



# Royal London Equity Funds ICVC

## Short Final Report to 31 August 2013

## Contents

Economic and Stock Market Background	1
Royal London Asia Pacific ex Japan Tracker Fund	4
Royal London Europe ex UK Tracker Fund	10
Royal London European Growth Fund	16
Royal London European Income Fund	22
Royal London FTSE® 350 Tracker Fund	28
Royal London Japan Tracker Fund	34
Royal London UK All Share Tracker Fund	40
Royal London UK Equity Fund	46
Royal London UK Equity Income Fund	52
Royal London UK Ethical Equity Fund	58
Royal London UK Growth Fund	64
Royal London UK Mid Cap Growth Fund	70
Royal London UK Opportunities Fund	76
Royal London UK Smaller Companies Fund	82
Royal London US Tracker Fund	88
Important Notes	94
Company Information	95
Contact Information	96

# Economic and Stock Market Background

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During the past year, growth remained relatively modest in much of the developed world, while the tail risk of a return to global recession waned.

The latter months of 2012 were dominated by the US fiscal cliff debate and a gradual easing in Eurozone tensions, following the European Central Bank's (ECB) announcement of an Outright Monetary Transactions (OMT) programme to purchase short-term euro-area government bonds. Global growth prospects remained subdued during the early months of 2013, particularly in the euro area, as the divergence between the United States and the euro area became more marked: the US economy continued to grow at a moderate pace, with the level of Gross Domestic Product (GDP) above its pre-crisis peak, while the Eurozone remained in recession. Towards the latter part of the 12 month period, there was a marked improvement in UK and Eurozone economic news. The United States continued to recover, despite headwinds from sharp fiscal consolidation, and the Japanese economy rebounded under more expansionary policies.

Monetary policy remained supportive in advanced economies during the period, and some central banks loosened policy further: the ECB cut its main interest rate by 25 basis points in May, while the Bank of Japan launched a major new monetary stimulus package, as part of a wider set of policy measures involving both fiscal stimulus and structural reform. In December 2012, the US Federal Reserve (Fed) committed to continue its open-ended purchases of assets until it observed a substantial improvement in the outlook for the labour market. Towards the end of the period, however, the focus turned to the possible timing of a slowing in the pace of this monetary expansion. In the UK, the Monetary Policy Committee (MPC) kept its policy rate and the stock of purchased assets unchanged and introduced Conditional Forward Guidance in August 2013.

Financial market sentiment continued to be heavily dependent on investors' expectations of central bank policy and the increase in "riskier" asset prices across much of the period was in part driven by expectations that monetary policy would remain accommodative. Improvements in the outlook for the United States, and statements from Ben Bernanke (Federal Reserve Chairman) regarding the possible timing of a slowing in the pace of monetary expansion by the central bank, led to rises in US Treasury yields. There was also a significant impact on emerging debt and equity markets, which has highlighted the difficulties facing a number of emerging economies, especially those with large current account deficits and most reliant on portfolio inflows.

## UK

UK GDP growth resumed in the first quarter of 2013 and our base case scenario is for a modest pick-up in GDP over the course of this year (1.4%) and next (2.1%). The pace of expansion is expected to remain low relative to previous recovery episodes. Structural imbalances, including excessive debt levels in the household and public sectors still need to be worked off, consumer spending (which accounts for the largest share of GDP) is constrained by low real income growth, while demand remains weak in the Eurozone, the UK's main export market.

The rate of CPI inflation was 2.8% in July, down from a recent high of 2.9% in June. It is likely that inflation will remain above target for the rest of 2013, reflecting the increases in university undergraduate tuition fees and on-going increases in household energy prices. Despite a lengthy period of above target CPI, inflation expectations remain stable and there are few signs of a classic wage inflation spiral taking hold.

# Economic and Stock Market Background

(continued)

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The Bank of England (BoE) has issued forward guidance on interest rates, subject to various caveats. In our base case, we expect interest rates to remain on hold until 2015, somewhat earlier than the BoE's current guidance of 2016.

## US

Recent data suggests that GDP growth remains a little lower than our base case of +2%. Some sectors of the economy, such as housing, have shown a significant bounce over the past two years, however other evidence suggests that growth in the middle part of the year has been curtailed as the economy absorbed cuts in government spending and tax rises.

Headline inflation remains low at 2%, while core inflation, which in the past has tended to be a better predictor of future inflation, is also close to 2%. We expect economic slack to persist for some time and, in the absence of a spike in the oil price, remain relaxed about the outlook for inflation. Longer-term inflation expectations have remained stable according to surveys of households and economic forecasters.

Current Fed guidance states that it expects to maintain an exceptionally low level of the federal funds rate, as long as the unemployment rate remains above 6.5%. Inflation one to two years ahead is projected to be no more than 2.5%, and longer-term inflation expectations continue to be well anchored. We assume the Fed will reduce the pace at which it buys Treasuries and Mortgage backed securities (currently \$85bn/month) in the latter months of 2013.

Looking ahead to 2014, we expect economic growth to pick up a little, although the rate will remain low relative to the pace of past recoveries.

## Europe

Over the past two years, the risk of a disorderly outcome to the euro crisis has impacted confidence and bank funding costs across the region. These factors, together with on-going fiscal consolidations, have weighed on activity. Euro-area GDP fell by 0.2% in 2013 Q1, however it rose by 0.3% in Q2. Business surveys suggest another positive number for Q3, as the impact of reduced uncertainty around the euro feeds through to household and business confidence. Looking ahead, we assume a return to modest annual growth rates in 2014.

## Far East

China is still dealing with the aftermath of an infrastructure and property bubble, ignited by 2008/9 Residential Mortgage backed 4trn stimulus package, which has raised total debt levels in the economy. Overinvestment in the wake of this stimulus "front-loaded" many projects and has led to significant overcapacity problems. This overhang will need to be dealt with, before the growth potential of further economic reform can come on stream.

During the first 30 years of economic reform, the Chinese economy achieved an average of 10% GDP growth. Demographic change is now helping to lower China's medium term potential growth rate, as the supply of migrant labour declines and China loses much of its low cost advantages. The new government's GDP growth target is 7.5%, while beyond 2020, a shrinking labour force and slowdown in capital stock growth will mean even lower potential growth rates. The major challenge will be how to rebalance the economy from investment to consumption, without allowing the overall growth rate to fall too far.

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## Japan

Japanese output grew by 0.6% quarter on quarter in Q2 and we retain our forecast of relatively strong growth for 2013, on the back of considerable fiscal and monetary stimulus. A more durable improvement in nominal demand growth will depend on structural reform. The ruling LDP/NKP coalition won a majority in the upper house in recent elections, which bodes well for reform measures, for example to increase labour market mobility and female participation, however policy details have yet to be revealed.

