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Royal London UK Equity Income Fund

Quarterly Investment Report

31 March 2026



Quarterly Report

The fund as at 31 March 2026

The purpose of this report is to provide an update on the Royal London UK Equity Income 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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The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the FTSE® All-Share Total Return GBP Index (the "Index") over rolling 3-year periods, through a combination of capital growth and income, after the deduction of charges. In addition, the Fund also aims to produce an income greater than the Index's income over rolling 3-year periods. The Index has been selected as a target benchmark because it is representative of the type of companies in which the Fund invests, and it is therefore an appropriate measure for the Fund's performance. The performance comparator for the Fund is the IA UK Equity Income sector (the "IA Sector").

Fund value

	Total £m
31 March 2026	1,114.21

Fund analytics

	Fund
Fund launch date	11 April 1984
Fund base currency	GBP
Benchmark	FTSE All-Share Index (Total Return, GBP)
Number of holdings	51

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.43	2.41	(1.98)
1 Year	19.99	21.54	(1.55)
3 Years (p.a.)	12.97	13.32	(0.35)
5 Years (p.a.)	11.63	11.10	0.53
10 Years (p.a.)	8.83	8.67	0.16
Since inception (p.a.)	10.05	7.62	2.42

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. The impact of fees reduces your investment. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on M Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 5 November 2010.

Performance commentary

The fund underperformed the benchmark during the quarter, but outperformed the peer group, placing in the second quartile.

Noteworthy detractors from relative performance were ICG, Dunelm and Informa, as well as not holding BAE Systems. The holding that was most beneficial was Clarkson. ICG reported a solid trading update, but its shares have been weak on general negative sentiment towards the private equity and private debt markets. Dunelm shares reacted poorly to a quarterly trading statement in January, with the perception being that the company would need a strong second half of the year to achieve its profit forecasts. Interim results announced in February gave considerable reassurance, but consumer facing sectors remain under pressure as the rising cost of energy raises the spectre of a cost-of-living squeeze. Events in the Middle East impacted Informa, BAE Systems and Clarkson. Informa organises a number of significant trade shows in the Gulf area, particularly in Dubai, and the violence in the area has necessitated that these events be postponed. BAE is a perceived beneficiary of heightened military action and Clarkson, the world's largest shipping brokerage, benefits from short term disruptions to shipping patterns, which drive up the price of ship chartering rates.

Performance and activity

Top 10 holdings

	Weighting (%)
SHELL PLC	7.57
HSBC HOLDINGS PLC	5.22
ASTRAZENECA PLC	4.62
BRITISH AMERICAN TOBACCO	3.93
BP PLC	3.54
RELX PLC	3.34
UNILEVER PLC	3.02
GLAXOSMITHKLINE	3.02
AVIVA PLC	2.97
RIO TINTO PLC	2.81
Total	40.04

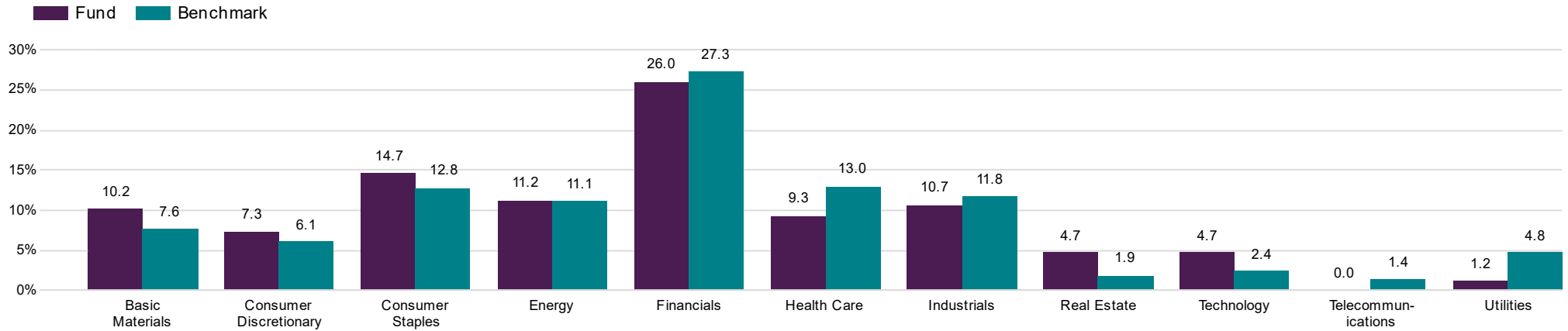
Fund activity

The most significant trades in the quarter were to reduce the position in Clarkson after the strong run in the share price and to start a new holding in the engineering company Rotork. Rotork is an engineering business that manufactures actuators – devices which open and close valves in critical applications such as power generation, chemical plants and oil and gas installations. The market reacted negatively to the results which the company announced – far too negatively in our opinion – and the fund took advantage of the weakness to start a new holding.

