For professional clients only, not suitable for retail clients.

Royal London Global Equity Diversified Fund (IRL)

Quarterly Investment Report

31 December 2023

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 December 2023

The purpose of this report is to provide an update on the Royal London Global Equity Diversified Fund (IRL). 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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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The fund's investment objective is to achieve capital growth over the long term, which should be considered as a period of 7-plus years. The fund's performance target is to outperform, after the deduction of charges, the MSCI All-Countries World Net Total Return Index USD (the "Benchmark") by 0.4 - 0.8% per annum over rolling three year periods.

Benchmark: MSCI All-Countries World Net Total Return Index USD

Fund value

	Total $m
31 December 2023	251.05

Fund analytics

	Fund
Fund launch date	20 July 2021
Base currency	USD
Number of holdings	221
Active share (%)	68.9
Tracking error (%)	1.8

Ex-post tracking error calculated since inception to 31 December 2023. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	10.13	11.03	(0.90)
1 Year	23.78	22.20	1.58
3 Years (p.a.)	-	-	-
5 Years (p.a.)	-	-	-
10 Years (p.a.)	-	-	-
Since inception (p.a.)	4.72	2.49	2.23

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 Royal London Global Equity Diversified Fund (IRL) (Z Acc) (USD). Source: Royal London Asset Management; Net performance; Since inception date of the shareclass is 20 July 2021.

Performance commentary

The fund underperformed the index during the quarter. The three largest contributors to performance this past quarter were stocks we did not own; Exxon Mobil, Tesla, and Chevron. An expected outcome of running a diversified portfolio with a high allocation to stock specific risk is that performance will come from an array of idiosyncratic stock picks as opposed to one or two names. This means that when assessing the performance of the portfolio over short time horizons we are not surprised to see stocks we don't own at the top of our attribution report. We continue to see more attractive risk reward opportunities in the names within the portfolio. The top contributing name we did own was Microsoft, in the Compounding segment of the Life Cycle, which again outperformed the market in Q4. Strong quarterly results in October were the driving force over this period as Microsoft continued to demonstrate their ability to compound. The CEO attributed the results to demand for their AI tools offered through Azure cloud services. Artificial Intelligence services and products are evolving rapidly with markets reacting strongly at the slightest hint of AI news. High expectations could potentially lead to a bumpy ride, but we remain focused on Microsoft's ability to compound over the long term.

Detractors from performance included Shell, arGEN-X and Kinsale Capital. Shell (Turnaround) detracted from performance in Q4 as the shares fell versus a strong market. Shell announced a benign set of results during the period, but the shares were dragged down in a broad sell off in the O&G sector as global oil prices fell as much as 20% (WTI Crude Oil USD). Our assessment of Shell's Wealth Creation characteristics remains intact.

arGEN-X is an accelerating Belgian biotech company, primarily focused on developing treatments for patients suffering from severe autoimmune diseases and cancer. The company's shares fell in the quarter following the results of phase 3 clinical trials for an anticipated drug in their pipeline. arGEN-X also announced its latest financial results which were positive on the whole, sales of their flagship drug Vyvgart beat expectations and there are now hopes that the business will turn cashflow positive in the coming quarters. We remain positive on this company's Wealth Creation characteristics and the valuation pay-off is increasingly attractive.

Kinsale Capital (KNSL) is an Accelerating US insurance business, focused on property & casualty (P&C) “Excess & Surplus” lines (E&S), also known as “non-admitted” insurance. Kinsale announced Q3 results in October which the market took dim view on, the shares were down 19.6% on the day. While the short-term reaction to the results is disappointing, against our thesis milestones which focus on Kinsale's long-term opportunity and its strong position in a niche insurance market, the results were positive. In addition, it is important to contextualise the share price performance of Q4 against the entire year which was positive relative to the MSCI World. As ever, we remain focused on the long-term fundamentals of this business which remain intact.

