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Royal London Asset Management

Equity Fund Commentary

31 May 2025

Fund Commentary

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The purpose of this report is to provide an update on the Royal London Equity Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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ROYAL LONDON ASSET MANAGEMENT

Equity

Royal London Global Equity Diversified Fund

Global equity markets rallied during May, continuing to recover from April's losses. Investor sentiment was boosted by positive developments on trade and tariffs. Strong corporate earnings also helped to support the market, with technology stocks among the biggest gainers.

The fund underperformed the benchmark, mainly due to stock selection. The main detractor was UnitedHealth Group after its CEO departed and amid regulatory concerns. Eli Lilly pulled back after a period of strong performance. On the upside, KB Financial, Microsoft and Safran performed relatively well.

While there are still significant geopolitical and macroeconomic risks, we remain focused on using our established investment process to generate returns through bottom-up stock picking. During May, we added new positions in Equity Lifestyle Properties and Rexford Industrial. We exited positions in Expeditors and Lonking after downgrading our view of their Wealth Creation potential.

Royal London Global Equity Diversified Fund (IRL)

Global equity markets rallied during May, continuing to recover from April's losses. Investor sentiment was boosted by positive developments on trade and tariffs. Strong corporate earnings also helped to support the market, with technology stocks among the biggest gainers.

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Royal London Global Equity Income Fund

Global equity markets rallied during May, continuing to recover from April's losses. Investor sentiment was boosted by positive developments on trade and tariffs. Strong corporate earnings also helped to support the market, with technology stocks among the biggest gainers.

In what was a strong month for equity markets, the fund underperformed its benchmark, largely because of what it doesn't own rather than what it does. US technology stocks led the market higher and while the fund did benefit from holdings in Broadcom and TSMC, not holding non-income paying Nvidia, META and Amazon was painful. The fund's holding in UnitedHealth Group was a significant decractor following the CEO departure and ongoing concerns around the implementation of regulatory coding changes.

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Equity

Royal London Global Equity Select Fund

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While there are still significant geopolitical and macroeconomic risks, we remain focused on using our established investment process to generate returns through bottom-up stock picking. Notable trades included the sale of UnitedHealth Group and the purchases of US brewer Molson Coors and Japanese optics company Hoya.

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Royal London Global Equity Transitions Fund

Global equity markets rallied during May, continuing to recover from April's losses. Investor sentiment was boosted by positive developments on trade and tariffs. Strong corporate earnings also helped to support the market, with technology stocks among the biggest gainers.

The fund's performance was broadly in line with the benchmark during May. Stock selection contributed to performance, but asset allocation was negative due to the overweight position in the healthcare sector. The holding in KB Financial was positive, but UnitedHealth Group was a major detractor.

While there are still significant geopolitical and macroeconomic risks, we remain focused on using our established investment process to generate returns through bottom-up stock picking. During May we initiated a new position in Axa, which was funded through reducing some European holdings, including Hera, Nemetschek and Safran.

Equity

Royal London UK Dividend Growth Fund

Equity markets bounced back in May as better economic data, coupled with a dialling down of President Trump's tariff rhetoric, resulted in a decline in fears of an economic slowdown. The FTSE All-Share rose, with industrial and materials sectors strong.

The fund outperformed the benchmark during the month. The key contributor was Johnson Matthey, who sold one of its divisions for a price that far outstripped market expectations. Chemring was also strong on positive sentiment to defence related companies and Genus performed well after receiving approval for a new product.

The global economy remains turbulent, and how the tariff uncertainties finally land is hard to second guess. However, we believe that economies will work through these issues and find a new norm, even if that transpires to be different to what we have become accustomed to in recent years. Indeed an end to the trend of "the only way is USA" could prove positive for the UK and European markets. We continue to feel that our approach of investing in a broad range of companies from different sectors and stages of their lifecycle is very appropriate and will allow performance to continue to be driven by the success of our hunting for undervalued long term cashflows.

Royal London UK Equity Fund

Equity markets bounced back in May as better economic data, coupled with a dialling down of President Trump's tariff rhetoric, resulted in a decline in fears of an economic slowdown. The FTSE All-Share rose, with industrial and materials sectors strong.

The fund underperformed the index during the month and was positioned in the third quartile. The positives included the performance of Diploma, who announced a very strong trading update, whilst the major negative was the fall in Imperial Brands after its well-respected CEO announced he was retiring. Overall trades were limited with the largest being adding to the Prudential which adds to the Asia exposure.

Overall, the fund remains well balanced and has performed positively year to date. The outlook remains uncertain as always with tariffs continue to make the headlines, however we continue to focus on corporates and their ability to grow profits.

