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Royal London Global Equity Diversified Fund

Quarterly Investment Report

31 December 2023

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. 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 (7 years) by investing at least 80% in the shares of companies globally that are listed on stock exchanges. The fund's performance target is to outperform, after the deduction of charges, the MSCI World (the "Index") by 0.4-0.8% over rolling 3-year periods. For further information on the fund's index, please refer to the Prospectus.

Benchmark: MSCI World

Fund value

	Total £m
31 December 2023	4,090.61

Fund analytics

	Fund
Fund launch date	10 October 2017
Base currency	GBP
Number of holdings	204
Active share (%)	62.4
Tracking error (%)	1.4

Ex-post tracking error calculated 3 years to 31 December 2023 using EOD prices. Please refer to the glossary for a description of the tracking error used.

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	6.27	6.67	(0.41)
1 Year	20.00	16.81	3.19
3 Years (p.a.)	12.27	9.80	2.47
5 Years (p.a.)	14.32	12.78	1.54
10 Years (p.a.)	-	-	-
Since inception (p.a.)	12.14	10.65	1.49

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 RL Global Equity Diversified Fund (M Acc). Source: Royal London Asset Management; Net performance; Since inception date of the shareclass is 5 March 2018.

Performance commentary

The fund slightly 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 a 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 Thor Industries, the largest recreational vehicle (RV) manufacturer in the world. We categorise Thor in the Slowing & Maturing stage of the Corporate Life Cycle and performed well in Q4 against several industry headwinds. At the beginning of 2023 the market had priced in a complete collapse in Thor's ability to generate profit and ROI's and this somewhat corrected in 2023. We believe that Thor is uniquely setup to manage through down cycles and that the valuation pay-off remains attractive.

Detractors from performance included Shell, arGEN-X and Kinsale Capital. Shell is a prominent oil & gas company in the Turnaround phase of the Life Cycle. Shell detracted from performance in Q4 as the shares fell approximately 1.5% in Australian dollar terms 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	5.31
Apple Inc.	5.26
Alphabet Inc. Class A	3.18
Amazon.com, Inc.	2.76
NVIDIA Corporation	2.53
Shell Plc	2.19
UnitedHealth Group Incorporated	1.87
JPMorgan Chase & Co.	1.55
Visa Inc. Class A	1.27
Meta Platforms Inc. Class A	1.24
Total	**27.16**

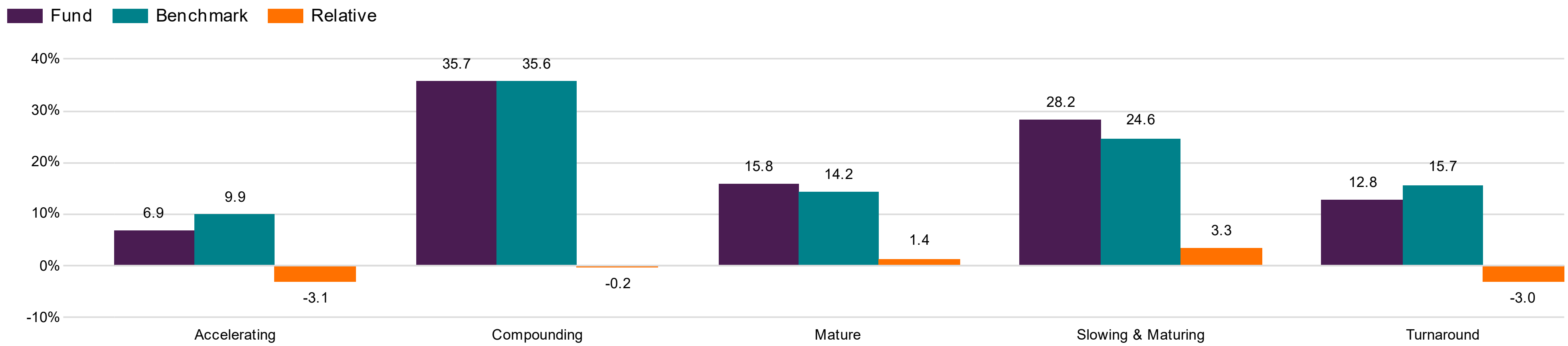
Fund activity

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.