At the beginning of 2013, the new government confirmed a fiscal stimulus package of around 2% of GDP, while the Bank of Japan (BoJ) announced further asset purchases and an inflation target of 2%. The appointment of Mr Haruhiko Kuroda as BoJ governor has signalled a much more dovish monetary policy, although achieving the new 2% CPI target by 2015 will be difficult.

Despite these new stimulus measures, we need to see an end to deflation to become more confident on the outlook for the economy. The total amount of government debt is greater than GDP, and in a situation of deflation, debt serving costs remain higher than long term nominal growth. This is unsustainable in the long run, although with the economy in current account surplus, the crisis point could be some time in the future. The low level of Japanese bond yields suggests that markets are assuming action to correct the situation over the coming decades.

# Royal London Asia Pacific ex Japan Tracker Fund

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## Investment Objectives and Policies

The Fund aims to achieve the capital return of the FTSE® World Asia Pacific ex Japan Index by investment primarily in the securities that make up the FTSE® World Asia Pacific ex Japan Index.

## Assets

The Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

On 22 April 2013 the fund moved from an active management style to a passive management style. During the period from 31 August 2012 to 22 April 2013 the fund returned 18.0% versus a total return of 18.2% for the FTSE® World Asia Pacific excluding Japan, India and Pakistan. For the remainder of the period under review, the fund returned -6.3% against a total return on the FTSE® World Asia Pacific excluding Japan Index of -5.9%.

## Portfolio Commentary

The fund manager uses an optimised portfolio to track the capital return of the FTSE® World Asia Pacific excluding Japan Index. We take the view that full replication may result in too much costly trading, which could outweigh the benefit of perfect replication.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event.

Whilst the fund is not perfectly replicating, in practice it holds all or most of the index constituents in weightings very close to the index weights. Index futures are used for cash management purposes.

**Symon Bradford**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM



# Royal London Asia Pacific ex Japan Tracker Fund

(continued)

<b>Fund Facts</b>		
	<b>As at</b>	<b>Z Acc Shares</b>
Sedol Number		B68SHD9
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.20%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.26%
Portfolio Turnover Rate	31/08/13	157%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6
Launch Date (See notes overleaf)		05/11/10
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 March & 1 September
Distribution Payment Dates		30 April & 31 October

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Class Z	604,000	369.77

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Class Z <sup>2</sup>	414.40	349.30	7.96
2012	Class M <sup>3</sup>	104.78	91.18	1.48
	Class A	368.00	315.10	7.11
2011	Class A	388.60	282.70	5.68
2010 <sup>4</sup>	Class A	380.40	349.60	n/a

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> On 22 April 2013 Class A - Retail Accumulation changed to Class Z - Institutional Accumulation

<sup>3</sup> From launch on 1 May 2012 to 6 December 2012

<sup>4</sup> From launch on 5 November 2010

# Royal London Asia Pacific ex Japan Tracker Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London Asia Pacific ex Japan Tracker Fund Z	10.63	5.52	7.86
IMA Asia Pacific ex Japan Companies Sector Average	9.92	5.34	8.46
<b>Relative Out-Performance</b>	<b>+0.71</b>	<b>+0.18</b>	<b>-0.60</b>

The sub-fund was launched on 5 November 2010 and first priced on 8 November 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Far East Trust launched on 12 March 1990.

The fund converted from an active growth fund to a tracker fund on 22 April 2013. This change is reflected in past performance history.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b>31/08/13 % Holding</b>	<b> Holding</b>	<b>31/08/12 % Holding</b>
Samsung Electronics	4.46	Samsung Electronics	5.75
Commonwealth Bank of Australia	3.53	Australia and New Zealand Banking	3.03
BHP Billiton	3.46	BHP Billiton	2.53
Westpac Banking	2.91	Commonwealth Bank of Australia	2.34
Taiwan Semiconductor Manufacturing	2.70	Industrial & Commercial Bank of China	2.01
Australia and New Zealand Banking	2.43	Taiwan Semiconductor Manufacturing	1.88
National Australia Bank	2.25	China Mobile (Hong Kong)	1.87
AIA Group	1.85	National Australia Bank	1.80
Wesfarmers	1.41	China Construction Bank	1.59
Woolworths	1.31	Ping An Insurance	1.55

## Geographical Breakdown

	31/08/13 %	31/08/12 %
Australia	33.15	25.21
South Korea	18.57	14.94
Taiwan	13.56	9.45
Hong Kong	12.61	18.37
Singapore	6.35	4.40
Malaysia	5.09	3.08
Thailand	2.98	4.50
Cayman Islands	1.86	0.64
Bermuda	1.12	1.65
New Zealand	0.69	0.00
Italy	0.17	0.00
Luxembourg	0.15	0.00
Ireland	0.13	0.00
Channel Islands	0.02	0.00
China	0.00	10.91
Indonesia	0.00	1.19
United Kingdom	0.00	0.60
Philippines	0.00	0.39
Cash and net other assets	3.55	4.67
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	34.82	35.83
Technology	11.52	11.49
Industrials	11.45	9.38
Basic Materials	9.69	7.57
Consumer Services	8.35	5.00
Consumer Goods	8.10	6.43
Telecommunications	4.10	9.32
Oil & Gas	3.53	5.64
Utilities	2.94	4.17
Healthcare	1.88	0.50
Futures	0.07	0.00
Cash and net other assets	3.55	4.67
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London Europe ex UK Tracker Fund

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## Investment Objectives and Policies

The Fund aims to achieve the capital return of the FTSE® World Europe ex UK Index by investment primarily in the securities that make up the FTSE® World Europe ex UK Index.

## Assets

The Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

The Fund launched on 4 June 2013. During the period from launch to 31 August 2013, the return from the Royal London Europe ex UK Tracker Fund was -0.4%. This compares with a capital return on the FTSE® World Europe Ex UK Index of -1.1%. This difference can be explained primarily by a combination of the timing of the fund pricing, the fund being priced at midday while the index is priced at the end of the day, and the impact of income within our fund.

## Portfolio Commentary

The fund manager uses an optimised portfolio to track the capital return of the FTSE® World Europe ex UK Index. We take the view that full replication may result in too much costly trading, which could outweigh the benefit of perfect replication.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix.

In practice, the Royal London Europe ex UK Tracker Fund holds most of its benchmark's names as well as having holdings in futures and cash.

