese technology startup DeepSeek released a low-cost AI model that could threaten the revenues of US competitors. There were also concerns that Alphabet is facing increasing regulatory hurdles and that its advertising revenues could be affected by disruptions to the global economy. We remain positive on Alphabet's investment case. Its current valuation offers a significant margin of safety, while the company boasts a strong balance sheet and offers multiple drivers for future wealth creation.

The holding in Thor Industries underperformed. The company is the largest recreational vehicle (RV) manufacturer in the world, currently in the Slowing & Maturing Life Cycle segment. Shares fell following mixed results and downgraded earnings guidance for 2025. Although top-line growth was in line with expectations, higher costs are leading to pressure on profit margins, which the prospects in European markets have softened. However, the company looks set for a recovery in the second half of 2025, which should lead to stronger performance in 2026.

# Performance and activity

## Top 10 holdings

	Weighting (%)
APPLE INC	5.25
MICROSOFT CORP	4.86
NVIDIA CORP	3.92
AMAZON COM INC	3.14
ALPHABET INC CLASS A	3.06
META PLATFORMS INC CLASS A	2.14
JPMORGAN CHASE	1.94
UNITEDHEALTH GROUP INC	1.66
BERKSHIRE HATHAWAY INC CLASS B	1.57
SHELL PLC	1.51
<b>Total</b>	<b>29.04</b>

## Fund activity

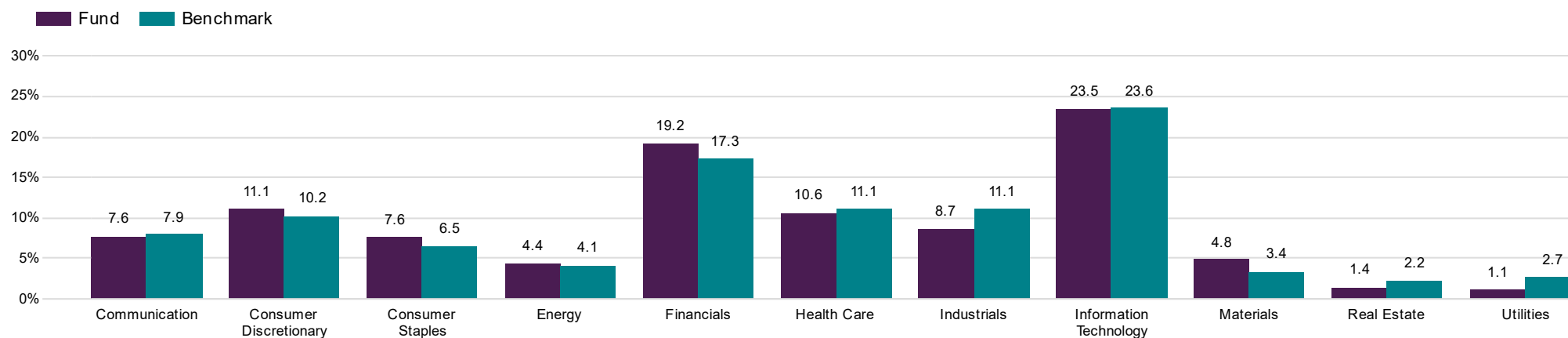
Within the healthcare sector we took profits in Roche, which had performed well for the portfolio in recent months. We established a position in Merck & Co. The healthcare company is in the Slowing & Maturing phase of the Life Cycle. The market is pricing in a dramatic downturn in returns given its leading drug Keytruda is facing loss of exclusivity in 2028. However, we think investors underappreciate Merck's ability to beat the fade in earnings, specifically from its existing pipeline of assets and its proven track record in drug development and commercialisation.

We purchased Broadcom, which is in the Accelerating Life Cycle phase. The company has created a unique platform of AI, networking and software infrastructure assets. It has a strong history of capital allocation and should see returns accelerate given the step-change in demand for custom silicon. Recent weakness in shares leaves valuation in-line with levels before they outlined the \$60-90 billion serviceable addressable market from their three largest customers. Management's capital allocation prowess gives us confidence any AI windfall could drive sustained higher returns.

