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Royal London UK Smaller Companies Fund

Quarterly Investment Report

30 September 2025

Quarterly Report

The fund as at 30 September 2025

The purpose of this report is to provide an update on the Royal London UK Smaller Companies 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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ASSET MANAGEMENT

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 in the shares of UK smaller companies listed on the London Stock Exchange. The Fund's performance target is to outperform. after the deduction of charges, the FTSE Small Cap ex-IT (investment trusts) Total Return GBP Index over rolling 5-year periods. For further information on the Fund's index, please refer to the Prospectus. The Fund is actively managed. In addition to the benchmark for the Fund's performance as noted above, the IA UK Smaller Companies sector is considered an appropriate benchmark for performance comparison.

Fund analytics

	Fund
Fund launch date	20 July 2007
Fund base currency	GBP
Benchmark	FTSE SmallCap ex Inv Co Index (Total Return, GBP)
Number of holdings	70

Fund value

	Total £m
30 September 2025	322.53

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(4.36)	(0.12)	(4.24)
YTD	(0.48)	7.42	(7.90)
1 Year	(1.29)	6.36	(7.65)
3 Years (p.a.)	4.72	13.62	(8.89)
5 Years (p.a.)	2.23	13.85	(11.62)
10 Years (p.a.)	4.39	7.26	(2.88)
Since inception (p.a.)	7.60	9.91	(2.31)

Past performance is not a guarantee or reliable indicator of future returns. 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 underperformed the benchmark index. Inflation and interest rate sensitive sectors such as commodities, financials and energy outperformed.

Significant positive contributors included Alpha Group, which agreed an all-cash takeover by US peer Corpay at over a 55% premium to the undisturbed share price. Other positive contributors included animal genetics group Genus, and Keystone Law. Genus' full year results triggered earnings upgrades thanks to strong profits growth from its Porcine division, and management then announced an acceleration in the formation of their Chinese joint venture. This will trigger a $160m cash payment to Genus in the coming year. Keystone Law delivered better-than-expected results and growth in revenue per principle is an encouraging sign of the increasing quality of business.

Detractors to relative performance included a number of companies which the fund did not own but which contributed to the benchmark index. Many of these did not fit the investment process as they fail the “balance of power” test. Specifically loss-making businesses (Oxford Biomedica, Ceres Power) and those with excessive regulatory or ESG risks (unsecured lender IPF and palm oil producer Anglo-Eastern).

Of the stocks held in the fund, Kitwave and Marshalls both underperformed after disappointing trading updates. While they operate in very different markets, both are exposed to UK consumer spending and have large UK workforces. The combination of rising costs (national living wage, national insurance contributions) and weaker consumer confidence led both to reduce near term earnings expectations.

Performance and activity

Top 10 holdings

	Weighting (%)
BOKU INC. INC	2.90
PORVAIR PLC	2.76
ALFA FINANCIAL SOFTWARE HOLDINGS P	2.56
CRANEWARE PLC	2.45
KEYSTONE LAW GROUP PLC	2.42
COHORT PLC	2.33
ADVANCED MEDICAL SOLUTIONS GROUP P	2.32
MOONPIG GROUP PLC	2.32
XPS PENSIONS GROUP PLC	2.30
AJ BELL PLC	2.26
Total	**24.61**

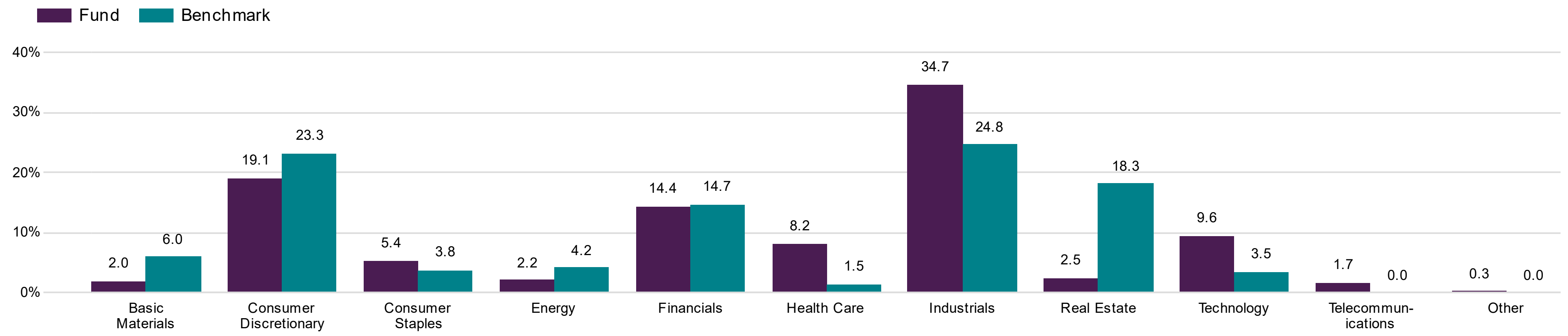
Fund activity

Holdings in Alpha Group and in Treatt were both sold after recommended cash takeover offers. AOTI, the topical oxygen woundcare business, was also sold following a disappointing update. While still posting double digit profits growth, the results suggested the business could need substantially more working capital to support growth. The fund took profits on a few FTSE250 holdings following strong performance, including Genus, Chemring and Cranswick.