**Symon Bradford**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM



# Royal London Europe ex UK Tracker Fund

(continued)

<b>Fund Facts</b>		
	<b>As at</b>	<b>Z Acc Shares</b>
Sedol Number		B8HF4Y5
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.18%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.27%
Portfolio Turnover Rate	31/08/13	0%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6
Launch Date (See notes overleaf)		04/06/13
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 September
Distribution Payment Dates		31 October

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

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## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Z Shares	149,520	99.55

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Z Shares <sup>2</sup>	103.80	91.70	0.16

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 4 June 2013

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# Royal London Europe ex UK Tracker Fund

(continued)

## Fund vs Sector Average Out-Performance

	Since inception %
Royal London Europe ex UK Tracker Fund Z	-0.40
IMA Europe excluding UK Sector Average	-1.10
<b>Relative Out-Performance</b>	<b>+0.70</b>

The sub-fund was launched on 4 June 2013.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

## Top Ten Holdings

Holding	31/08/13 % Holding
Nestle (registered)	3.95
Roche Holding - participating	3.29
Novartis (registered)	3.17
Total SA	2.10
Sanofi	2.07
Bayer	1.72
Siemens	1.58
BASF	1.52
Banco Santander	1.47
Anheuser-Busch InBev	1.40

## Geographical Breakdown

	31/08/13 %
France	20.35
Switzerland	20.15
Germany	19.04
Sweden	7.15
Netherlands	6.85
Spain	6.63
Italy	4.69
Denmark	2.77
Belgium	2.55
Finland	1.75
Norway	1.40
Turkey	1.05
Poland	0.96
Luxembourg	0.71
Austria	0.69
Ireland	0.57
Portugal	0.37
Bermuda	0.30
Hungary	0.21
Czech Republic	0.16
Greece	0.05
Cash and net other assets	1.60
<b>Total<sup>1</sup></b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

## Sector Breakdown

	31/08/13 %
Financials	21.95
Consumer Goods	18.55
Industrials	14.62
Healthcare	12.40
Basic Materials	8.34
Oil & Gas	5.89
Consumer Services	5.38
Telecommunications	3.85
Utilities	3.74
Technology	3.69
Futures	(0.01)
Cash and net other assets	1.60
<b>Total<sup>1</sup></b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London European Growth Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to achieve capital growth by investing predominantly in quoted European equities.

## Assets

The Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013, the fund gave a total return of 26.1% against 26.3% for the benchmark, the FTSE® World Europe ex UK, and 28.3% by the IMA Europe ex UK peer group.

## Portfolio Commentary

The announcement by the European Central Bank (ECB) in September 2012 set out the conditions under which it would intervene in the bond market through its new "Outright Monetary Transactions" (OMT) policy. The principal element of the policy was the undertaking by the ECB to make unlimited purchases in the sovereign bond market for instruments with 1-3 year maturities under strict conditionality imposed by the EFSF/ESM programmes. This measure instilled a degree of confidence in the sustainability of the single currency that had been absent for much of the summer of 2012.

The ECB then cut its main refinancing rate to 0.5% in May 2013, and furthermore in July, ECB president Mario Draghi formally committed to an extended period of low interest rates in order to overcome concerns that the tapering of the US Federal Reserve quantitative easing programme might lead to premature tightening of monetary policy in Europe. Since that point economic data has continued to improve and forward looking indicators have trended upwards in recent months.

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The sharp decline in bond yields, combined with improving economic data, ensured that financials was the strongest performing sector over the year. Although the portfolio was underweight this sector, strong stock selection enabled financials to be a net positive contributor to performance over the period. The portfolio also benefited from a large underweight holding in the utilities sector which lagged the market rally. This was the most significant contributor to positive relative performance at the sector level. An overweight holding in energy was the largest detractor to performance.

The strongest contributor to performance at the stock level was KBC Group, which restructured its operations to focus on its two core markets, Belgium and Czech Republic, where it has strong market shares, loan to deposit ratios below 100% and stable net interest income margins. The company generates a high return on equity which was not adequately reflected in a rating that was close to the banking sector. Recent results have confirmed the recovery story, with the bank comfortably beating market expectations, and the subsequent share price performance ensured the stock was the strongest positive contributor to portfolio performance over the period.

## **Portfolio Outlook**

The European market has delivered a strong start over the last 12 months, with improving sentiment to equities evidenced by healthy inflows into the asset class. Although the European markets have performed well since the lows of 2012, they remain attractively valued at a current price to book multiple for the FTSE® Europe ex UK of only 1.6 times compared to the FTSE® 100 at 1.9 times and S&P 500 at 2.4 times. There are a number of imminent challenges ahead for equity markets, namely, the timing and impact of Fed tapering, a German general election, and the ongoing volatility in the middle East, but European economic indicators have improved in recent months, albeit at levels that forecast minimal growth, and the portfolio is positioned to take advantage of this upturn.

**Neil Wilkinson**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London European Growth Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B52DGB4	B52VBP7
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.62%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.29%	0.66%
Portfolio Turnover Rate	31/08/13	88%	88%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		30/04/10	30/04/10
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 March & 1 September	
Distribution Payment Dates		30 April & 31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	615,787	594.76
M Shares	1,493	607.07

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	618.30	519.40	9.93
	M Shares	630.90	528.00	13.66
2012	A Shares	518.20	410.20	9.98
	M Shares	526.70	415.40	12.95
2011	A Shares	579.10	394.20	9.05
	M Shares	583.20	397.50	12.25
2010 <sup>2</sup>	A Shares	523.12	408.97	3.86
	M Shares	535.00	421.10	4.81

Single priced ICVC sub-fund,

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 30 April 2010

# Royal London European Growth Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London European Growth Fund A	26.07	10.83	6.76
IMA Europe ex-UK Sector Average	28.03	11.67	5.10
<b>Relative Out-Performance</b>	<b>-1.96</b>	<b>-0.84</b>	<b>+1.66</b>

The sub-fund was launched on 30 April 2010 and first priced on 4 May 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London European Growth Trust launched on 11 May 1987.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13 % Holding</b>	<b>Holding</b>	<b>31/08/12 % Holding</b>
Roche Holding - participating	5.15	Roche Holding - participating	5.73
Sanofi	3.43	Nestle	5.09
Novartis (registered)	3.23	Bayer	3.46
AXA	3.11	Sanofi	3.44
Neopost	2.97	Subsea	3.05
Repsol YPF	2.97	BASF	2.98
Nestlé	2.90	EADS	2.84
Bayer	2.89	ING Groep certificates	2.73
Allianz	2.83	Unilever	2.62
ING Groep certificates	2.73	ENI	2.26

