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Royal London UK Mid Cap Growth 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 Mid Cap 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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ROYAL LONDON ASSET MANAGEMENT

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 medium-sized companies listed on the London Stock Exchange. The Fund's performance target is to outperform, after the deduction of charges, the FTSE 250 ex-IT (investment trust) Total Return GBP Index (the "Index") over rolling 5-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. 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 analytics

	Fund
Fund launch date	1 June 2006
Fund base currency	GBP
Benchmark	FTSE 250 (ex-Investment Trusts)
Number of holdings	50

Fund value

	Total £m
31 March 2025	337.17

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(7.04)	(5.67)	(1.37)
1 Year	(1.47)	0.37	(1.84)
3 Years (p.a.)	(0.73)	0.74	(1.47)
5 Years (p.a.)	6.35	8.44	(2.09)
10 Years (p.a.)	3.73	3.68	0.04
Since inception (p.a.)	4.46	4.19	0.27

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 Z Acc GBP. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 6 May 2014.

Performance commentary

Global equity markets had a turbulent start to 2025. The 'US exceptionalism' trade began to unwind, investors fretted over the risks of an international trade war driving price inflation, and America's rapidly evolving foreign policy led to an urgent reappraisal of defence spending by European politicians. Bond yields rose and small and mid-cap markets underperformed. Banking and defence sectors outperformed while consumer discretionary and industrials underperformed.

The fund underperformed the benchmark during the first quarter.

Significant positive contributors included Lloyds insurer Beazley, and specialist engineering and defence group Chemring. Beazley delivered impressive full year results. An excellent underwriting performance (combined ratio below 80%) as well as a positive return on their investment book provided a return on equity of almost 27%. While they will be pushed to repeat this underwriting result in 2025, insurance pricing remains attractive and their expertise in specialist lines sets them up well to deliver compound earnings growth. Chemring issued an AGM trading update, revealing another record order book spanning multiple years. This reflects sustained demand for their capabilities as Europe reinvests into national security infrastructure. They also announced a £40 million share buyback. Sky news later broke the story that private equity group Bain Capital had made a takeover approach.

Negative contributors included Trainline, Coats, GlobalData and Gamma Communications. All of these companies delivered reasonable trading updates or results during the period. None gave analysts reason to significantly reduce forecasts. Indeed, Trainline delivered better profits than expected and announced a £75 million share buyback, while Coats delivered full year results 5% ahead of expectations.

Despite good results, Trainline's shares responded to the UK government's updated plans to re-nationalise the train operating companies and launch Great British Railways (GBR) as a consumer facing brand. This could take years to come to fruition. It is also our view that Trainline's significant network effects, brand, and superior user experience, will leave them strongly positioned to fend off competitors whether government backed or otherwise. Nevertheless, there is some logic to the equity market applying a discount to the share price given short-term uncertainty and lack of details.

Coats, the market leading thread manufacturer, not only delivered strong full year results but also updated medium-term financial targets. Management are driving for operating margins of over 20% and sustained top line growth. However, the equity market appears to be concerned about the impact of regional tariffs on global consumer spending. The ongoing management

Performance and activity

Performance commentary (continued)

transition adds some uncertainty, however in our view the share price is significantly out of kilter with the earnings profile of the business today.

Both GlobalData and Gamma Communications are AIM-listed companies. The AIM market has been subject to significant and sustained selling pressure since the Chancellor announced changes to inheritance tax incentives in last October's budget. Many companies are looking to move from AIM to the 'Full list' in response; GlobalData and Gamma are both planning to do this in 2025. Their shares will eventually end up eligible for inclusion within the FTSE 250 index, but in the meantime those shareholders who are 'AIM Inheritance Tax' focused investors have become forced sellers.

Performance and activity

Top 10 holdings

	Weighting (%)
CRANSWICK PLC	3.27
ROTORK PLC	3.14
COATS GROUP PLC	3.05
JTC PLC	2.90
TELECOM PLUS PLC	2.84
HILL AND SMITH PLC	2.74
GENUIT GROUP PLC	2.72
INTEGRAFIN HOLDINGS	2.63
CHEMRING GROUP PLC	2.58
AJ BELL PLC	2.56
Total	**28.43**

