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Royal London UK Income with Growth Trust

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 UK Income with Growth Trust. 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.

Contents

The fund

Fund performance objective and benchmark

The fund's investment objective is to achieve an aboveaverage income with some capital growth over the medium-to-long term (5-7 years) by primarily investing in the shares and sterlingdenominated bonds of UK companies listed on the London Stock Exchange. The fund's income target is to produce an annual income that exceeds the income of the FTSE All-Share Index (the "Index") by at least 20% over a rolling 7-year period. For further information on the fund's index, please refer to the Prospectus.

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Benchmark: FTSE All-Share Index

Fund value

	Total £m
31 December 2023	226.84

Fund analytics

	Fund
Fund launch date	25 September 1989
Base currency	GBP
Number of holdings	234

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	5.22	3.23	1.99
1 Year	6.29	7.92	(1.63)
3 Years (p.a.)	7.16	8.61	(1.45)
5 Years (p.a.)	7.03	6.60	0.43
10 Years (p.a.)	5.32	5.33	(0.01)
Since inception (p.a.)	8.58	7.54	1.04

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 UK Income with Growth Trust (A Inc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 25 September 1989.

Performance commentary

The fund's equity portfolio outperformed the broader market in the quarter.

The quarter got off to a weak start as bond market worries and the events in the Middle East put downward pressure on the UK equity market. Markets then recovered in November as inflation data across Europe and the US continued to suggest that inflationary pressures were receding, and the month also saw a significant fall in the oil price. This prompted hopes of both an economic soft landing and that at some point central banks could pivot and start to reduce interest rates. Real estate and industrial sectors were strong, while energy, consumer staples and pharmaceuticals were relatively weak.

Equities and bonds then enjoyed a further run into the year end as inflation data remained benign, allowing central banks to make more dovish comments. Investors now see interest rate cuts in 2024 as being very likely. The oil price has remained subdued, but issues in the Middle East will need to be watched closely, as shipping is being diverted away from the Red Sea after attacks on vessels from militants in Yemen. These issues could undermine the improved inflation narrative if they lead to oil price spikes or supply chain disruptions and increased freight costs for companies.

The quarter saw a large amount of corporate reporting which was, on balance, reassuring. However, in October a number of banks report results and the reaction to those announcements was generally negative, as the companies saw their interest margins squeezed. The quarter also saw notable profits warnings from the FTSE-100 companies Diageo, Rentokil and Anglo American. Mergers and acquisition activity has picked up sharply through the second half of 2023.

Performance and activity

Top 10 holdings

	Weighting (%)
Shell Plc	5.38
HSBC Holdings Plc	2.80
BP p.l.c.	2.72
Glencore plc	2.60
British American Tobacco p.l.c.	2.58
AstraZeneca PLC	2.57
GSK plc	2.56
Unilever PLC	2.51
Imperial Brands PLC	2.35
Legal & General Group Plc	2.21
Total	**28.28**

Fund activity

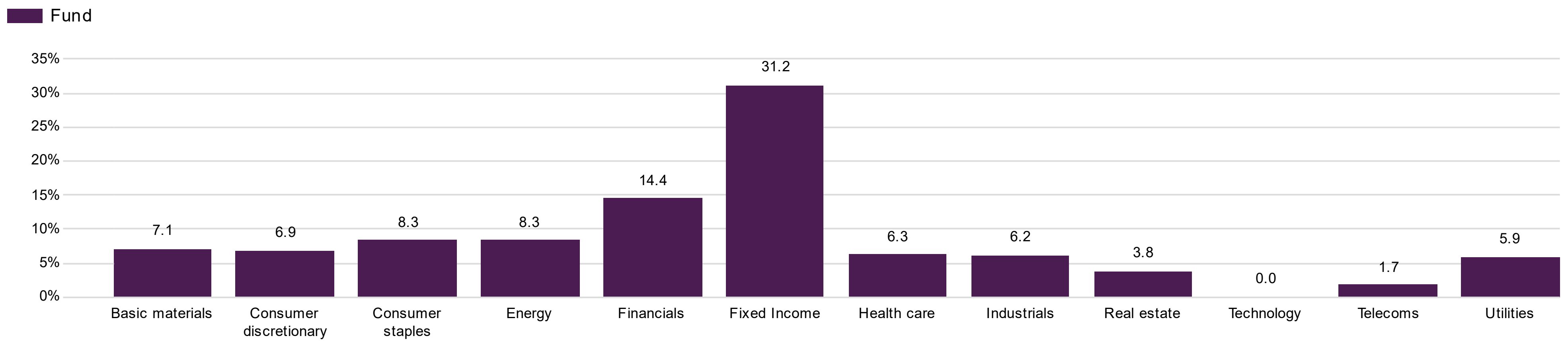
Performance was boosted by the holdings in IG, Workspace, Ashmore and Legal & General.