The fund also bought a number of stocks that were seen as being disrupted by AI, adding to existing holdings in RELX and Sage and establishing a new holding in Experian, as well as adding to the Dunelm holding on share price weakness. These additions were funded by reducing holdings in BAT and Rio Tinto.

Fund breakdown

Sector weights



Fund Engagement

Engagement definition

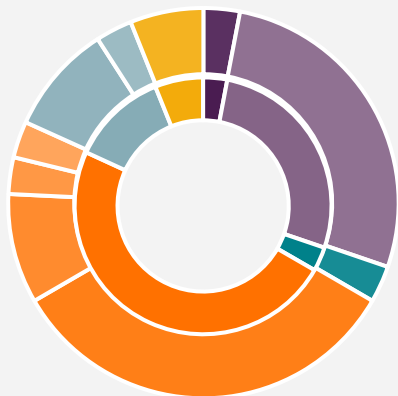
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	16	42
Number of engagements	24	127

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	Technology, Innovation & Society	2
Climate	9	Technology & Society	2
Climate - Transition Risk	9		
Environment	1		
Governance	16		
Corporate Governance	11		
Remuneration	3		
Board	1		
Strategy	1		
Social & Financial Inclusion	4		
Just transition	3		
Labour & Human Rights	1		

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.

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

Fund Engagement

Engagement outcomes

HSBC Holdings PLC – Just Transition

Purpose:

We engaged HSBC Holdings PLC, a UK-listed bank, to understand how it integrates social considerations into its climate transition strategy, including impacts on workers, communities, and regional economies.

Outcome:

HSBC now formally acknowledges the importance of a just transition and has taken initial steps to embed it into its strategy, such as updating internal governance and including social factors in its sector and regional engagement frameworks. While no single 'best-in-class' mechanism has emerged, the bank's development of inclusive product design and regional support for small and medium sized businesses demonstrates clear progress. Further work is needed to ensure these commitments are consistently applied across its financing activities.

NatWest Group PLC – Just Transition

Purpose:

NatWest Group PLC, a UK-listed bank, was engaged to explore how it considers the broader social impact, on workers and regions, when providing finance to clients through its transition strategy.

Outcome:

NatWest formally recognises the need for a just transition approach in its climate planning and has taken initial steps to reflect social aspects in lending and client engagement strategies. In particular, its Human Rights Report, an early version of which RLAM provided feedback on, demonstrates how financial institutions can align climate strategy with human rights principles. The bank illustrated improvements such as regional analysis and product design aligned with just transition goals. We will monitor how these considerations are scaled.

RELX PLC – Sustainable and Ethical AI

Purpose:

RELX PLC, an information and analytics company, was engaged to discuss its approach to ethical and sustainable AI, with a particular focus on governance, customer due diligence for sensitive use cases (including government contracts), safeguards against misuse, and emerging environmental impacts of AI. The engagement sought to understand how responsible AI principles are operationalised across the business, how human rights risks are assessed, and how oversight is exercised at senior and board level, in line with our expectations on responsible and ethical AI.

Outcome:

The engagement provided greater insight into RELX's responsible AI governance, including a combination of senior-level oversight and distributed operational responsibility across teams, as well as ongoing updates to its responsible AI principles. The company described training, due diligence processes, and technical safeguards, and outlined emerging work on human rights impact assessments and AI-related emissions accounting. However, concerns remain around customer due diligence outcomes, measures to ensure products are not misused, and public disclosure of how AI-related risks are managed in practice. We will continue engagement to seek clearer evidence of how these risks are identified, mitigated and overseen, and to encourage alignment with evolving best practice on responsible AI governance, human rights due diligence, and sustainable AI.

Fund Engagement

Engagement outcomes

Shell PLC – Net Zero

Purpose:

We engaged Shell PLC, an energy company, as part of RLAM's Net Zero Stewardship Programme to gain clarity on its climate strategy and key priorities ahead of the company's 2026 Annual General Meeting.