Royal London UK Equity Income Fund

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The global economy remains turbulent, and how the tariff uncertainties finally land is hard to second guess. However, we believe that economies will work through these issues and find a new norm, even if that transpires to be different to what we have become accustomed to in recent years. Indeed an end to the trend of "the only way is USA" could prove positive for the UK and European markets. We continue to feel that our approach of investing in a broad range of companies from different sectors and stages of their lifecycle is very appropriate and will allow performance to continue to be driven by the success of our hunting for undervalued long term cashflows.

Equity

Royal London UK Growth Trust

Equity markets bounced back in May as better economic data, coupled with a dialling down of President Trump's tariff rhetoric, resulted in a decline in fears of an economic slowdown. The FTSE All-Share rose, with industrial and materials sectors strong.

The Trust underperformed the index during the month and was positioned in the 3rd quartile. The positives included the performance of Diploma, who announced a very strong trading update, whilst the major negative was the fall in Imperial Brands after its well-respected CEO announced he was retiring. Overall trades were limited with the largest being closing part of the underweight in BP after a large fall so far in 2025.

Overall, we believe that the fund remains well balanced and has performed positively year to date. The outlook remains uncertain as always with tariffs continue to make the headlines, however we continue to focus on corporates and their ability to grow profits.

Royal London UK Income With Growth Trust

"Equity markets bounced back in May as better economic data, coupled with a dialling down of President Trump's tariff rhetoric, resulted in a decline in fears of an economic slowdown. The FTSE All-Share rose, with industrial and materials sectors strong.

The fund underperformed the benchmark in the month, with asset allocation the key factor, as bonds underperformed equities.

The global economic picture remains turbulent, and how the tariff uncertainties finally land is hard to second guess. However, we believe that economies will work through these issues and find a new norm, even if that transpires to be different to what we have become accustomed to recently. Indeed an end to the trend of "the only way is USA" could prove positive for the UK and European markets. The primary aim of the fund remains to deliver a yield for investors higher than that of the equity market. In order to achieve this we seek to invest in a portfolio of shares which offer an attractive dividend yield plus some capital growth, alongside a fixed interest portfolio which can generate steady income.

Royal London UK Mid Cap Growth Fund

Following a volatile prior month, equities performed strongly in May as robust economic data coupled with easing tariff tensions alleviated concerns about a near term economic slowdown.

The fund outperformed the IA All companies peer group but underperformed the FTSE 250 ex IT benchmark. Small and mid cap stocks outperformed large caps. Chemring was a significant contributor to performance, following recent contract awards and in anticipation of a positive outcome to the UK Strategic Defence Review. Diploma was another contributor as its consensus-beating first half results led to upgrades to its full-year guidance.

Despite releasing a robust set of interim results. Auction Technology Group was a detractor as the auction software company tempered revenue growth expectations in view of macroeconomic uncertainty. Gamma Communications was a detractor as a trading update flagged challenging trading conditions in the UK. However, trading in continental Europe has been very encouraging.

Equity

Royal London UK Smaller Companies Fund

"Following a volatile prior month, equities performed strongly in May as robust economic data coupled with easing tariff tensions alleviated concerns about a near term economic slowdown. The fund performed strongly in absolute terms during a month when small and mid cap stocks outperformed large caps.

Chemring was a significant contributor to performance, following recent contract awards and in anticipation of a positive outcome to the UK Strategic Defence Review. Gooch & Housego's shares also performed positively given its Defence exposure. Additionally, the company announced an earnings accretive acquisition of Global Photonics, a US-based optical systems manufacturer.

Despite releasing a robust set of interim results, Auction Technology Group was a detractor as the auction software company tempered revenue growth expectations in view of macroeconomic uncertainty. Hollywood Bowl also detracted as the hot weather conditions meant it delivered lower than expected like-for-like growth in the UK during the first half of its financial year. Trading in Canada, a key growth region for the company, has remained strong however. The fund disposed of its positions in Churchill China and One Savings Bank (FTSE 250 company).

Disclaimers

Important information

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RL Global Equity Diversified, RL Global Equity Income Fund, RL Global Equity Select, RL UK Dividend Growth, RL UK Equity, RL UK Equity Income, RL UK Mid-Cap Growth and RL UK Smaller Companies:

The Funds are sub-funds 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.

RL Global Equity Diversified (IRL), RL Global Equity Select Fund (IRL), RL Global Equity Enhanced Fund, RL Global Equity Transitions Fund:

Notice for UK Investors
The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

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RL UK Growth Trust and RL UK Income With Growth Trust:

The Trusts are authorised unit trust schemes. 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.

For more information on the funds 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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Risk 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.

Charges from capital risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

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 stock market and therefore more volatile.

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.

Efficient portfolio management (EPM) techniques

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.

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.

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.

Smaller companies risk

The Fund invests in smaller companies, the prices for which can be less liquid and be more volatile than those of larger companies and therefore may have a greater impact on the value of the Fund.