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Royal London Sustainable Leaders Trust

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 Sustainable Leaders Trust. 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 listed on the London Stock Exchange that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Adviser's ethical and sustainable investment policy. The Fund's performance target is to outperform, after the deduction of charges, the FTSE All-Share Index (the "Index") over a rolling 5-year period. The Index is considered an appropriate benchmark for the Scheme's performance, as the Scheme's potential investments will predominantly be included in the Index. In addition to the benchmark for the Scheme'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	2,833.20

Fund analytics

	Fund
Fund launch date	29 May 1990
Fund base currency	GBP
Benchmark	FTSE All Share (Total Return)
Number of holdings	40

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.70	4.51	(3.80)
1 Year	4.60	10.46	(5.86)
3 Years (p.a.)	5.40	7.21	(1.81)
5 Years (p.a.)	10.71	12.03	(1.32)
10 Years (p.a.)	9.06	6.15	2.91
Since inception (p.a.)	8.94	7.90	1.04

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 C Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 29 May 1990.

Performance commentary

The fund underperformed the FTSE All Share Index during the first quarter. This was largely due to the lack of exposure to the energy and defence sectors.

Oil majors BP and Shell accounted for much of the underperformance with both providing better than expected updates and benefitting from re-allocation of flows towards more value-oriented sectors. Defence stocks such as British Aerospace and Rolls-Royce were headwinds to the performance, as shares rallied on expectations of higher defence spending in Europe.

The holding in Greggs was a negative contributor to performance. The company has grown rapidly in recent years, and despite announcing record sales figures in the fourth quarter, there have been concerns that the rate of growth is slowing. There are also worries about the company's exposure to the stagnating UK economy and the effects of higher wages and inflation.

On the positive in terms of performance, holdings in the financial sector, including Standard Chartered, Lloyds Banking Group and Prudential outperformed. All are beneficiary from the higher interest rates environment as well as solid operational performance. Prudential also benefited from improved sentiment towards China and Asian markets.

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.

Performance and activity

Top 10 holdings

	Weighting (%)
RELX PLC	5.92
LONDON STOCK EXCHANGE GROUP PLC	5.92
ASTRAZENECA PLC	5.74
STANDARD CHARTERED PLC	5.55
COMPASS GROUP PLC	5.48
EXPERIAN PLC	5.00
PRUDENTIAL PLC	4.77
HSBC HOLDINGS PLC	4.58
THE SAGE GROUP PLC	4.37
LLOYDS BANKING GROUP PLC	3.75
Total	51.08

Fund activity

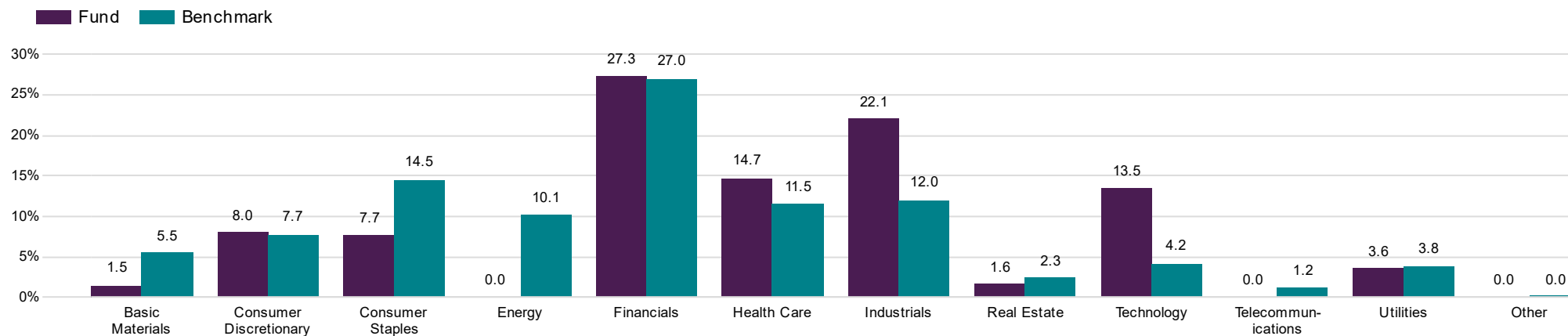
We started a new position in insurer Aviva during the quarter. The company is benefiting from the higher interest rate environment and from investments that the business has been making over recent years.