Performance and activity

Top 10 holdings

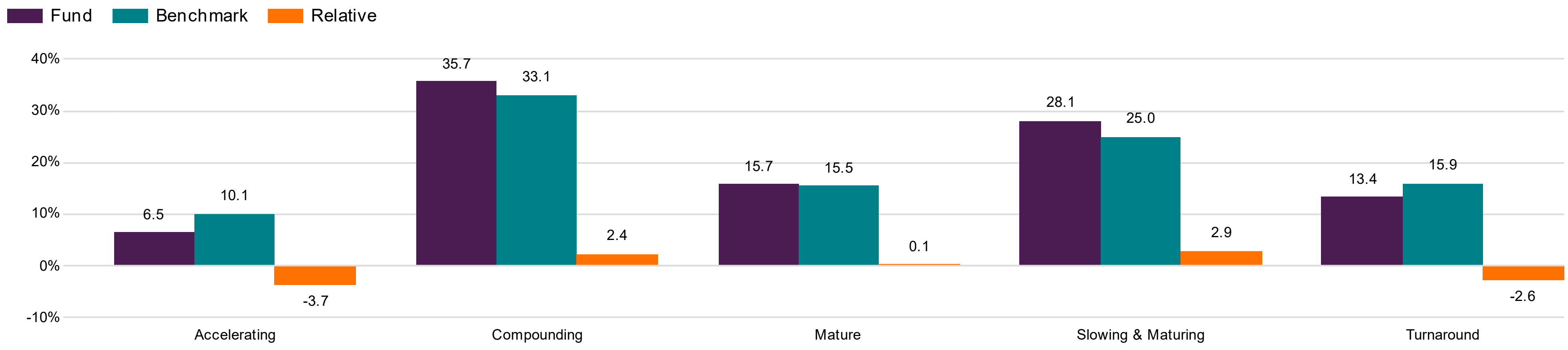
	Weighting (%)
Microsoft Corporation	4.99
Apple Inc.	4.90
Alphabet Inc. Class A	3.22
Amazon.com, Inc.	2.67
NVIDIA Corporation	2.50
Shell Plc	2.18
UnitedHealth Group Incorporated	1.84
JPMorgan Chase & Co.	1.70
Visa Inc. Class A	1.37
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	1.34
Total	**26.71**

Fund activity

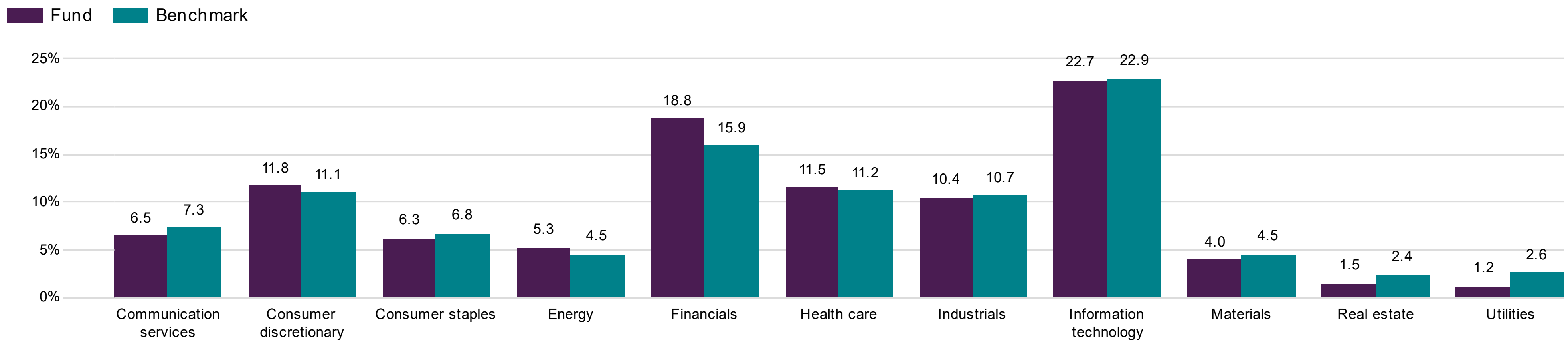
We believe that business fundamentals are the long-term drivers of stock prices. However, we recognise that different fundamentals matter at different points of a company's life, and that these are often unappreciated or misunderstood by the market. Our approach therefore aims to identify and exploit these inefficiencies, identifying stocks that we believe have superior shareholder wealth creation potential, at attractive prices.