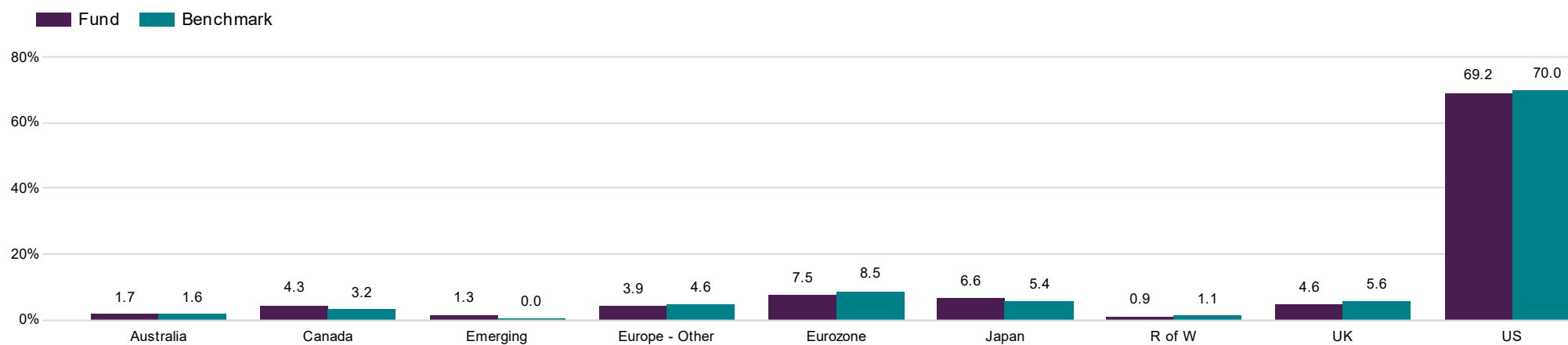
We believe that our approach of diversifying the strategies across broad range of companies from different sectors and stages of their Life Cycle will allow performance to continue to be driven more by the success of our hunting for superior shareholder wealth creating companies with undervalued long-term cash flows than by the prevailing winds of the macroeconomy, or factors such as growth or value styles being in vogue. During the quarter, the team continued to manage the portfolio in line with the investment guidelines.

# Fund breakdown

## Sector weights



## Regional weights



# Fund Engagement

## Engagement definition

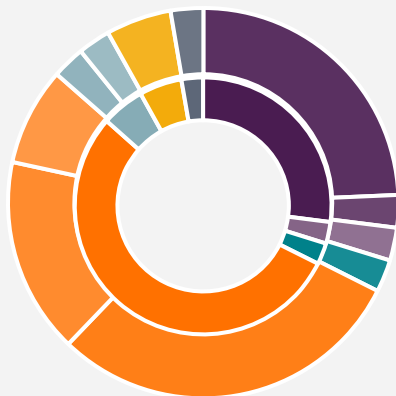
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	25	89
Number of engagements	31	186

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	10
Climate - Transition Risk	9
Climate - Physical Risk	1
Diversity	1
Gender Diversity	1
Environment	1
Governance	20
Corporate Governance	11
Remuneration	6
Strategy	3
Social & Financial Inclusion	2
Just transition	1
Social & Financial inclusion	1

Technology, Innovation & Society	2
Technology & Society	2
Other	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

### Nvidia Corporation – Ethical and sustainable AI

#### Purpose:

We participated in an ESG investor call hosted by Nvidia, an accelerated computing and AI technology company. Our goal was to gain insights into Nvidia's approach to sustainable and ethical AI. In late November 2024, we had sent an engagement letter to the company, enquiring about its practices and strategies.

#### Outcome:

Nvidia highlighted the energy efficiency of its accelerated computing platform, which achieves a 96% reduction in energy inference costs. The company is on track to achieve 100% renewable energy by 2025, with renewables increasing from 44% to 76% in 2024. Nvidia plans to publish a Scope 3 GHG protocol-aligned disclosure. The company is collaborating with customers and suppliers on decarbonisation. Additionally, Nvidia is developing a Climate Transition Plan and conducting double materiality assessments to inform its sustainability strategy. The company also discussed the safety measures within its AI Foundry platform, its collaboration with customers on responsible AI practices and its governance strategies, including the AI ethics committee. The company's sustainability reporting includes human rights compliance and audits by the Responsible Business Alliance (RBA).

Nvidia is part of our wider Sustainable and Ethical AI engagement programme. We will be working on identifying best practices to drive companies to implement, demonstrate and publicly disclose ethical AI principles and its environmental impact.

### Safran SA – Net zero

#### Purpose:

As part of our Net Zero Stewardship Programme (NZSP), we have committed to engaging with our top 50% financed emissions. We met with Safran, an aerospace company, to discuss its climate strategy and provide feedback based on our Climate Transition Assessment.