## Geographical Breakdown

	31/08/13 %	31/08/12 %
France	22.02	22.70
Switzerland	20.78	17.59
Germany	16.80	15.98
Netherlands	8.34	10.83
Spain	6.24	4.12
Denmark	3.99	1.59
Luxembourg	3.78	3.05
Belgium	3.67	0.00
Sweden	3.35	6.64
Italy	2.56	5.90
Austria	2.54	2.80
Norway	2.54	3.87
United Kingdom	1.38	1.68
Ireland	1.23	0.00
Bermuda	0.00	1.48
Portugal	0.00	0.54
Cash and net other assets	0.78	1.23
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	20.30	17.16
Consumer Goods	16.24	20.52
Healthcare	15.02	15.29
Industrials	12.69	11.99
Basic Materials	11.26	10.76
Oil & Gas	7.21	9.05
Technology	6.42	5.08
Telecommunications	5.65	5.00
Consumer Services	4.43	2.52
Utilities	0.00	1.40
Cash and net other assets	0.78	1.23
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London European Income Fund

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## Investment Objectives and Policies

The Fund seeks to achieve a combination of income and some capital growth by investing mainly in European higher yielding and other equities, as well as convertible stocks.

## Assets

To achieve this objective the Fund may hold transferable securities (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013, the fund gave a total return of 24.7% against 26.3% for the benchmark, the FTSE® World Europe ex UK and 28.3% for the IMA European ex UK peer group.

## Portfolio Commentary

The announcement by the European Central Bank (ECB) in September 2012 set out the conditions under which it would intervene in the bond market through its new "Outright Monetary Transactions" (OMT) policy. The principal element of the policy was the undertaking by the ECB to make unlimited purchases in the sovereign bond market for instruments with 1-3 year maturities under strict conditionality imposed by the EFSF/ESM programmes. This measure instilled a degree of confidence in the sustainability of the single currency that had been absent for much of the summer of 2012.

The ECB then cut its main refinancing rate to 0.5% in May 2013, and furthermore in July ECB president Mario Draghi formally committed to an extended period of low interest rates in order to overcome concerns that the tapering of the US Federal Reserve quantitative easing programme might lead to premature tightening of monetary policy in Europe. Since that point economic data has continued to improve and forward looking indicators have trended upwards in recent months.

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The sharp decline in bond yields, combined with improving economic data, ensured that financials was the strongest performing sector over the year. Although the portfolio was underweight this sector, strong stock selection enabled financials to be a net positive contributor to performance over the period. Within the financials sector overweight positions in BNP Paribas, Sampo Oyj and Swedbank all contributed to outperformance. Their capital base is very strong and growing organically which led to outperformance at a time when the market remained worried about the amount of capital banks would need to own due to regulatory pressures. The fund also benefitted from the overweight in healthcare stocks Roche Holding, Bayer and Novartis (registered) which all outperformed the market significantly. The sector valuation is still attractive and most companies have now passed the profits squeeze from key products going off patent and are now seeing growing visibility in their pipeline of new drugs. The overweight in telecoms distracted from performance as the EU telecom regulator continued to introduce rules which put pressure on profits.

## **Portfolio Outlook**

The Europe ex UK index has performed well in the last 12 months in response to improved global economic data led by the US economy. The concern about the peripheral economies of Europe has been dissipated by the reforms they have introduced particularly on their labour markets which has boosted productivity. This combined with the introduction of the OMT policy which offered support to their indebted banks sector have helped.

The European market offers value in a global context trading on a current price to book multiple of 1.3 times for the FTSE® Europe ex UK index compared to the FTSE® 100 at 1.8 times and the S&P 500 at 2.3 times. The fund manager remains cautiously optimistic and the fund is positioned for an improving scenario with overweight positions in industrials, basics and consumer services.

**Andrea Williams**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London European Income Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B4W21N1	B3BVQM6
Initial Charge		4.00%	0.00%
Initial Commission		3.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.62%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.29%	0.66%
Portfolio Turnover Rate	31/08/13	36%	36%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		30/10/09	01/05/12
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 March & 1 September	
Distribution Payment Dates		30 April & 31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	277,167	105.01
M Shares	7	124.61

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	112.90	95.23	3.55
	M Shares	134.00	112.55	4.21
2012	A Shares	95.08	78.43	3.68
	M Shares <sup>2</sup>	112.40	90.78	1.70
2011	A Shares	113.10	75.35	4.53
2010	A Shares	107.30	86.61	3.37
2009 <sup>3</sup>	A Shares	105.70	95.55	n/a

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 1 May 2012

<sup>3</sup> From launch on 30 October 2009

# Royal London European Income Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>		
	<b>1 year %</b>	<b>3 years %</b>
Royal London European Income Fund A	24.73	10.83
IMA Europe ex-UK Sector Average	28.30	11.67
<b>Relative Out-Performance</b>	<b>-3.57</b>	<b>-0.84</b>

The sub-fund was launched on 30 October 2009 and first priced on 2 November 2009, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London European Income Trust launched on 11 September 2008.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b>31/08/13 % Holding</b>	<b> Holding</b>	<b>31/08/12 % Holding</b>
Roche Holding - participating	5.06	Roche Holding - participating	5.17
Sanofi	3.67	Nestlé (registered)	4.70
Novartis (registered)	3.67	Sanofi	3.69
Nestlé (registered)	3.33	Novartis (registered)	3.65
Bayer	3.27	Bayer	3.16
Total SA	2.87	BASF	2.87
Allianz	2.67	BNP Paribas	2.55
BNP Paribas	2.52	Siemens	2.45
ING Groep certificates	2.36	Deutsche Telekom	2.29
Schneider Electric	2.29	Total SA	2.25

<b>Geographical Breakdown</b>		
	<b>31/08/13</b>	<b>31/08/12</b>
	<b>%</b>	<b>%</b>
Germany	22.99	19.85
France	20.63	19.45
Switzerland	18.23	18.78
Netherlands	9.47	9.46
Sweden	7.76	10.88
Spain	5.71	1.13
Norway	3.47	5.10
Finland	2.21	3.06
Belgium	2.05	1.36
Italy	1.98	4.20
Luxembourg	1.85	1.75
Denmark	1.65	1.82
Ireland	1.15	0.00
Austria	0.83	1.64
Bermuda	0.00	1.59
Poland	0.00	0.90
Cash and net other assets/ (liabilities)	0.02	(0.97)
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

<b>Sector Breakdown</b>		
	<b>31/08/13</b>	<b>31/08/12</b>
	<b>%</b>	<b>%</b>
Financials	19.75	19.85
Healthcare	15.46	15.81
Industrials	14.83	13.92
Consumer Goods	13.93	14.18
Basic Materials	8.95	8.94
Consumer Services	7.26	6.11
Telecommunications	6.80	6.84
Oil & Gas	6.50	8.59
Technology	4.20	2.54
Utilities	2.30	4.19
Cash and net other assets/ (liabilities)	0.02	(0.97)
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London FTSE® 350 Tracker Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to aim to achieve the total return of the FTSE® 350 Index by investing primarily in the securities that make up the FTSE® 350 Index.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the return from the Royal London FTSE® 350 Tracker Fund was 17.7%. This compares with a return on the FTSE® 350 Index of 18.6%. Part of this difference is due to a negative price swing between the start and the end of the period. The remainder is due to the timing of the fund pricing, the fund being priced at midday while the index is priced at the end of the day.