New positions were started in Chesnara, FRP Advisory, and Forterra. Chesnara is a consolidator of Life and Pension schemes, and management have a track record of value creation through acquiring books of business at attractive prices and driving capital and operating cost synergies. The fund initiated a position following their announcement of the HSBC Life deal. FRP Advisory is a founder-led restructuring advisory and corporate services group. The business operates in an uncorrelated sector with accelerating demand that FRP is well placed to serve having built scale through consistent organic and inorganic growth. A net cash balance sheet provides capacity for further acquisitions. Forterra is a brick maker which has been through a significant investment program over the last three years and now faces an inflection in margins and surplus cash generation. End markets remain challenging but the share price reflects this, trading on a depressed valuation at a low point in the cycle.

Fund breakdown

Sector weights



Fund Engagement

Engagement definition

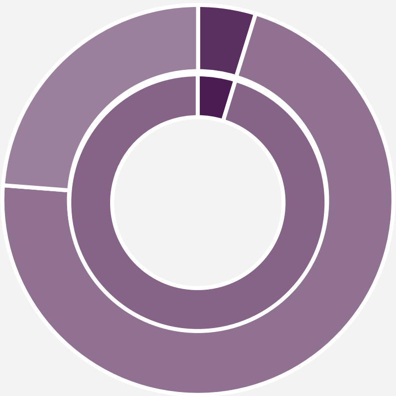
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	16	49
Number of engagements	17	72

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



Biodiversity	**1**
Governance	**20**
Corporate Governance	**15**
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.

Market commentary

Market review

The quarter saw global equity markets make gains amid US interest rate cuts and various trade deals reducing the potential impact of US tariffs. US dollar weakness and Gold pushing record highs sent a somewhat mixed message about risk appetite, but enthusiasm for AI and defence stocks drove large cap markets higher. However UK small and mid cap markets struggled to keep pace. Sticky UK inflation data lowered the likelihood of interest rate cuts, and gilt yields rose as political instability reared its head, adding to pressure on the government to reduce spending or raise taxes at their next budget.

One overhang on performance was the ongoing impact of UK smaller companies shifting their listing from the Alternative Investment Market (AIM) to the premium listing of the LSE. As previously described, this results in significant selling pressure on share prices as AIM Inheritance Tax investors are forced sellers. In the period GB Group, GlobalData, Gamma Communications, Ashtead Tech and Johnson Service Group all went through the transition or announced their intention to move from AIM.

Merger and acquisition activity continued even through the traditionally quieter summer months. Treatt, a portfolio holding, was the target of a takeover approach by private peer Natara (who subsequently increased their offer early in October). Other notable deals included Just Group, International Personal Finance, JTC and Epwin.

Outlook

Data showed that the UK economy grew +1.4% through the second quarter, after +1.7% in the first. This prompted the OECD to increase its forecast for UK real GDP growth for 2025, which flies in the face of the prevailing gloomy narrative. The UK is now expected to grow faster than all G7 economies other than the US in 2025, demonstrating its resilience to external shocks.

However, it is clear that UK consumers remain pessimistic and lack the confidence to go out and spend. This is despite data showing that household balance sheets remain under-levered. Consumer exposed companies in the wider UK market issued a series of profit warnings including the likes of Greggs, Pets at Home, Domino's, Asos, Easyjet and B&M (in early October). Surveys show that corporate confidence is also low. Reasons why include the fallout from last year's tax rises on employers, the rebellion over the Welfare Reform bill, and the expectation of more tax rises in the upcoming budget. Corporates have the capacity to invest and households have the capacity to spend, should the government provide the conditions to do so. In the meantime, low but stable real GDP growth is set to continue.

UK small and mid cap companies remain well capitalised and attractively valued compared to other listed equity markets and private assets. There has been no let-up in takeover activity, demonstrating that much of our investment universe is undervalued. We're confident that our portfolio companies have the balance sheets and management capabilities to navigate short term uncertainty and emerge stronger than their competitors. As such we believe that the UK small and mid cap universe remains an attractive market for investors.

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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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.

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.

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.

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.

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.

Performance to 30 September 2025

Cumulative (%) / Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	(4.18)	7.20	(0.53)	17.54	16.01	5.53	3.01
Fund (net)	(4.36)	6.79	(1.29)	14.86	11.65	4.72	2.23

Year on year performance (%)

	30/09/2024 - 30/09/2025	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021
Fund (gross)	(0.53)	16.12	1.77	(35.30)	52.56
Fund (net)	(1.29)	15.23	0.99	(35.80)	51.40

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 30 September 2025. All figures are mid-price to mid-price for the Royal London UK Smaller Companies Fund M Acc GBP share class.

Glossary

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Performance

The Fund price is taken at mid-day using swing prices where applicable, while the index performance is priced at close of business. Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

Pricing

The Fund's price may swing to bid or offer to protect existing investors from the costs associated with buying or selling the fund's underlying assets when other investors are entering or leaving the fund. Performance is based on this pricing.

Rolling 5-Year Period

A rolling 5-year period is any period of five years, no matter which day you start on.

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.