For professional clients only, not suitable for retail clients.

Royal London Global Sustainable 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 Global Sustainable 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.

Contents

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 globally in the shares of companies listed on stock exchanges that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Manager's ethical and sustainable investment policy. The Fund's performance target is to outperform, after the deduction of charges, the MSCI All Countries World Net Total Return Index GBP (the "Index") by 2.5% p.a. over rolling 3-year periods.

Fund value

	Total £m
31 March 2025	377.61

Fund analytics

	Fund
Fund launch date	25 February 2020
Fund base currency	GBP
Benchmark	MSCI All Countries World Net Total Return Index GBP
Number of holdings	42

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(7.54)	(4.26)	(3.28)
1 Year	(3.73)	4.87	(8.60)
3 Years (p.a.)	5.52	7.62	(2.10)
5 Years (p.a.)	13.66	14.25	(0.58)
Since inception (p.a.)	11.31	10.59	0.73

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 25 February 2020.

Performance commentary

The fund underperformed the MSCI All-Countries World Index (ACWI) benchmark during the first quarter.

We continue to apply our tried and tested investment process focusing on finding the most attractive companies from a sustainability and financial standpoint as we believe these companies can offer high and more durable long-term growth as well as being more resilient.

During the quarter, we saw the more value-oriented end of the market perform well, with sectors trading on lower earnings multiples including energy, financials and materials performing better. Financials continue to benefit from the higher interest rate environment, especially European banks where interest rate expectations have become more elevated as Europe has begun to talk more positively around reindustrialisation. However, the technology sector underperformed on the back of concerns around the returns on investment in AI and the large amount of capex being spent on it by large technology companies.

The fund was generally negatively impacted by its exposure to technology names despite being slightly underweight the technology sector, while our industrial names (particularly those where an element of their future growth was expected to come from areas such as data centres) also underperformed. A lack of exposure towards utilities and energy sectors also impacted the fund.

US diagnostic provider Hologic was a negative contributor after the company reported results that were below expectations as it continues to face a weak environment post the pandemic. Creative software provider Adobe was another negative contributor after the company showed the monetisation of AI features in its software is happening at a slower pace than expected.

Financial companies were the most notable positive contributors. W. R. Berkley, a new position for the fund, proved resilient as full year financial results showed strong growth in its underwriting volumes and improving returns from the investment portfolio which it holds to pay future claims. Standard Chartered, a pan-Asian UK-listed bank continued to do well, benefiting from the higher rate environment. Solid economic growth in Asia has supported loan and earnings growth for the business, while its wealth management franchise has seen continued successes. The management team are also continuing to execute on a restructuring plan for the business.

Another positive included HCA, a leading US hospital chain. The share price outperformed during the quarter that reflected both a solid set of financial results and the perceived resilience of the business model during a more uncertain economic backdrop.

Performance and activity

Top 10 holdings

	Weighting (%)
MICROSOFT CORP	4.23
TAIWAN SEMICONDUCTOR MANUFACTURING	3.93
MERCADOLIBRE INC	3.82
STANDARD CHARTERED PLC	3.51
WESTINGHOUSE AIR BRAKE TECHNOLOGIE	3.47
SCHNEIDER ELECTRIC	3.45
HDFC BANK ADR REPRESENTING THREE L	3.32
COMFORT SYSTEMS USA INC	3.31
WR BERKLEY CORP	3.30
HCA HEALTHCARE INC	3.15
Total	**35.49**

Fund activity

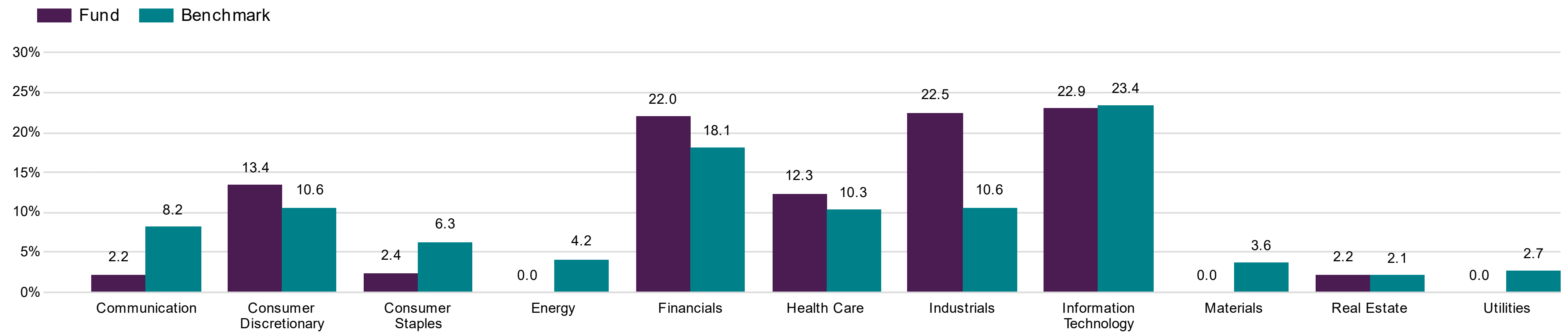
Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries, or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