## Portfolio Commentary

The aim of the fund is to track the total return of the FTSE® 350 Index. This index comprises the largest 100 companies plus the 250 mid-capitalised companies in the UK market. Together these companies make up approximately 86% of the UK market.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event. In this way we can minimise the trading costs within the fund whilst achieving good index tracking.

Whilst the fund is not fully replicating, in practice it may hold most of the index constituents in weightings very close to the index weights. FTSE® futures are used for cash management purposes.

**Vicky Harriss**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM



# Royal London FTSE® 350 Tracker Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>Z Inc Shares<sup>3</sup></b>	<b>Z Acc Shares</b>
Sedol Number		B523R00	B523MH2
Initial Charge		0.00%	0.50%
Initial Commission		0.00%	0.00%
Annual Management Charge (AMC)		0.10%	0.10%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.12%	0.12%
Portfolio Turnover Rate	31/08/13	0%	0%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		05/11/2008	26/02/2010
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 March & 1 September	
Distribution Payment Dates		30 April & 31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

<sup>3</sup> Note Class Z Inc is limited issuance and available only at the discretion of the Manager.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Z Inc Shares	212,238	105.00
Z Acc Shares	3,020,201	124.71

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Z Inc Shares	110.90	97.28	3.41
	Z Acc Shares	128.90	111.80	3.94
2012	Z Inc Shares	96.47	85.01	3.16
	Z Acc Shares	110.90	95.74	3.56
2011	Z Inc Shares	97.77	78.00	2.78
	Z Acc Shares	106.40	86.73	3.01
2010 <sup>2</sup>	Z Inc Shares	95.40	77.46	1.59
	Z Acc Shares	102.70	81.82	1.68

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 26 February 2010

# Royal London FTSE® 350 Tracker Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London FTSE® 350 Tracker Fund A	17.66	12.49	7.38
IMA UK All Companies Sector Average	23.57	13.52	7.72
<b>Relative Out-Performance</b>	<b>-5.91</b>	<b>-1.03</b>	<b>-0.34</b>

The sub-fund was launched on 26 February 2010 and first priced on 1 March 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London FTSE® 350 Tracker Trust launched on 20 July 2007.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13 % Holding</b>	<b>Holding</b>	<b>31/08/12 % Holding</b>
HSBC Holdings (London listed)	6.41	HSBC Holdings (London listed)	5.69
Vodafone Group	5.11	Vodafone Group	5.13
BP	4.28	BP	4.75
GlaxoSmithKline	4.11	Royal Dutch Shell 'A'	4.67
Royal Dutch Shell 'A'	4.00	GlaxoSmithKline	4.12
British American Tobacco	3.17	British American Tobacco	3.74
Royal Dutch Shell 'B'	2.81	Royal Dutch Shell 'B'	3.45
Diageo	2.52	Diageo	2.50
BG Group	2.11	BG Group	2.49
BHP Billiton	2.01	BHP Billiton	2.23

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	22.16	18.81
Oil & Gas	14.78	17.32
Consumer Goods	13.37	13.72
Consumer Services	10.39	9.08
Industrials	9.46	8.37
Basic Materials	8.00	9.49
Healthcare	7.40	7.44
Telecommunications	6.77	6.43
Utilities	3.84	3.88
Technology	1.53	1.32
Futures	0.03	0.17
Cash and net other assets	2.27	3.97
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London Japan Tracker Fund

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## Investment Objectives and Policies

The Fund aims to achieve the capital return of the FTSE® World Japan Index by investment primarily in the securities that make up the FTSE® World Japan Index.

## Assets

The Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

## Fund Performance

On 25 March 2013 the fund moved from an active management style to a passive management style. During the period from 31 August 2012 to 25 March 2013 the return from the Japan tracker fund was 22.6%. For the remainder of the period under review, the fund returned 1.3%. This compares with capital returns on the FTSE® World Japan Index of 26.5% and 1.0% respectively. These differences can be explained primarily by the timing of the fund pricing, the fund being priced at midday while the index is priced at the end of the day.

## Portfolio Commentary

The aim of the fund is to track the capital return of the FTSE® World Japan Index. This index represents approximately 98% of the Japanese stock market.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event. In this way we can minimise the trading costs within the fund whilst achieving good index tracking.

Whilst the fund is not perfectly replicating, in practice it holds all or most of the benchmark constituents in weightings very close to the index weights. Japan stock market futures are used for cash management purposes.

**Vicky Harriss**  
**Fund Manager**

**October 2013**



# Royal London Japan Tracker Fund

(continued)

<b>Fund Facts</b>		
	<b>As at</b>	<b>Z Acc Shares</b>
Sedol Number		B52R649
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.20%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.23%
Portfolio Turnover Rate	31/08/13	141%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6
Launch Date (See notes overleaf)		26/02/10
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 March & 1 September
Distribution Payment Dates		30 April & 31 October

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Z Shares	532,184	145.77

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Z Shares <sup>2</sup>	n/a	n/a	1.10
	M Shares <sup>3</sup>	147.00	122.30	1.01
	A Shares <sup>2</sup>	165.00	120.60	0.70
2012	A Shares	130.60	114.60	1.65
	M Shares	131.80	116.10	2.29
2011	A Shares	141.10	113.30	1.23
	M Shares	141.70	114.10	1.88
2010 <sup>4</sup>	A Shares	139.90	118.40	0.63
	M Shares	140.40	118.60	0.09

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> On 25 March 2013 Shareholders in Class A - Retail Accumulation converted to Class Z - Institutional Accumulation

<sup>3</sup> Closed on 25 March 2013

<sup>4</sup> From launch on 26 February 2010 for Class A and 20 April 2010 for Class M

# Royal London Japan Tracker Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year</b> %	<b>3 years</b> %	<b>5 years</b> %
Royal London Japan Tracker Z	24.09	7.18	6.86
IMA Japan Sector Average	27.02	8.84	5.70
<b>Relative Out-Performance</b>	<b>-2.93</b>	<b>-1.66</b>	<b>+1.16</b>

The sub-fund was launched on 26 February 2010 and first priced on 1 March 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Japan Growth Trust launched on 30 April 1985.

