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# Royal London UK Equity 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 UK Equity 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 medium term (3-5 years) by investing at least 80% in the shares of UK companies included in the FTSE All-Share Index. The Fund's performance target is to outperform, after the deduction of charges, the FTSE All-Share Total Return GBP Index (the "Index") over rolling 5-year periods. The Index is regarded as a good measure of the share-price performance of the approximately 600 largest companies on the London Stock Exchange. 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 March 2025	789.25

## Fund analytics

	Fund
Fund launch date	11 April 1984
Fund base currency	GBP
Benchmark	FTSE All Share (Total Return)
Number of holdings	64

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	4.67	4.51	0.17
1 Year	8.43	10.46	(2.03)
3 Years (p.a.)	6.59	7.21	(0.62)
5 Years (p.a.)	11.52	12.03	(0.51)
10 Years (p.a.)	5.98	6.15	(0.17)
Since inception (p.a.)	7.07	7.14	(0.07)

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 fund started 2025 strongly as investor hopes that the new US government would not implement significant tariffs seemed to be playing out and all markets generally moved higher. However, this proved to be temporary and by March equity markets were surrendering most of their gains from earlier in the year as the threat of increased tariffs appeared to be very real. Overall, the fund was positioned in the second quartile relative to the peer group during the quarter. The best performing stocks in the portfolio included a large number of banks, notably Lloyds and Standard Chartered. They started the year on modest valuations, beneficiaries from higher interest rates compared to a few years ago and returning significant capital to shareholders. The largest negative impact came from our position in Tesco which fell on concerns that a peer was launching a pricing campaign. We believe the fears are overdone and added to the holding into weakness.

# Performance and activity

## Top 10 holdings

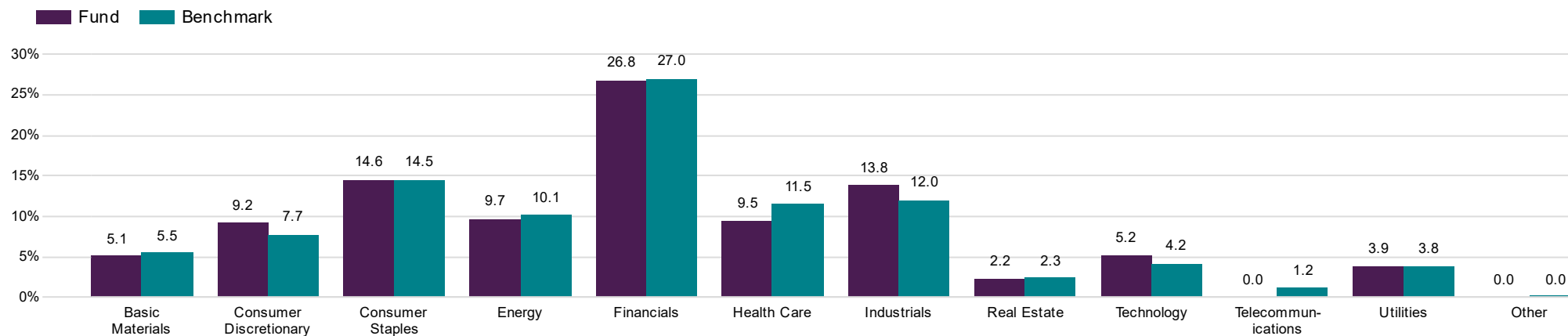
	Weighting (%)
SHELL PLC	6.95
ASTRAZENECA PLC	6.52
HSBC HOLDINGS PLC	6.30
UNILEVER PLC	4.26
RELX PLC	3.78
COMPASS GROUP PLC	3.17
LONDON STOCK EXCHANGE GROUP PLC	3.08
LLOYDS BANKING GROUP PLC	2.97
3I GROUP PLC	2.73
ROLLS-ROYCE HOLDINGS PLC	2.63
<b>Total</b>	<b>42.39</b>

## Fund activity

During the quarter, the main activity was increasing exposure to Asia through HSBC and Prudential - these moves were funded by reducing position sizes in Shell and GSK. The Prudential in particular has started to look more attractive post a large fall in its share price over the last few years, a reopening of the Hong Kong market for life/health assurance business which they are beneficiaries and their decision to return capital to shareholders.