The fund again added to its bond weighting at the start of the period. A new equity position was also established in Rentokil following its profits warning, as we felt the share price reaction was unduly harsh.

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.

Fund breakdown

Sector 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.

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Equities then enjoyed a further run into the year end as inflation data remained benign, allowing central banks to make more dovish comments. Investors now see interest rate cuts in 2024 as being very likely. The oil price has remained subdued, but issues in the Middle East will need to be watched closely, as shipping is being diverted away from the Red Sea after attacks on vessels from militants in Yemen. These issues could undermine the improved inflation narrative if they lead to oil price spikes or supply chain disruptions and increased freight costs for companies.

The FTSE All-Share index therefore returned 3.2% over the quarter, with strong returns from small and mid-cap equities, with the FTSE 250 ex IT and FTSE Smaller Companies ex IT indices posting returns of 9.3% and 6.5% respectively.

The quarter saw a large amount of corporate reporting which was, on balance, reassuring. Corporate earnings updates were generally less bad than expected; while there were some notable profit warnings amid FTSE100 companies in October, in hindsight these appear to have been a case of getting bad news out early. By and large, the main results season in November was a story of operational resilience in a tricky environment and in many instances share prices rallied significantly on “in-line” statements, indicating that investors had been expecting worse. Typically, this was due to effective cost control (higher margins) rather than due to improving sales, in part showing how many management teams have really got to grips with cost inflation. However, a number of early cycle industrial businesses did report sequentially improving order patterns in the months running up to December. These suggested that the significant inventory de-stocking cycle by industrial companies may be coming to an end, which would bode well for improving demand in the coming year.

Outlook

Inflation data has moderated in the quarter and raised hopes of cuts to interest rates in 2024 which should be supportive for equity markets.

The oil price has remained subdued, but issues in the Middle East will need to be watched closely, as shipping is being diverted away from the Red Sea after attacks on vessels from militants in Yemen. These issues could undermine the improved inflation narrative if they lead to oil price spikes or supply chain disruptions and increased freight costs for companies.

Despite the recent rally, the UK equity market remains out of favour. This has left many UK market valuations relatively depressed which is prompting many companies to buy back their own shares. It is also noteworthy that takeover activity has picked up again with a wide range of businesses being acquired by other industry players or private equity firms.

For our large and all-stock portfolios, we believe our approach of investing in a broad range of companies who are in control of their own fates, irrespective of market conditions, is the right one. As well as looking for durable businesses, we believe that a willingness to look through short-term extremes of sentiment and buy stocks when they are out of favour, or take profits when sentiment becomes exuberant should drive longer-term performance.

With small and mid cap strategies, Despite the market’s obsession with forecasting short-term macroeconomic data over the recent past, our focus has always been on investing over the long term. We continue to seek out companies with the key fundamental SIMBA attributes (Scaleability, Innovation, strong Management teams, Barriers to entry and unique Assets) that will allow them to take market share and prosper throughout economic cycles. We continue to believe that it is these fundamental attributes that drive stock prices over the long term and we remain excited by the opportunities currently on offer.

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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The Trust is an authorised unit trust scheme. 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.

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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.

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 stockmarket and therefore more volatile.

Credit Risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

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.

Interest Rate Risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

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.

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 December 2023

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	5.22	8.66	6.29	23.04	40.49
Fund (net)	4.89	7.98	4.97	18.51	31.35

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
7.16	7.03
5.82	5.60

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)	6.29	1.53	14.02	(4.78)	19.91
Fund (net)	4.97	0.27	12.60	(6.19)	18.14

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 UK Income with Growth Trust (A Inc).

Glossary

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.

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.