Fund breakdown

Holdings and weights

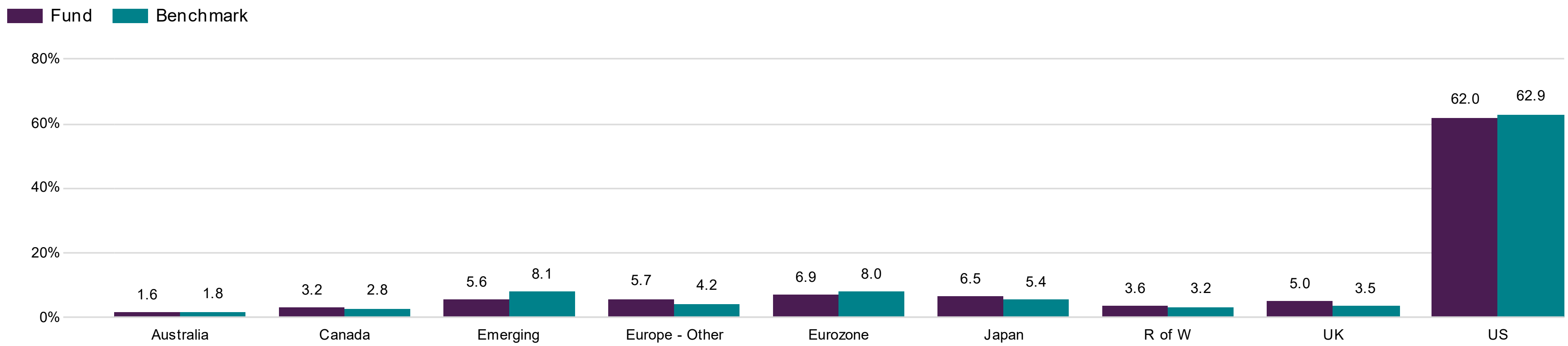


Sector weights



Fund breakdown

Regional weights



Characteristics and climate

ESG characteristics rationale

The Fund promotes environmental characteristics relating to climate change mitigation. For each portfolio holding, a principles-based approach is taken to assessing climate risk and to evaluate a company's willingness and ability to either transition themselves, enable someone else's transition, or both, emphasising qualitative forward-looking analysis supported by rigorous quantitative datasets.

ESG characteristics

	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.

Controversial weapons	✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	8,004	n/a	n/a
Financed emissions coverage	98.85%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	32.10	49.92	(35.69)
Carbon footprint coverage	98.85%	98.11%	0.76
Weighted average carbon intensity (tCO2e/$M sales)	62.77	112.60	(44.25)
Weighted average carbon intensity coverage	99.01%	98.16%	0.86

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

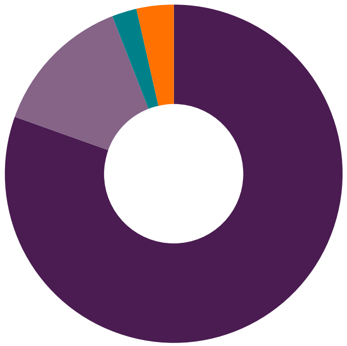
	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	97.20	96.41	0.82
% of portfolio below 2°C ITR	67.95	66.72	1.84
% of portfolio below 1.5°C ITR	42.16	42.02	0.32

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	26.95	26.53	1.59
SBTi Near-Term committed	12.48	13.78	(9.44)
SBTi Near-Term targets set	34.17	38.61	(11.50)

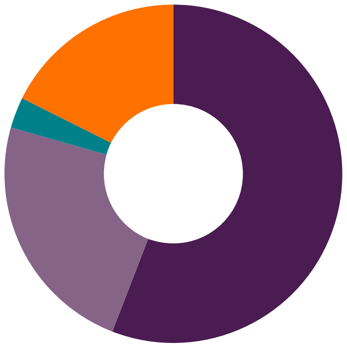
Fund Voting

Total proxy voting activity



For	80.47%
Against	13.61%
Abstain	2.37%
1 Year	3.55%

Executive remuneration voting activity



For	55.88%
Against	23.53%
Abstain	2.94%
1 Year	17.65%

Notable votes

Microsoft Corporation

Elect Satya Nadella - against: Combined roles of chair and CEO.

Advisory vote on executive compensation - against: We noted some improvement in disclosures of certain performance targets; however, concerns remained over the short performance period of long-term incentive awards.

Report on median compensation and benefits related to reproductive and gender dysphoria care (Shareholder Proposal - SHP) - against: Given the company's existing disclosures and due to some concerns over the ultimate aims of the proponent, we were not minded to support the proposal. Further, we acknowledged the company's broad-based policy approach in supporting new parents and women across their workforce and supply chains.

Risks of developing military weapons (SHP) - For: Given the substantial reputational and human-capital-related risks that come from operating in this area, we felt that further disclosure and consideration was warranted.

Report on AI misinformation and disinformation (SHP) - abstain: We noted the company's existing disclosures and Microsoft's commitment to publish an annual transparency repot on its AI governance practices by next year.