# Fund breakdown

## Sector weights



# Fund Engagement

## Engagement definition

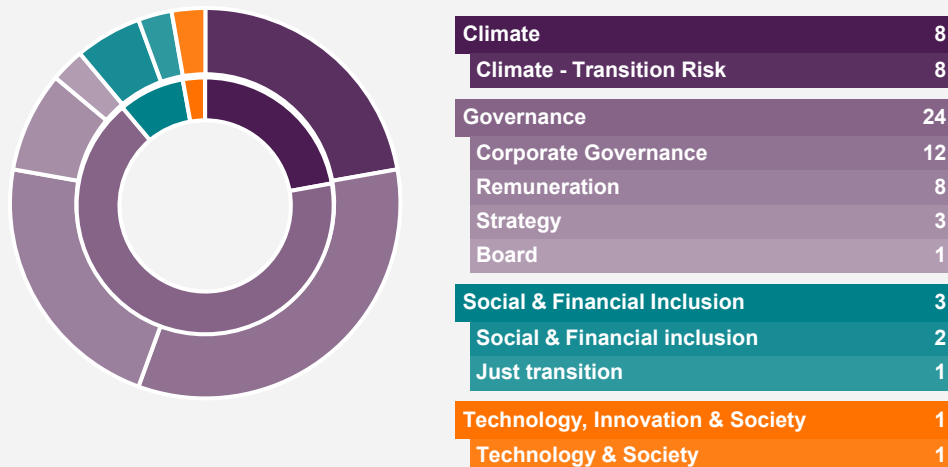
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	25	57
Number of engagements	34	192

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



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.

# Fund Engagement

## Engagement outcomes

### Diageo Plc - Net zero

#### Purpose:

We met with the Head of Sustainability at Diageo, a beverage company, to provide feedback on its climate policy. During the meeting, we encouraged improvements in disclosures to ensure investors have a clear understanding of the company's climate plans.

#### Outcome:

Diageo has published elements of a strong climate plan and the company is actively seeking to enhance its approach. The company aims to use a sector-specific target-setting methodology and improve the measurement of supplier emissions. Diageo has demonstrated a strong approach to supplier engagement, with the Head of Sustainability actively contributing to and advocating for improved climate reporting standards. However, the plan currently lacks detail on the decarbonisation strategy and capital allocation needed to achieve its climate goals. We hope to see these areas addressed in the near future.

### Intercontinental Hotels Group Plc - Remuneration

#### Purpose:

We engaged with the Intercontinental Hotels Group (IHG) Remuneration Committee to discuss and review the company's remuneration policies and practices. The meeting aimed to address key issues related to employee retention, market competitiveness, and proposed changes to executive pay structures. This engagement was crucial for ensuring that IHG's remuneration strategies align with market standards and effectively support the retention and motivation of top talent.

#### Outcome:

We gained a comprehensive understanding of the challenges IHG faces in retaining senior talent and maintaining competitive remuneration packages. The discussions highlighted the need for IHG to enhance its pay structures to match market medians and address pay compression issues. As a result, proposed changes to the CEO and CFO remuneration packages were discussed, including increases in salary, bonus caps, and the introduction of Restricted Stock Units (RSUs). These changes aim to align executive pay with market standards and ensure long-term value creation for shareholders.

However, concerns remain regarding the reasoning behind the additional restricted share plan, which is only subject to discretionary performance. This aspect requires further scrutiny to ensure it aligns with the company's long-term strategic goals.



# Fund Engagement

## Engagement outcomes

### Rio Tinto Plc – Multi-thematic

#### Purpose:

We met with Rio Tinto, a mining company, to engage with the Chair on a shareholder proposal to review the dual listing structure, the company's approach to sexual harassment and its new climate transition plan.

#### Outcome:

On climate, the company was asked to replicate its steelmaking decarbonisation approach for its bauxite and alumina value chain emissions, making timebound, measurable, and action-oriented commitments. The company responded favourably to this suggestion. Regarding Pilbara iron ores, the company acknowledged the transition risks posed by the shift to green steel and is collaborating with partners to find technological solutions.

We discussed the company's responsible mining policies and their effectiveness, particularly in relation to key transition metals and just transition issues.

The new RemCo Chair intends to link workforce culture survey results to pay metrics and is seeking feedback on specific targets and measures. The meeting also addressed the early stages of the class action lawsuit concerning sexual harassment. The discussion underscored the company's commitment to transparency while balancing the legal risks associated with releasing the report. The court filings are not yet publicly available, and the next steps involve contacting women who worked between 2003 and the present to gather more information.

### Unite Group Plc – Remuneration

#### Purpose:

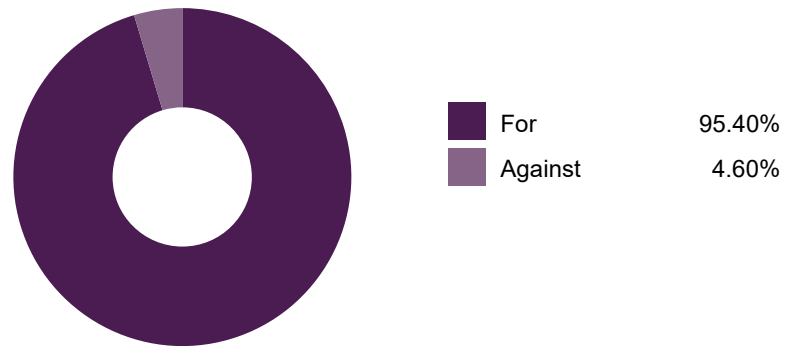
The purpose of the shareholder consultation letter from Unite Group, the UK's largest provider of student accommodation, was to inform shareholders about the proposed changes to the executive remuneration policy and to invite their feedback. The consultation aimed to gather shareholder input to inform the Remuneration Committee's decision-making process.