Fund activity

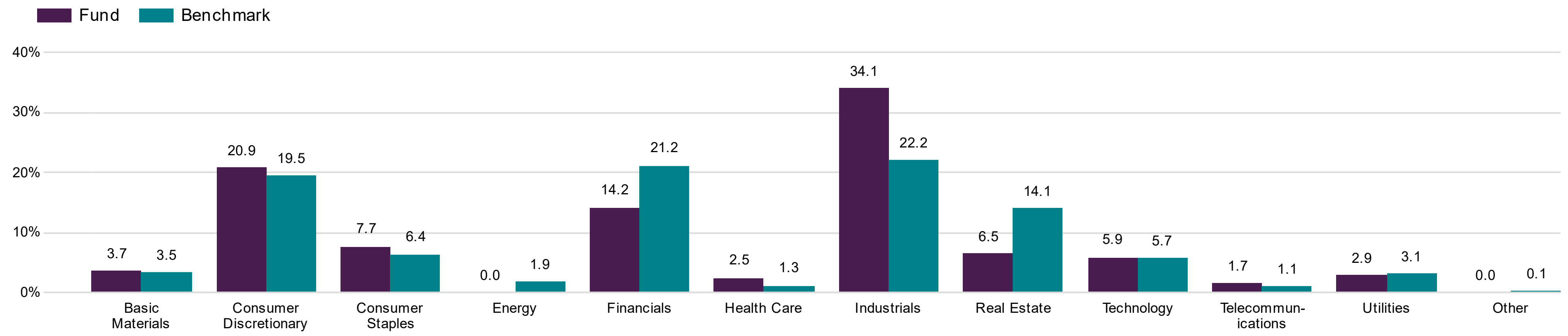
The fund started new positions in Future and Hollywood Bowl. These were funded by the sale of student property group Unite, which had been promoted to the FTSE100 index.

Future is a media group focused on specialist content for consumers and businesses. Their titles are typically the category leader in their niche; brands include Tech Radar and Tom’s Guide. Under a new management team, Future is part way through its ‘Growth Acceleration Strategy’, investing to increase their valuable US audience and improve yields. Future also own Go Compare, the price comparison platform website – this business has performed strongly but could be up for sale. Go Compare’s valuation alone could represent a substantial proportion of the total group’s current market capitalisation. The balance sheet is conservatively geared, and the shares are trading on a double-digit free cashflow yield. Management have demonstrated good capital discipline and shareholders should benefit from a combination of buybacks, dividends and earnings growth.

Hollywood Bowl is the largest ten-pin bowling operator in the UK and Canada. They operate around 85 sites across both geographies and have an ambition to grow to over 130. The company is generating extremely attractive returns on capital as they roll out new sites and refurbishing existing sites. Their value for money offering is compelling to cash-strapped consumers, evidenced by their track record of robust trading through volatile economic conditions. This has resulted in a very attractive total return for shareholders since they listed in 2016, in the form of a combination of earnings growth, dividends and share buybacks.

Fund breakdown

Sector weights



Fund Engagement

Engagement definition

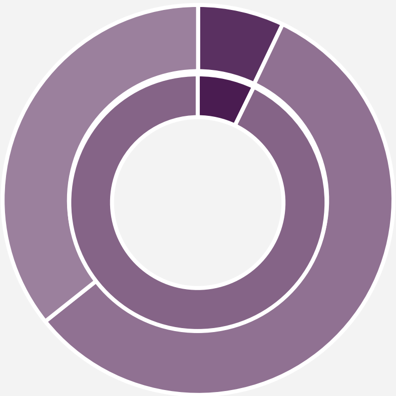
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	11	24
Number of engagements	11	39

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



Environment	1
Governance	13
Corporate Governance	8
Remuneration	5

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

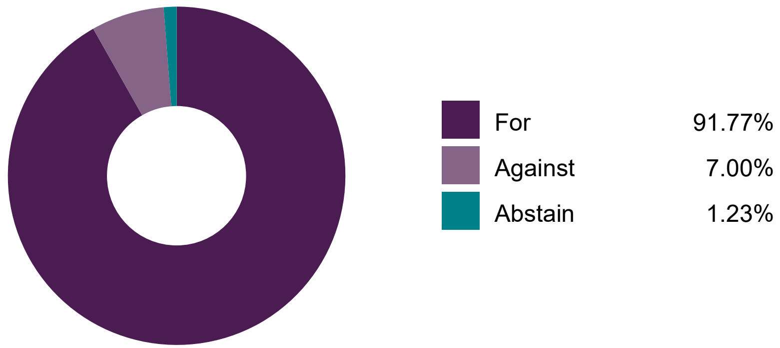
Engagement focus

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.