Fund Voting

Notable votes

Westpac Banking Corp

Climate change position and action plan - against: While we are supportive of Westpac's sector specific decarbonisation targets, we note that sector specific targets only cover 45% of the company's financed emissions. There is also scope for increased disclosure of how just transition is integrated, and a statement confirming that offsetting is not encouraged for corporate clients unless for residual emissions.

Transition plan assessments (Shareholder Proposal - SHP) - against: We noted some improvement in disclosures of certain performance targets; however, concerns remained over the short performance period of long-term incentive awards.

Market commentary

Market overview

Economic attention over the quarter has been on inflation. At the start of the quarter investors focussed on the persistence of large price increases and central bank messaging on rates being held higher for longer. Yet, as headline inflation fell, sentiment swung dramatically towards the end of the quarter, pushing markets to price in interest rate cuts in 2024. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all left rates unchanged over the quarter, maintaining official rates at multi-year highs. The Fed has now held rates unchanged at its last three meetings. There has however been a significant shift in messaging, with the US central bank now indicating that it expects to cut rates by 0.75% in 2024. The ECB has similarly kept rates steady at its two most recent meetings, but central bankers in the eurozone said that no rate cuts have yet been discussed.

Equities saw a significant turnaround over the quarter, rebounding sharply from their October lows as investor sentiment recovered. This was thanks to softer growth and inflation data, that reduced fears of higher for longer rates and raised hopes of early and deep rate cuts in 2024.

For the fourth quarter, the MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced positive returns in US dollar terms. Looking at national MSCI indices, the strongest market was Sweden, while the weakest was China. In terms of style, the MSCI World Growth Index produced stronger returns than the MSCI World Value Index.

The change in backdrop meant that the fourth quarter has been one of the strongest for global equity markets for a long time. The best performing sectors in the quarter were information technology, real estate and industrials. The tech sector continues to benefit from the excitement around artificial intelligence (AI) and real estate is a sector that stands to benefit from falling interest rates. Industrials experienced a tailwind from a resilient macro backdrop combined with government stimulus towards infrastructure spending. The only sector that was negative in the quarter was energy, reflecting the weaker tone in the oil market and the plunge in the price of Brent crude oil to just over $77 a barrel.

As in other markets, currency markets saw some significant changes in Q4. The change in expectations of future Fed movements meant that the US dollar fell against the yen, euro, sterling and most other currencies.

Outlook

Whilst there remains significant geopolitical and macroeconomic risk, we remain focused on using our established investment process to generate alpha through bottom-up stock picking. With this volatile background, we believe that our approach of diversifying the strategies across broad range of companies from different sectors and stages of their Life Cycle will allow performance to continue to be driven more by the success of our hunting for superior shareholder wealth creating companies with undervalued long-term cash flows than by the prevailing winds of the macroeconomy, or factors such as growth or value styles being in vogue.

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

Royal London Asset Management's Outlook 2024 document and podcasts are both available on our website. In this year's Outlook document, our fund managers assess the challenges and opportunities in their respective asset classes for 2024. With an environment of falling inflation and modest recession, the benefits or risk for equities or credit is not so clear cut and knowing your companies is key. We analyse the areas of concern and potential growth within this environment.

In our Outlook 2024 podcast, Piers Hillier, CIO, looks ahead to 2024 and discusses the issues he believes will be prominent over the next 12 months, and where the key investment risks and opportunities may lie.

Articles, videos and webinars explaining our investment thinking 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

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

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Issued in January 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L - 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

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.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

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.

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.

Performance to 31 December 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	10.22	7.76	24.19	-	12.87
Fund (net)	10.13	7.58	23.78	-	11.95

Annualised (%)

3 Years (p.a.)	Since Inception (p.a.)
-	5.07
-	4.72

Year on year performance (%)

	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019
Fund (gross)	24.19	(16.03)	-	-	-
Fund (net)	23.78	(16.31)	-	-	-

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 December 2023. All figures are mid-price to mid-price in GBP for the Royal London Global Equity Diversified Fund (IRL) (Z Acc) (USD); Since inception date 20 July 2021.

Glossary

Active share

Active share is a measure used to assess the degree of difference between the portfolio's holdings and its benchmark.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO2e/$M invested. Financed emissions (explained above) are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

ESG Integration

The systematic and explicit inclusion of environmental, social and governance (ESG) factors into investment analysis and investment decisions.

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 GICS (Global Industry Classification Standard) 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.

Tracking error

Tracking error measures how closely a portfolio follows its benchmark. It quantifies the standard deviation of the difference in return between the portfolio and benchmark.

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.