#### Outcome:

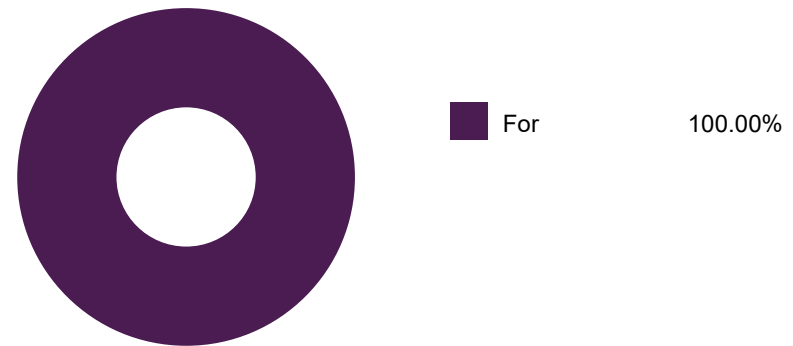
The outcome of the consultation was positive, with broad support from shareholders for the proposed changes. The Remuneration Committee received feedback from 12 shareholders representing approximately 45% of the issued share capital, as well as from key proxy advisors. The Committee discussed the feedback in detail and finalised the proposals, which will be submitted for approval at the 2025 AGM. The key changes include increasing the maximum annual bonus opportunity and removing the annual bonus deferral requirement for directors who meet their shareholding guidelines. We view the changes as moderate and reasonable.

# Fund Voting

## Total proxy voting activity



## Executive remuneration voting activity



# Market commentary

The first quarter of 2025 proved to be volatile marked by political shifts that brought about a significant change in equity market leadership. US policy risk around tariffs has weighed on growth expectations and fanned stagflation fears, while an emboldened Europe has embarked on a fiscal spending path that has taken many by surprise in terms of its scale. A significant rotation in markets was evident, with US equities selling off in favour of more cyclical and value-oriented parts of the market, alongside notable momentum in defence-related companies. UK equities were no exception and delivered a positive return, outperforming many other regional markets.

An increasingly antagonistic stance from the Trump administration with regards to global trade seemingly leaves Europe no longer able to count on the US as a reliable trading partner let alone an ally. This appears to have galvanised policymakers on the continent. Germany's likely incoming coalition government opted to go for growth by removing its 'debt brake' to unlock spending on defence and a new €500bn infrastructure plan. This has triggered an even bigger policy response from the EU, following up with an €800bn defence fund for member states.

Closer to home investors had to wait until the end of March for the Chancellor's Spring Statement. Spending cuts worth £8.4bn were imposed to meet the government's own fiscal rules, while tax rises on employer National Insurance Contributions (NICs) are due to come into effect in April (at the same time as rises in the National Living Wage). It is expected that this will be inflationary as companies pass on costs in the form of higher prices to protect profit margins. It is unfortunate that UK fiscal tightening is taking place amid uncertainty around the global economy, but perhaps Germany's U-turn on its fiscal rules shows what could be possible.

This combination of volatile US trade dynamics and a divergence in fiscal policy has culminated in a fading of the widely held view around 'US exceptionalism.' Having had loose fiscal policy for the best part of a decade there is now bipartisan support in the US to reign in on spending, while Europe on the other hand is now turning on the taps and mobilising itself to unlock growth. This may be enough to reverse the wall of liquidity that has been finding its way towards US assets, and particularly its technology companies. For those that believe US exceptionalism lies in its innovation rather than being cyclical, even this thinking was dented earlier in January with the Chinese AI breakthrough coming from DeepSeek. It may not take much to prompt a significant re-rating of other parts of the market as we have seen in recent months.

## 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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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.

## 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		
						<b>Annualised (%)</b>	
						3 Years (p.a.)	5 Years (p.a.)
<b>Fund (gross)</b>	4.85	3.94	9.15	23.58	78.39	7.31	12.27
<b>Fund (net)</b>	4.67	3.60	8.43	21.13	72.54	6.59	11.52

## 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>	9.15	8.34	4.50	16.07	24.36
<b>Fund (net)</b>	8.43	7.62	3.81	15.30	23.54

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 UK Equity 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.