We also bought Halma, which is an industrial technology provider with operations across the world. The company has a strong long-term track record and we took advantage of what we thought was an attractive entry price for the stock.

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.

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.royallondon.com/existing-customers/your-products/manage-your-isa-or-unit-trust/rlum-isa-overview/

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)	31,647	n/a	n/a
Financed emissions coverage	98.67%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	8.72	54.82	(84.10)
Carbon footprint coverage	98.67%	94.38%	4.55
Weighted average carbon intensity (tCO2e/\$M sales)	26.76	79.26	(66.24)
Weighted average carbon intensity coverage	94.26%	93.63%	0.68

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	98.67	94.37	4.55
% of portfolio below 2°C ITR	69.45	65.06	6.75
% of portfolio below 1.5°C ITR	30.17	32.43	(6.98)

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	35.93	31.43	14.31
SBTi Near-Term committed	1.85	3.47	(46.83)

Fund Engagement

Engagement definition

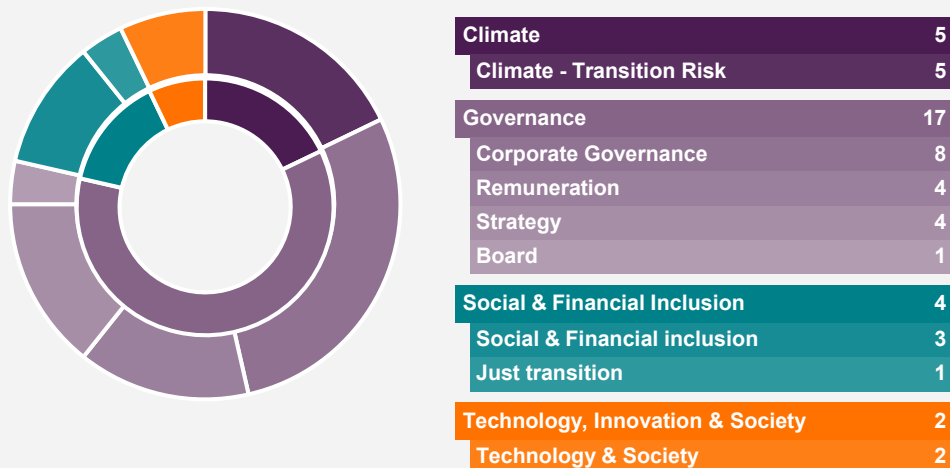
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	18	35
Number of engagements	26	117

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

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.

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 Engagement

Engagement outcomes

Visa Inc – Ethical and sustainable AI

Purpose:

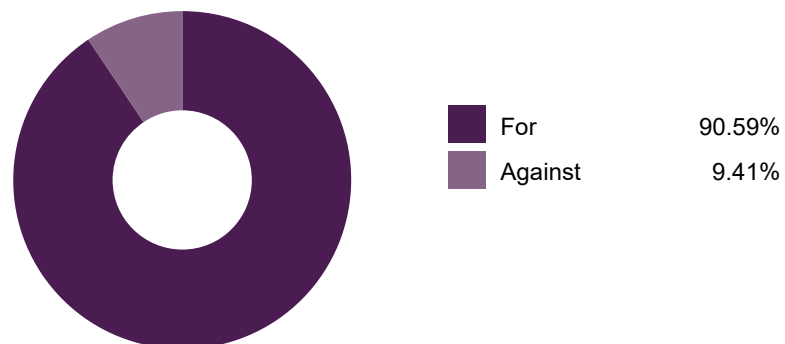
We initiated an engagement with Visa, a global payments company, to better understand its approach to sustainable and ethical AI. This meeting was in response to a questionnaire we sent to the company.