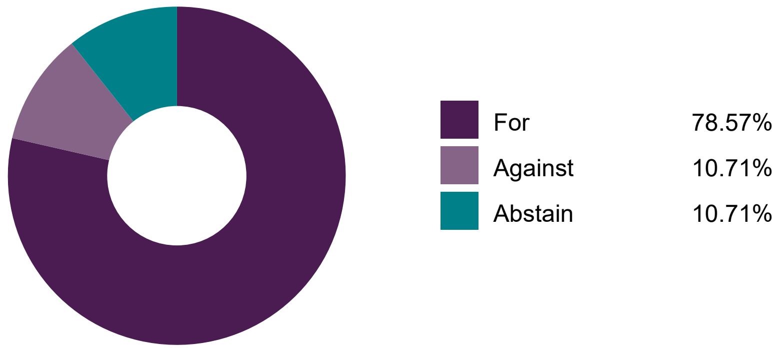
Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Fund Voting

Total proxy voting activity



Executive remuneration voting activity



Notable votes

IntegraFin Holdings Plc

Remuneration Report - against: While the bonus structure is looking to be addressed, there are long-standing concerns over the company's approach to pay, namely the continued lack of a formal LTIP.
Remuneration Policy - against: While the renewed policy includes some positive features such as a set of concrete financial measures under the bonus and increased deferral, concerns remain over the lack of a formal LTIP.
Approval of the Combined Incentive Plan - against: While the renewed policy includes some positive features such as a set of concrete financial measures under the bonus and increased deferral, concerns remain over the lack of a formal LTIP.

Market commentary

Market Overview

UK small and mid-cap equities declined in the first quarter, as bond yields rose. The 'US exceptionalism' trade which has propelled large-cap US stocks – tech stocks in particular – to record highs over the last few years, started to creak. UK and European large-cap stocks materially outperformed their US counterparts, a rare occurrence in recent years.

In January a new AI tool was launched by Chinese group DeepSeek; ostensibly comparable to US equivalents but developed for a fraction of the cost. Given that US tech companies had been investing huge sums of capital into AI and associated infrastructure, this raised questions about demand growth for advanced chips and data centres. It sparked a widespread market sell-off led by US tech stocks.

Financial markets initially welcomed the prospect of another Trump presidency at the end of 2024. However, headlines about 'DOGE' cost cuts and early tariff announcements targeting Canada and Mexico, further rattled markets. The impact of these measures was clearly unknown, but they were seen as reducing consumer confidence and driving inflation higher in the world's largest economy, just as growth was moderating.

One of the most significant events of the quarter was a dramatic re-appraisal of US foreign policy. The reaction by Germany's politicians has the potential to alter the dynamic of Europe's largest economy, after they voted to exclude defence spending from their conservative limits on government borrowing. This could unleash a significant investment cycle across defence and infrastructure projects – alongside a broader increase in European defence spending, including UK.

Amid all this, there was no let-up in takeover approaches for UK small and mid-cap stocks. Bids by private equity investors and industry players came thick and fast as they and continued to take advantage of depressed valuations of UK listed companies. In addition to the four mentioned above, notable bids included Dowlais, Care REIT, Assura, Renewi, John Wood and National World. There were also two public to public deals proposed, a possible combination of Greencore with Bakkavor, and of Enquest with Serica Energy (which is held in the fund).

Outlook

As we write this, President Trump has just announced reciprocal tariffs on all US trading partners. Global financial markets are not reacting well. Whatever the eventual structure of US tariffs or retaliatory measures, the immediate consequences are likely to be lower growth and higher inflation. This is not typically a great setup for equity markets. Furthermore, the inflationary backdrop makes it less likely that central bankers will cut interest rates, unless they're doing so in response to a slowing economy. However, the impact on the UK appears to be relatively benign compared to other regions. While disruptive, UK based businesses should be able to trade with both the US and Europe on manageable terms. Finally, if European countries turn their attention to fiscal stimulus, this will make the region a more attractive place for companies to do business. UK listed companies could benefit from this.

We know from experience that good companies tend to come out of disruption stronger than their competitors, positioned to generate super normal returns on any recovery. We also know that small and mid-sized companies are often nimbler and more entrepreneurial than their larger counterparts and better able to adapt to changing dynamics. This will be crucial if the world system shifts from global trade and supply chains to one where regional block dynamics take centre stage.

We believe that UK small and mid-cap equities are well capitalised and already significantly better value than many of their international counterparts. The cadence of continued takeover approaches is a validation that much of our universe is undervalued. In our view, UK share prices were already discounting a lot before this week's events. We're confident that our portfolio companies have the balance sheets and management capabilities to weather the storm and emerge stronger on the other side.

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.

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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.

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
Fund (gross)	(6.90)	(11.22)	(0.86)	(0.36)	40.36
Fund (net)	(7.04)	(11.49)	(1.47)	(2.19)	36.09

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	(0.12)	7.01
Fund (net)	(0.73)	6.35

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
Fund (gross)	(0.86)	8.88	(7.69)	(1.24)	42.64
Fund (net)	(1.47)	8.21	(8.26)	(1.85)	41.76

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 UK Mid Cap Growth Fund Z 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.