Given our expectation 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 began positions in five new companies including two US financial companies, specialty property & casualty insurance provider W. R. Berkley and student loan provider SLM Corporation. We also began to build small positions in financial technology and payments processor Fiserv, industrial distributor AIT and in Broadcom, a diversified software and semiconductor company. These sales were funded through exiting positions in two of our industrial businesses, Nordson and Trane Technologies, along with sterilisation specialist Steris, pharmaceutical company GSK and consumer cosmetics giant L'Oreal.

Fund breakdown

Sector weights



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com/uk/individual-investors/policies-and-regulatory/

ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:

www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective	✓	
Additional exclusions	✓	

Additional 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.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Fossil fuels	✓	Tobacco	✓
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	2,909	n/a	n/a
Financed emissions coverage	98.58%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	5.96	42.39	(85.93)
Carbon footprint coverage	98.58%	98.34%	0.25
Weighted average carbon intensity (tCO2e/$M sales)	24.68	121.85	(79.74)
Weighted average carbon intensity coverage	98.58%	98.22%	0.37

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	98.58	98.16	0.43
% of portfolio below 2°C ITR	53.76	52.10	3.19
% of portfolio below 1.5°C ITR	30.06	22.45	33.88

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	20.04	18.54	8.09
SBTi Near-Term committed	8.60	7.64	12.51

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	17	31
Number of engagements	24	84

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	**6**
Climate - Transition Risk	6
Environment	**1**
Governance	**13**
Corporate Governance	8
Remuneration	3
Strategy	2
Social & Financial Inclusion	**5**
Social & Financial inclusion	3
Just transition	2
Technology, Innovation & Society	**2**
Technology & Society	2
Other	**1**

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

Ferguson Enterprises Inc – Net zero

Purpose:

We met with Ferguson, a US distributor of plumbing, heating, ventilation and air conditioning (HVAC) appliances, as part of RLAM's net zero engagement programme to discuss its climate transition strategy.

Outcome:

We asked the company to disclose Scope 3 emissions for additional categories beyond the four currently published. Despite tracking these emissions internally, the company initially withheld disclosure, citing accuracy concerns. We followed up with a letter to Ferguson's Chair, reiterating the importance of comprehensive Scope 3 GHG emissions reporting. In response, Ferguson confirmed refining its Scope 3 data collection processes and calculation methodologies. The company expects to include additional categories, such as Category 11 (use of sold products), in its next Sustainability Report.

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.

Fund Engagement

Engagement outcomes

Visa Inc – Ethical and sustainable AI

Purpose:

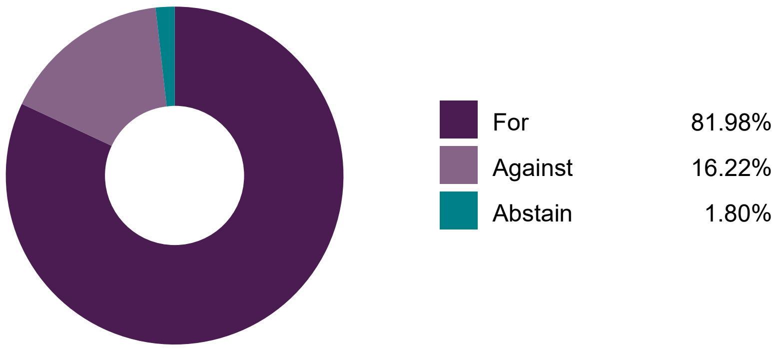
We initiated an engagement with Visa, a global payments company, to better understand its approach to sustainable and ethical AI. This meeting was in response to a questionnaire we sent to the company.