#### Outcome:

Safran's next report will be Corporate Sustainability Reporting Directive (CSRD)-compliant, detailing capital allocation for climate goals and emissions reduction targets. While the company engages suppliers to improve climate strategies, switching suppliers is difficult due to long certification times, limiting the effectiveness of these engagements. Disappointed with the current supply of Sustainable Aviation Fuel (SAF), the company is advocating for supportive policies through industry associations. During the meeting, we asked how defence policy might impact the company's approach to climate. Safran confirmed that although the defence segment is included in climate commitments, national security will take precedence over carbon emissions when necessary.



# Fund Engagement

## Engagement outcomes

### Visa Inc – Ethical and sustainable AI

#### Purpose:

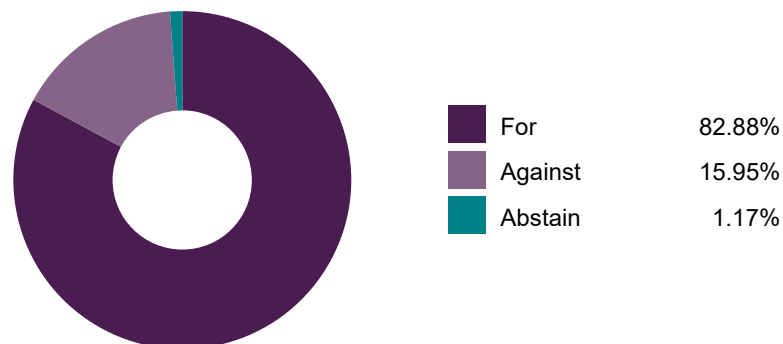
We initiated an engagement with Visa, a global payments company, to better understand its approach to sustainable and ethical AI. This meeting was in response to a questionnaire we sent to the company.

#### Outcome:

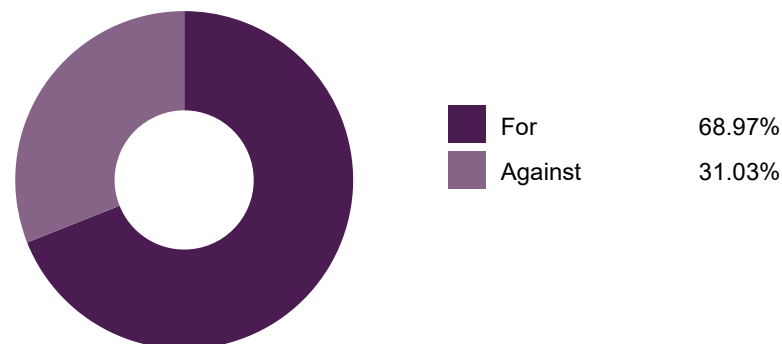
From the meeting, we gained confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated its expertise in AI governance, aligning with the EU AI Act and US National Institute of Standards and Technology (NIST) standards. Since 2017, the company has tracked generative AI and enhanced its governance to ensure safety and compliance. The company's AI systems undergo thorough reviews and encourage experimentation within secure zones. Its governance process includes regular assessments and a dedicated model risk management team. Visa also regularly tests AI system security and robustness. The company is committed to transparency and fairness, conducting safety testing for bias and ensuring compliance with ethical standards. Additionally, Visa aims to achieve net zero targets by 2040, using clean electricity for data centres and partnering with suppliers to meet sustainability goals and monitor its environmental footprint.

# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



## Notable votes

### Apple Inc

Advisory Vote on Executive Compensation - against: Whilst we are cognisant of the company's size and performance, we retain our concerns over the overall quantum of awards granted to the CEO and would prefer to see more than a single performance measure under the LTIP.

Shareholder Proposal Regarding Abolishing Inclusion and Diversity Program and Policies - against: The proponent has not provided sufficient disclosure to justify the removal of the company's diversity programs and policies.

### Tyson Foods Inc

Elect Les R. Baledge - against: The nominee is not independent and serves on the Nominating Committee that lacks sufficient independence. Moreover, the nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect Mike D. Beebe - against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect David J. Bronczek - against: The nominee serves as chair of the nominating committee and the Company has not disclosed a policy requiring women and minorities to be included in any new executive-level recruitment (Rooney Rule or equivalent). Moreover, the company maintains a multi-class share capital structure with unequal voting rights and has not provided a reasonable time-based sunset provision on the structure.

Finally, the nominee chairs the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

# Fund Voting

## Notable votes

### Tyson Foods Inc

Elect Maria N. Martinez - against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect Kate B. Quinn - against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

# Market commentary

## Market review

The year kicked off with relative stability following a turbulent fourth quarter of 2024, with the global economy seeing modest growth and central banks easing monetary policy. As the quarter progressed, however, volatility became heightened, primarily due to elevated policy uncertainty in the US, with President Donald Trump pivoting away from Europe; the spectre of aggressive tit-for-tat tariffs; and Europe's fiscal regime change, led by Germany looking to alter decades of fiscal policy stability and ramp up spending.