Outcome:

Shell provided clear responses to questions on our engagement priorities and appeared receptive to suggestions made. We welcomed the additional disclosures the company had published on liquefied natural gas (LNG) following investor requests and discussed its upcoming AGM and a shareholder resolution filed by 'Follow This'. Shell expressed confidence in meeting its 2030 climate targets while continuing a modest growth in LNG and oil production and outlined its approach to new exploration and low-carbon investment. We communicated our desire for the reintroduction of a mid-term Scope 3 emissions target in its 2027 energy transition strategy, noting that the company expressed reluctance to 'take ownership' of Scope 3 emissions. We encouraged the company to provide greater clarity on its approach to emissions offsets, including timing, scale and quality. Shell agreed to follow up on the calculations behind recent asset divestments and to continue dialogue as its strategy evolves.

Unilever – Nature

Purpose:

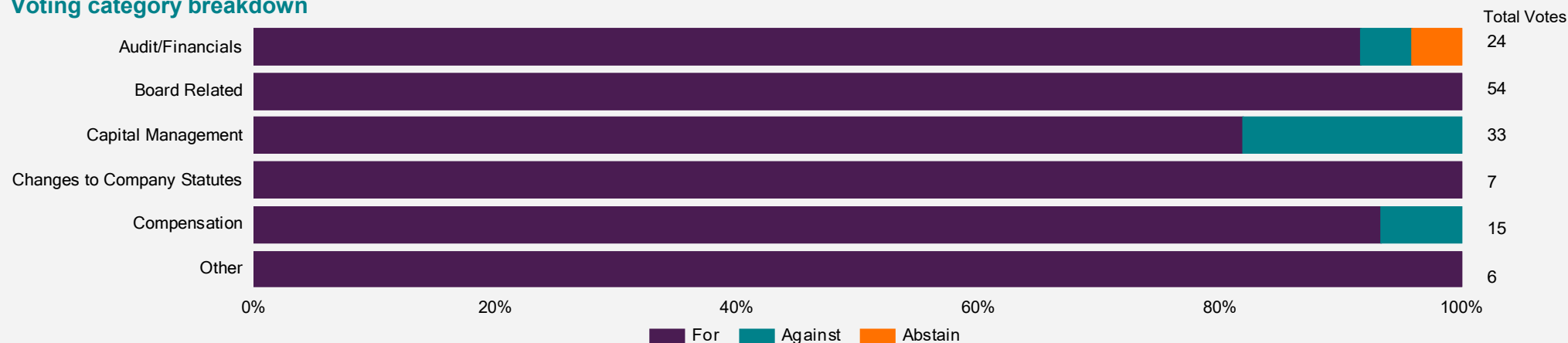
Unilever PLC, a consumer goods company, shared information on how it identifies and manages nature- and climate-related risks across its operations and supply chains. The information focused on areas where nature impacts are most material, including regenerative agriculture, deforestation-free sourcing and water stewardship.

Outcome:

Unilever outlined how its sustainability commitments are being translated into action through programmes focused on landscape protection, regenerative agriculture and water stewardship. The company described progress in scaling regenerative farming practices and using basin-level water risk assessments to inform sourcing and product innovation, including the development of water-efficient products. It also acknowledged that measuring and reporting outcomes remains an evolving area, with more robust data expected over the coming years. We will endeavour to continue engagement to monitor progress, encourage clearer disclosure on outcomes and methodologies, and assess how nature-related risks are reflected in longer-term planning.

Fund Voting

Voting category breakdown



Notable votes

Chemring Group Plc

Remuneration Report - against:

We voted against as, despite engagement and context provided, we would prefer greater stretch in LTIP targets-particularly threshold set above external forecasts and maximum outcomes more stretching than brokers' expectations.

Authority to Issue Shares w/o Preemptive Rights - against:

We voted against due to concerns regarding potential dilution, particularly when considering the combined non-pre-emptive issuance authorities.

Authority to Issue Shares w/o Preemptive Rights (Specified Capital Investment) - against:

We voted against for the same reason, given dilution risk from the combined authorities.

WH Smith Plc

Accounts and Reports - abstain:

We abstained due to concerns arising from accounting failures, ongoing regulatory scrutiny and uncertainty pending the FCA review, and continuing governance and leadership changes. We withheld support until the board can demonstrate that the control environment has been fully restored and remediation is clear.

Appointment of Auditor - against:

We voted against the auditor appointment as the auditor served during the restatement period and, in light of material findings identified in subsequent work, we have serious concerns regarding the auditor's suitability to continue.

Fund Voting

Notable votes

WH Smith Plc

Authority to Issue Shares w/o Preemptive Rights - against:

We voted against due to concerns regarding potential dilution, particularly when considering the combined non-pre-emptive issuance authorities.