The fund converted from an active growth fund to a tracker fund on 25 March 2013. This change is reflected in past performance history.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b>31/08/13</b> <b>% Holding</b>	<b> Holding</b>	<b>31/08/12</b> <b>% Holding</b>
Toyota Motor	5.74	Toyota Motor	5.40
Mitsubishi UFJ Financial Group	2.97	Mitsubishi UFJ Financial Group	3.99
Honda Motor	2.32	Sumitomo Mitsui Financial Group	2.87
Sumitomo Mitsui Financial Group	2.13	Canon	2.33
Softbank	2.12	Nissan Motor	2.04
Mizuho Financial Group	1.75	Mizuho Financial Group	1.89
Japan Tobacco	1.41	Softbank	1.86
Takeda Pharmaceutical Company	1.26	East Japan Railway	1.82
Canon	1.22	Mitsui & Company	1.71
Mitsubishi Estate	1.18	Sumitomo	1.70

## Sector Breakdown

	31/08/13 %	31/08/12 %
Consumer Goods	23.76	20.52
Industrials	20.30	21.65
Financials	19.21	18.38
Consumer Services	9.58	7.95
Basic Materials	6.53	6.28
Healthcare	6.09	7.27
Telecommunications	4.64	6.37
Technology	4.28	5.30
Utilities	2.73	2.57
Oil & Gas	1.15	2.12
Futures	(0.05)	0.00
Cash and net other assets	1.78	1.59
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK All Share Tracker Fund

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## Investment Objectives and Policies

The Fund seeks to achieve long term total return from capital and income through investment in UK equities from within the All Share Index.

## Assets

The Fund may hold transferable securities (including Exchange Traded Funds which are closed-ended funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the return from the Royal London UK All Share Tracker Fund was 19.8%. This compares with a return on the FTSE® All Share Index of 18.9%. Part of this difference is due to a positive price swing between the start and the end of the period. The remainder is due to the timing of the fund pricing, the fund being priced at midday while the index is priced at the end of the day.

## Portfolio Commentary

The aim of the fund is to track the total return of the FTSE® All-Share Index. This index comprises the FTSE® large, mid and small capitalisation indices and represents approximately 98% of the UK market.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event. In this way we can minimise the trading costs within the fund whilst achieving good index tracking.

Whilst the fund is not perfectly replicating, in practice it holds all or most of the benchmark constituents in weightings very close to the index weights. FTSE® futures are used for cash management purposes.

**Vicky Harriss**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM



# Royal London UK All Share Tracker Fund

(continued)

<b>Fund Facts</b>		
	<b>As at</b>	<b>Z Acc Shares</b>
Sedol Number		B533V41
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.10%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.12%
Portfolio Turnover Rate	31/08/13	0%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6
Launch Date (See notes overleaf)		26/02/10
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 March & 1 September
Distribution Payment Dates		30 April & 31 October

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Z Shares	483,733	145.16

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Z Shares	150.20	130.20	4.54
2012	Z Shares	129.70	110.90	4.09
2011	Z Shares	123.60	100.80	3.50
2010 <sup>2</sup>	Z Shares	119.20	95.00	1.91

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 26 February 2010

# Royal London UK All Share Tracker Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>		
	<b>1 year %</b>	<b>3 years %</b>
Royal London UK All Share Tracker Fund Z	19.75	12.90
IMA UK All Companies Sector Average	23.57	13.52
<b>Relative Out-Performance</b>	<b>-3.82</b>	<b>-0.62</b>

The sub-fund was launched on 26 February 2010 and first priced on 1 March 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK All Share Tracker Trust launched on 4 September 2008.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b>31/08/13 % Holding</b>	<b> Holding</b>	<b>31/08/12 % Holding</b>
HSBC Holdings (London listed)	6.35	HSBC Holdings (London listed)	5.69
Vodafone Group	5.06	Vodafone Group	5.14
BP	4.24	BP	4.75
GlaxoSmithKline	4.07	Royal Dutch Shell 'A'	4.67
Royal Dutch Shell 'A'	3.96	GlaxoSmithKline	4.13
British American Tobacco	3.14	British American Tobacco	3.74
Royal Dutch Shell 'B'	2.79	Royal Dutch Shell 'B'	3.46
Diageo	2.50	Diageo	2.50
BG Group	2.09	BG Group	2.49
BHP Billiton	1.99	BHP Billiton	2.24

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	23.31	19.97
Oil & Gas	14.70	17.36
Consumer Goods	13.33	13.81
Consumer Services	10.52	9.29
Industrials	9.78	8.80
Basic Materials	7.97	9.56
Healthcare	7.36	7.48
Telecommunications	6.70	6.43
Utilities	3.79	3.87
Technology	1.56	1.39
Futures	0.00	0.01
Cash and net other assets	0.98	2.03
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Equity Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to achieve capital growth by investing primarily in a broad portfolio of quoted UK stocks and shares.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 16.4%, against a 18.9% return from the FTSE® All Share Index and 23.6% from the IMA UK All Companies peer group.

## Portfolio Commentary

For the first nine months of the year under review, the UK equity market enjoyed consecutive monthly rises, which continued until the end of May 2013, as investors' appetite for risk assets improved due to better economic growth prospects, particularly in the US, and receding fears that financial dislocation in the Eurozone could threaten the survival of the euro.

The FTSE® All Share Index gave a return of nearly +20% in this nine month period, of which 14% was gained in the first five months of 2013, which was the strongest start for the UK equity market for many years. Since the end of May however, the equity market trend has been less consistent, and the market fell by around 2% in the three months to the end of August. This was largely due to the US Federal Reserve indicating that quantitative easing may be scaled back earlier than expected, which triggered a sharp rise in global bond yields. Nevertheless, despite these concerns regarding monetary policy, there was a marked improvement in market sentiment and risk appetite over the year, underpinned by better than expected UK economic data that caused the Bank of England to raise its forecast of UK GDP growth for the first time since the financial crisis. Within the UK stockmarket, the strongest performing areas in the first half of the year under review included financials, particularly banking shares, which benefited from the improvement in Eurozone risk. In the second half of the year however, the bank sector lost ground against the rest of the market due to concerns about the UK domestic banks' capital positions (culminating in the announcement at the end of

July of Barclays' planned rights issue) and also the prospect of the government commencing the sell down of its stakes in Lloyds Banking Group. Stockmarket leadership over the last six months has included domestically oriented sectors, such as housebuilders, travel and leisure and general retailers, which responded to the improvement in UK consumer and employment data. More latterly, mergers and acquisitions (M&A) has also been a support to the UK stockmarket, particularly following the announcement at the end of August by Vodafone Group that it planned to sell its 45% interest in Verizon Wireless to Verizon Communications, and to return around \$84bn to Vodafone shareholders, of which 70% (£38bn) would be in the form of cash.