The result of this uncertainty was global equity indices succumbing to weakness, led by the US market, which posted a torrid quarter as technology stocks experienced a dramatic sell-off following news of a new competitor in the AI industry: China's DeepSeek.

From a sector perspective, most of the unwind has happened in AI-related growth names. These companies face slowing rates of expansion, rising competition from China and were the most at risk from a downturn in sentiment given how well loved these stocks have been over the past two years. Consumer discretionary stocks also suffered from concerns that stubborn inflation and declining growth prospects would hit spending.

European and UK stocks fared much better, posting positive total returns for the three months. In Asia, markets were negatively affected by concerns about the effects of US tariffs and a potential trade war. During the fourth quarter, the MSCI World Growth Index posted a loss of 8.71% while the MSCI World Value Index posted a gain of 3.87%.

Most major central banks are running with interest rates above neutral, but increasingly not by much. If growth remains positive but unimpressive and if inflation reassures somewhat then central banks can continue to cut towards neutral. But stickier than expected inflation, substantial policy uncertainty, and rates being closer to neutral suggests that at least some slowing of the pace makes sense beyond just the US.

The price of WTI crude oil rose 0.87% over the quarter to \$71.71 a barrel, while copper futures rose 22.23% in US dollar terms.

## Outlook

Investors have had to come to terms with an increasingly uncertain US policy backdrop. Related disruptions to global trade seem likely to weigh on growth in the US and beyond, though there are hopes that fiscal stimulus could provide something of a shield in economies like the euro area and China. And a few more rate cuts seem likely in major economies (except in Japan), albeit more gradual, careful ones. In the US, inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

Within the US, growth concerns have become more pronounced. Investors had expected President Trump's rhetoric to exceed his actions, but this has not always been the case. For example, he threatened an additional hike to 50% on Aluminium imports on Canada the day 25% hike came into effect. Tariff announcements and negotiations are likely to continue dominating financial headlines in coming weeks and months.

We've also seen a growing rhetoric from various members of the Republican administration around being more focussed on the bond market than the equity market. Compared to Donald Trump's first term, where he led with tax cuts and de-regulation and later shifted to China and tariffs, the opposite is currently happening. The interest rate and inflation backdrop was very different in 2016.

Within Europe, the public humiliation of Ukraine's President Zelensky in the White House has been a catalyst to galvanise policy makers across Europe. While the policy focus has been on defence for now, the broader implications for fiscal spending could be a structural boost to European growth, which could benefit equities.

While there are still significant geopolitical and macroeconomic risks, we remain focused on using our established investment process to generate alpha through bottom-up stock picking. With this volatile background, we believe in our approach of diversifying the strategies across a broad range of companies from different sectors and stages of their Life Cycle. We continually hunt for superior shareholder wealth creating companies with undervalued long-term cash flows, which strongly drive and influence performance, rather than the prevailing winds of the macroeconomy, or factors such as growth and value styles being in vogue.

## 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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Issued in April 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](http://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

Changes in currency exchange rates may affect the value of your investment.

## 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.

# Performance to 31 March 2025

## Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
<b>Fund (gross)</b>	(5.66)	0.20	2.50	30.29	113.50	9.21	16.37
<b>Fund (net)</b>	(5.75)	0.00	2.08	28.70	109.18	8.76	15.90

## Annualised (%)

## Year on year performance (%)

	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
<b>Fund (gross)</b>	2.50	28.16	(0.82)	20.21	36.32
<b>Fund (net)</b>	2.08	27.64	(1.22)	19.72	35.76

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 31 March 2025. All figures are mid-price to mid-price for the Royal London Global Equity Diversified Fund M Acc GBP share class.



# Glossary

## Active share

Active share is a measure used to assess the degree of difference between the portfolio's holdings and its benchmark.

## 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

Official Fund performance is shown on a mid-to-mid price basis, gross of fees and taxes, with gross income reinvested unless otherwise stated. Supplementary end of day performance has also been provided at fund level in order to show a comparison vs the benchmark which is also priced at end of day.

## Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

## Sector weights

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

## Top 10 holdings

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

## Tracking error

Tracking error indicates how closely a fund follows its benchmark index. It is a measure of the risk in the fund that is due to active management decisions made by the fund manager. It is calculated on an ex-post basis (actual basis, post period end).