Authority to Issue Shares w/o Preemptive Rights (Specified Capital Investment) - against:

We voted against for the same reason, reflecting cumulative dilution risk.

Market commentary

Market review

Investors have had to contend with significant bouts of volatility in the first quarter of 2026 ranging from US policy risks, the flare up of geopolitical events, and growing fears around AI adoption as a force for disruption. Policy shocks from the US administration – specifically trade tariffs, questions around fiscal sustainability and interventions in Federal Reserve independence – prompted a rotation away from US dollar assets at the start of the year. Commodity prices, most notably precious metals, rallied strongly as a hedge against a weaker dollar and geopolitical tensions, providing a boon to the mining sector.

Having started the year strongly against this backdrop, UK equities came under pressure later in the quarter following the outbreak of war in the Middle East, with direct US intervention being met with escalation from Iran. Oil and gas prices surged following attacks on key infrastructure assets, in addition to the effective closure of the Strait of Hormuz that will further restrict the flow of supply from the region. This raised market concerns about renewed inflationary pressures, scuppering previous expectations of interest rate cuts and driving bond yields higher.

Alongside these macro currents, investors have become increasingly concerned with AI disruption risks for a wide range of sectors, prompting share price weakness among technology companies in the UK. While developments are fast-evolving, investor fears broadly amount to the extent to which future value will accrue to owners of data or whether they will lose out to competing AI platforms. High profile product launches, most notably from Anthropic, triggered declines across software, data and information services, and even extended in professional services such as insurance and wealth management.

Against the backdrop of war, energy stocks dominated market returns over the quarter while consumer facing sectors came under pressure as households face yet another inflationary shock in 2026. In a market also seeking refuge from AI disruption risk, market rotation towards capital-intensive industries with tangible asset backing was evident, with sectors such as energy, materials, utilities and telecoms outperforming.

Outlook

Looking forward, there is a high degree of uncertainty around the conflict in the Middle East with a wide range of potential outcomes. While markets have gone some way to pricing in the risks to global growth and inflation, it is still the expectation that there will be some form of de-escalation and resolution in the coming weeks as opposed to a long, protracted conflict in the region, which is not in the interests of the key actors. The challenge for investors is that the market implications from either scenario are likely to vary significantly and with the outlook uncertain, broad diversification against inflation and growth risks need to be considered. That said, even if there was a resolution tomorrow there is a new reality that investors and companies will have to adapt to. It arguably further reinforces the market environment we have experienced following the pandemic and the war in Ukraine – one that reflects a more inflationary world and with the benefits of a 'peace dividend' and globalisation firmly behind us.

In the UK the domestic outlook is increasingly gloomy with households and businesses facing renewed inflationary pressures and interest rate cuts from the Bank of England. In fact, market expectations point to two interest rate hikes this year. This could well be an overly cautious view exhibited by the bond market, as interest rate rises will do little to ease pressures from what is an external supply shock. Demand conditions are also generally more subdued and labour markets less tight than in the period following the pandemic. However, market expectations themselves will likely act as a brake on growth as credit costs work their way through the economy.

As we often highlight, it is worth noting that the fortunes of the UK equity market are not closely tied to the economy, such is its international make up. That said, significant share price underperformance from domestically sensitive parts of the market suggests, in our view, that recessionary risks are somewhat priced in. While the timing of recovery is not possible to predict, any ceasefire of the conflict in Iran could see a very strong rebound in a number of sectors and companies that have been punished over the last quarter. Offsetting some of these headwinds are the factors that buoyed the UK in 2025 – high levels of mergers and acquisitions amid a market with a well-diversified sector mix and attractive valuations.

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 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.

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.

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.

Performance to 31 March 2026

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	0.43	5.92	19.99	44.23	73.42	12.97	11.63
Fund (net)	0.25	5.54	19.13	41.16	67.31	12.16	10.84

Year on year performance (%)

	31/03/2025 - 31/03/2026	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022
Fund (gross)	19.99	7.23	12.09	2.99	16.74
Fund (net)	19.13	6.47	11.29	2.26	15.91

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. The impact of fees reduces your investment.

Source: RLAM as at 31 March 2026. All figures are mid-price to mid-price for the Royal London UK Equity Income Fund M Inc 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 3-year period

A rolling 3-year period is any period of three 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.

Total return

A total return is a combination of capital growth and income. Capital growth is defined as the rise in an investment's value over time and income as the payment an investment generates, such as dividends or bond coupons.