Over the period, the fund added a number of holdings to the portfolio in areas that will benefit from an improving UK and global economic background. These included travel company TUI Travel, which is facing less competition due to the industry having cut its stock of holiday offerings drastically; buy-to-let mortgage provider Paragon Group of Companies and housebuilder Bovis, which are both beneficiaries of the stronger housing market; Home Retail Homes, which is benefiting from the pickup in consumer confidence and whose internet based offering, combined with extensive high street presence, is well suited to changing consumer buying patterns; and WH Smith, whose travel related franchises continue to grow while it is also benefiting from the demise of a number of high street competitors with specialised retail offerings in areas such as books, cards and DVDs.

In the financials area, the fund added to its holding in private equity group 3i, where the turnaround instigated by the new CEO (who was installed in May last year) has led to the shares moving from a substantial discount to NAV, to a premium. The fund also started a holding in Legal & General, which we view as well placed to benefit from the new post RDR and auto-enrolment environment.

The fund disinvested from a number of areas where strong share price performance had led to valuations becoming excessively high, due to the companies' perceived defensive qualities. These included selling the holding in drinks group Diageo and credit services company Experian Group, and reducing the holding in household products group Reckitt Benckiser.

## Portfolio Outlook

Over the past few months, there have been nascent signs of a pick-up in economic activity in Europe, which in Q2 emerged from an 18 month recession, while the US economy has made further progress despite the headwinds of implementing fiscal austerity measures. Conditions in China have also stabilised, after several quarters of slowing GDP growth, while in Japan the early signs of the government's aggressive fiscal and monetary stimulus programmes to improve growth and inflation rates have been encouraging.

In response to this improving growth picture, however, the US Federal Reserve has signalled that quantitative easing may be slowed down at some stage in the future (QE tapering) which has led to higher bond yields that may impact the recovery. This has created some uncertainty in financial markets. Overall however, we continue to view equity valuations as attractive, supported by robust dividend growth, strong corporate balance sheets, improving company profits, and increasing signs of corporate M&A. Nevertheless, we continue to believe that global growth over the next few years will be relatively anaemic in relation to previous recoveries, hence the fund's core holdings are companies with strong market positions that we believe can deliver growth over the medium term in an uncertain market background.

**Ivor Pether**  
**Fund Manager**

**October 2013**

# Royal London UK Equity Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B66DT18	B67MDN4
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.62%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.29%	0.66%
Portfolio Turnover Rate	31/08/13	47%	47%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		05/11/10	01/05/12
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 March & 1 September	
Distribution Payment Dates		30 April & 31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	428,234	827.95
M Shares	410	116.40

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	853.50	748.30	17.51
	M Shares	119.80	104.90	2.35
2012	A Shares	740.20	658.60	16.18
	M Shares <sup>2</sup>	103.70	91.94	1.19
2011	A Shares	737.60	600.20	10.47

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 1 May 2012

# Royal London UK Equity Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London UK Equity Fund A	16.40	11.02	6.07
IMA UK All Companies Sector Average	23.57	13.52	7.72
<b>Relative Out-Performance</b>	<b>-7.17</b>	<b>-2.50</b>	<b>-1.65</b>

The sub-fund was launched on 5 November 2010 and first priced on 8 November 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Equity Trust launched on 01 August 1997.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b> 31/08/13 % Holding</b>	<b> Holding</b>	<b> 31/08/12 % Holding</b>
HSBC Holdings (London listed)	6.60	Royal Dutch Shell 'B'	6.18
Royal Dutch Shell 'B'	5.06	Vodafone Group	5.08
GlaxoSmithKline	4.93	HSBC Holdings (London listed)	5.06
Vodafone Group	4.76	GlaxoSmithKline	4.49
Rio Tinto	4.17	BP	4.02
BP	3.49	Rio Tinto	3.67
BG Group	2.74	BG Group	3.37
BT Group	2.58	Imperial Tobacco Group	2.72
Legal & General	2.24	British American Tobacco	2.64
Ashtead Group	2.21	Diageo	2.61

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	23.82	14.27
Oil & Gas	15.29	18.46
Industrials	11.35	13.57
Healthcare	9.19	8.88
Consumer Services	9.17	7.73
Basic Materials	8.85	11.53
Consumer Goods	7.96	9.84
Telecommunications	7.34	7.07
Utilities	3.03	3.10
Technology	1.35	2.14
Cash and net other assets	2.65	3.41
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Equity Income Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to achieve a combination of income and some capital growth by investing mainly in UK higher yielding and other equities, as well as convertible stocks.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 29.6%, against 18.9% for the benchmark (FTSE® All Share Index) and 21.3% for the IMA UK Equity Income peer group.

The fund's performance against competitor funds over the last 12 months benefited from a range of positive stock contributions, including Atkins (WS), Berendsen, Daily Mail and General Trust, Brewin Dolphin, Restaurant Group, Hargreaves Lansdown, 3i Group, Resolution, Essentra and Dunelm. Balfour Beatty and Pennon Group both detracted from performance.

## Portfolio Commentary

During the period under review the fund has continued to target companies that offer sustainable and growing dividends, with a focus on cashflow, robust balance sheets and international earnings. The shape of the fund has remained broadly unchanged and new money has been largely used to add to existing holdings. The fund has continued to favour quality industrial stocks due to their international earnings and exposure to faster growing emerging economies.

During the autumn the fund added to its holding in BAE Systems. We had a reassuring meeting with BAE Systems management post the EADS debacle in October. The volatility of their cashflow, which has been a feature in recent years, looks set to reduce over the next couple of years. With pension payments fixed until 2014, they should deliver a progressive dividend. The shares remain on a large valuation discount against peer group in both the UK and US.

During November the fund started a new holding in Cobham following its profits warning. The company is taking a more cautious view on US defence spending but signalling its 4½% dividend yield is safe and will grow at 10% pa going forward, well covered by cashflow. Given its strong market positions, one cannot rule out the company being

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part of US defence industry consolidation over the next few years as the US government looks to make further cost savings.