Outcome:

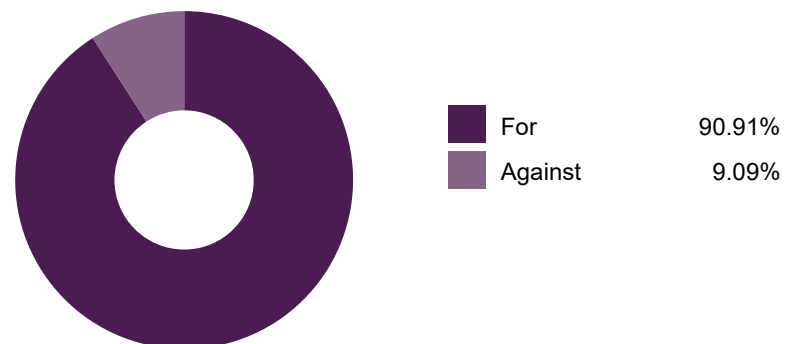
From the meeting, we gained confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated its expertise in AI governance, aligning with the EU AI Act and US National Institute of Standards and Technology (NIST) standards. Since 2017, the company has tracked generative AI and enhanced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

Although global stock markets were volatile during the first quarter, the UK market outperformed and delivered a positive return. UK equities had a good start to the year, acting as something of a haven amid global instability. US and Asian equities were affected by concerns about US tariffs and the impact they could have on global trade while UK and European stocks gained ground, benefiting from a rotation away from the US mega-cap technology sector.

The FTSE 100 continued to outperform the FTSE All-Share. In part, this was because the large-cap index has a large proportion of energy and financials stocks, which did well over the quarter. The oil & gas sector benefited from higher energy prices, while financials benefited from the fact interest rates will remain higher than previous forecasts. Financial companies can generally make higher profits when rates are higher. Defence stocks also did well as European governments announced big increases to defence budgets in response to increasing uncertainty about the direction President Donald Trump will take US defence policy.

The underperformance of the more domestically focused All-Share index was in part due to ongoing concerns about the health of the UK economy.

UK interest rates were reduced by 0.25% to 4.5% in February. Although inflation has been a touch stronger than expected, the Bank of England expects domestic and wage pressures to moderate (but to remain elevated) and still expects inflation to fall back after an expected rise in CPI in coming months. Much of its focus is now on external factors, including increased trade uncertainty, rising tariffs, geopolitical uncertainty, and a global rise in financial market volatility.

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. This has benefited UK equities.

Contrary to the general negative consensus, we continue to see many world class businesses in the UK market that we believe will reward shareholders over the long-term. We believe the UK market offers similar risk-adjusted returns to global equities due to its lower risk characteristic and lower valuation.

The outlook for corporate profits depends upon where your operations are. The US naturally feels it offers stronger growth than any other major economy largely reflecting its strong bias to technology, although uncertainties about the new administration's policies could see a slowdown or in the worst-case scenario a contraction of earnings. Other regions seem to be improving although from a low base.

The fund remains exposed to a broad range of companies that are well positioned to navigate a changing environment and continue to benefit from long-term structural trends.

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, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the Trust 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.

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.

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	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	0.70	(0.08)	4.60	17.12	66.38	5.40	10.71
Fund (net)	0.52	(0.45)	3.82	14.52	60.28	4.62	9.89

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
Fund (gross)	4.60	12.39	(0.37)	15.33	23.19
Fund (net)	3.82	11.55	(1.11)	14.47	22.27

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 Sustainable Leaders Trust C Acc GBP share class.

Glossary

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO₂e/\$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 tCO₂e. 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.