Outcome:

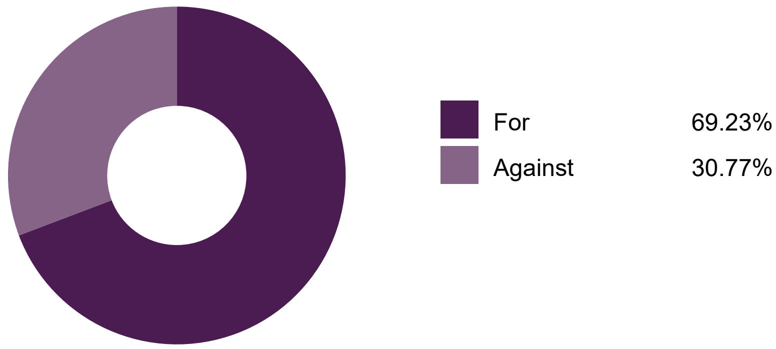
From the meeting, we gained confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated its expertise in AI governance, aligning with the EU AI Act and US National Institute of Standards and Technology (NIST) standards. Since 2017, the company has tracked generative AI and enhanced 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

Visa Inc

Advisory Vote on Executive Compensation - against: There are long-standing concerns over the discretionary nature of the bonus plan, which can call into question the link between pay and performance. We would also prefer to see longer performance periods for performance share awards.
Elect Denise M. Morrison - against: The nominee serves as Chair of the Remuneration Committee, and we have long-standing concerns with remuneration at the company.
Shareholder proposal regarding mandatory director resignation policy - for: The adoption of this proposal would benefit shareholders by promoting board accountability and ensuring responsiveness to shareholder concerns.

Market commentary

Market overview

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, we have seen heightened volatility, 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.

A very uncertain US policy backdrop and related disruptions to global trade seem likely to weigh on growth in the US and beyond. Fiscal stimulus may provide something of a shield in economies like the euro area and China. A few more rate cuts seem likely in major economies (except in Japan), albeit more gradual, careful ones, as the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

The result of this environment was global equity indices seeing weaknesses particularly in the US with technology stocks selling-off following the release by Chinese company, DeepSeek, of a large language model, which claimed to have been trained at a significantly lower costs than comparable US models. UK and European stocks gained ground, benefiting from a rotation away from the US and helped also by over indexing towards financial companies. During the quarter, the European Stoxx 600 index delivered a total return of nearly 6%, while the S&P 500 index of the largest US companies fell by 4.6% in local currency terms. Relative weakness in the dollar further lowered returns on US stocks for UK investors.

Central banks remain cautious overall, and if inflation continues to trend downward, they will continue to lower interest rates. 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.

Outlook

The last few weeks have seen a significant dislocation in equity markets from the trends of recent years. This rotation can be thought of as the belief that US exceptionalism and US growth are weakening, at the same time as Europe is awakening from its slumber and China is emerging from a property bust. Most investors are not positioned for a world where Europe and China lead equity returns and were this to continue and will need to make significant adjustments.

We have begun to see this with European equities seeing their biggest weekly inflow in 10 years. 'Will this trend continue?' is the question every investor is trying to answer. No one knows for sure of course but here are some observations which may inform.

The consensus view today is the US is waning, Europe is rising and China is re-emerging. As investors, the questions are what are our views relative to this, and how does this look in the future? A reasonable view would be too much caution is now baked into view on the US economy, but perhaps not enough optimism regarding a real positive change in Europe and China where investment allocations remain low. If true, this suggests that investors are too cautious about all key regions of US, China and Europe over the long term, and that would be a positive thing for future equity returns.

In our view, what we are witnessing is a fundamental re-ordering of the global economy, from which there will be significant investment opportunities. Understanding this re-ordering and the economic framework that will come out from it will be critical. Although it is early days, there are some comments which can be made about this. It would appear we are moving to a multi-polar world, where three economic regions (North America, Europe and Asia) trade more within themselves than with each other. This suggests investors should think about these three regions separately rather than interlinked. Investing regionally as opposed to globally, even if investing globally, will be skillset that many investors will have to learn and relearn. Globalisation isn't completely gone, but it may now matter which markets a company is listed on and operating in, in a way that it hasn't for some time.

Further Information

Please click on the links below for further information:

Stewardship and responsible investment at RLAM

Responsible investment

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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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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

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.

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 March 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(7.54)	(6.34)	(3.73)	17.50	89.77
Fund (net)	(7.71)	(6.67)	(4.42)	14.99	83.07

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
5.52	13.66
4.76	12.85

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)	(3.73)	24.97	(2.34)	15.84	39.43
Fund (net)	(4.42)	24.07	(3.04)	15.01	38.43

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 Sustainable Equity Fund M Acc GBP share class.

Glossary

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO_2e/$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.

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 tCO_2e. 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.

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.

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.

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

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

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.

Regional weights

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

SBTi

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

Glossary

Sector weights

Breakdown of holdings by FTSE ICB (Industry Classification Benchmark) 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.