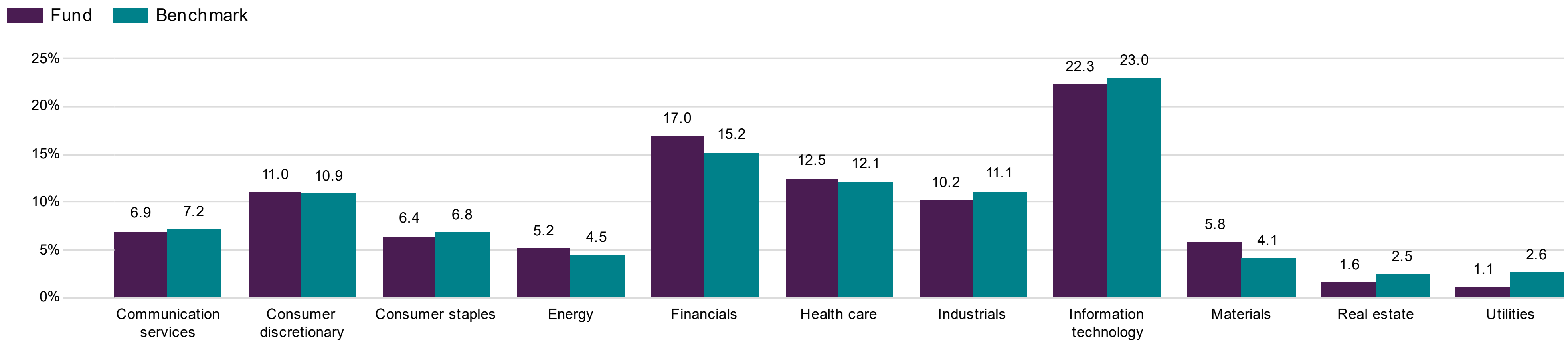
Trading activity in the fourth quarter was limited after a significant reorganisation of the portfolio in the prior quarter. In the Global Equity Diversified fund we started positions in Cinemark & Comcast, whilst eliminating positions in New York Times and MGE Energy

Fund breakdown

Holdings and weights

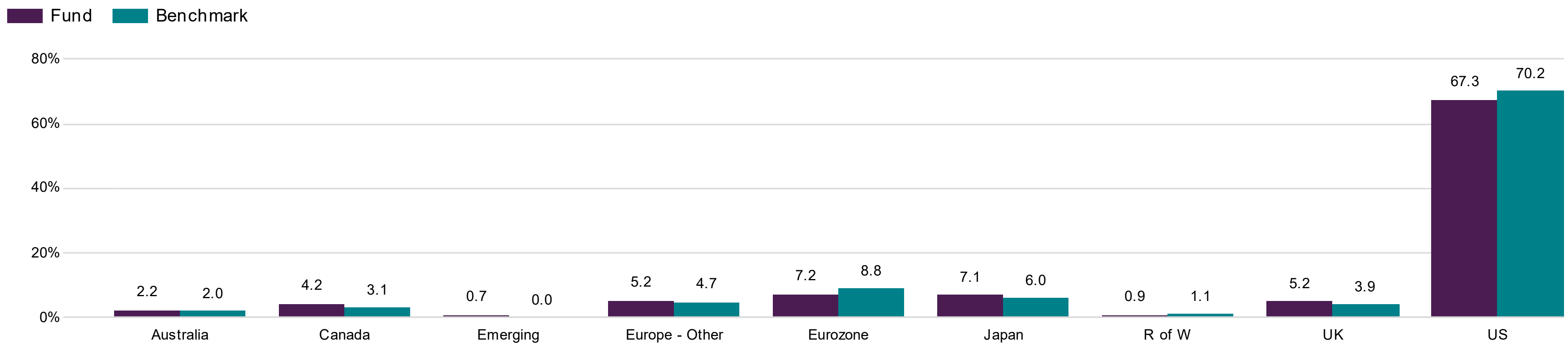


Sector weights



Fund breakdown

Regional weights



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

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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 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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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	5 Years
Fund (gross)	6.38	9.16	20.49	43.26	99.28
Fund (net)	6.27	8.94	20.00	41.51	95.33

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	12.73	14.78
Fund (net)	12.27	14.32

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)	20.49	(6.55)	27.22	11.31	24.97
Fund (net)	20.00	(6.93)	26.71	10.86	24.51

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 RL Global Equity Diversified Fund (M Acc).

Glossary

Active share

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

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.

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.

Regional weights

Breakdown of holdings by country of risk relative to the benchmark index and grouped using RLAM's proprietary regional classification scheme.

Sector weights

Breakdown of holdings by GICS (Global Industry Classification Standard) sector relative to the benchmark index.

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.