The fund also significantly reduced its holding in Hargreaves Lansdown, taking advantage of technical strength ahead of its inclusion in Morgan Stanley indices at the end of November. Shares were bought back in January following the expected relative share price weakness. We still think it is a strong story longer term, with RDR worries overstated, at least in the short term, as the new rules will not apply to them until 2014 but apply to others now.

During August the fund started a new holding in Intu Properties REIT. The dividend yield is over 4½% according to Bloomberg estimates and the shares traded on a discount to their net asset value, having lagged other stocks in the sector significantly. It has also been a big underperformer against the broader stockmarket in the last three years. The company owns high quality assets and they appear conservatively valued; the business comprises 10 of the UK's 30 top ranked regional shopping centres. When wage growth eventually returns to the UK, the business should be capable of delivering a steadily growing dividend over the longer term.

## Portfolio Outlook

The UK stockmarket has done well so far in 2013, helped by buoyant markets internationally. There has been clear evidence of economic recovery starting in the US, which has been helpful for stockmarkets worldwide. Bank balance sheets are repaired in the US and the housing market is steadily recovering. The US economy is strategically well placed, being self-sufficient in energy courtesy of shale gas, as well as being self-sufficient in food and having the world's reserve currency.

However the authorities are now signalling that quantitative easing (QE) may be slowed down at some stage in the future (QE tapering) and this has created some uncertainty in financial markets. Markets are quick to discount news that may take

some time to actually happen and anticipating QE tapering has put pressure on emerging markets economies that are dependent on external finance to fund their growth. The possibility of Western military intervention in the Middle East has also created uncertainty. In addition, it is not entirely clear what might happen in the Eurozone once German elections are out of the way at the end of September. Overall markets hate uncertainty and this may lead to increased stockmarket volatility over the coming months. We believe the longer term outlook for the UK stockmarket however, remains positive.

Our central view remains one of global economic 'muddle through' with anaemic growth in developed economies for a number of years. We continue to believe that stockmarkets can do well against this background, although selectivity will continue to be important. The overall strength of corporate balance sheets and ongoing cashflows should encourage mergers and acquisitions (M&A) activity in due course, which will be supportive of the market. Clearly business confidence may stay low for a while longer given the uncertain economic background, but in due course acquisitions may well be seen as a route forward for large companies who are becalmed by anaemic economic growth to step up their growth rates. We believe companies will prioritise this and dividends over building new factories and the like. It is one of the reasons for our preference for mid cap shares over mega cap companies, who are typically bid proof and far more likely to be doing the taking over of their smaller brethren.

With dividend growth our central scenario for the next 12 months, the yield on the market looks attractive in a world where interest rates will stay close to zero for a number of years. We continue to target those companies we believe will be corporate survivors and remain wary of financially distressed companies.

**Martin Cholwill**  
**Fund Manager**

**October 2013**

# Royal London UK Equity Income Fund

(continued)

<b>Fund Facts</b>				
	<b>As at</b>	<b>A Inc Shares</b>	<b>M Inc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B67N865	B3M9JJ7	B8Y4ZB9
Initial Charge		4.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.62%	0.62%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.30%	0.67%	0.67%
Portfolio Turnover Rate	31/08/13	11%	11%	11%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6	6
Launch Date (See notes overleaf)		05/11/10	05/11/10	27/11/12
Fund Type				Authorised OEIC Fund
Domiciled				UK
Distribution Calculation Dates (XD)				1 September, 1 December, 1 March & 1 June
Distribution Payment Dates				31 October, 31 January, 30 April & 31 July

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	362,100	622.18
M Inc Shares	139,749	633.09
M Acc Shares	9,776	126.83

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	642.60	535.50	17.22
	M Inc Shares	653.50	542.70	17.49
	M Acc Shares	129.59	105.65	3.44
2012	A Shares	530.20	455.40	21.49
	M Inc Shares	537.10	459.70	21.69
	M Acc Shares <sup>2</sup>	104.60	100.10	0.11
2011	A Shares	511.12	422.41	21.14
	M Inc Shares	513.21	424.44	21.22
2010 <sup>3</sup>	A Shares	489.00	459.30	0.91
	M Inc Shares	489.40	459.50	0.91

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 27 November 2012

<sup>3</sup> From launch on 5 November 2010

# Royal London UK Equity Income Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London UK Equity Income Fund A	29.58	18.80	11.66
IMA UK Equity Income Sector Average	21.28	13.24	7.83
<b>Relative Out-Performance</b>	<b>+8.30</b>	<b>+5.56</b>	<b>+3.83</b>

The sub-fund was launched on 5 November 2010 and first priced on 8 November 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Equity Income Trust launched on 11 April 1984.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13 % Holding</b>	<b>Holding</b>	<b>31/08/12 % Holding</b>
HSBC Holdings (London listed)	5.08	Vodafone Group	4.87
Royal Dutch Shell 'B'	4.63	Royal Dutch Shell 'B'	4.67
AstraZeneca	3.77	AstraZeneca	4.47
BP	3.43	BP	4.00
Vodafone Group	2.93	GlaxoSmithKline	3.34
GlaxoSmithKline	2.58	Severn Trent	2.88
BBA	2.35	HSBC Holdings (London listed)	2.87
Restaurant Group	2.35	Pennon Group	2.51
Rio Tinto	2.31	Hargreaves Lansdown	2.17
Berendsen	2.30	Informa	2.11

## Sector Breakdown

	31/08/13 %	31/08/12 %
Industrials	27.86	26.17
Financials	24.43	19.23
Consumer Services	14.06	14.50
Oil & Gas	8.06	8.67
Healthcare	6.35	7.81
Utilities	5.92	7.25
Basic Materials	5.43	5.27
Telecommunications	4.68	6.88
Consumer Goods	2.88	3.79
Cash and net other assets	0.33	0.43
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Ethical Equity Fund

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## Investment Objectives and Policies

The Fund seeks to achieve capital growth and income over the medium to long term by investing predominantly in shares of UK companies which meet the Fund's predefined ethical criteria.

A full specification of the ethical criteria is available from the Manager upon request.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Ethical Criteria

A full specification of the ethical criteria is available from the Manager upon request.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 25.3% against 18.9% by the FTSE® All Share benchmark and 23.6% from the IMA UK All Companies peer group.

## Portfolio Commentary

The 12 months under review saw a general improvement in the global economic outlook. This was mainly seen in the United States, where the general trend of macro data was for modest rather than strong economic growth. The US housing market posted a broad recovery, as did industrial output where the huge price advantage in gas prices as a result of the shale energy revolution is starting to come through. The fiscal outlook has improved somewhat, but this reflects stronger economic growth rather than any direct action by legislators. Indeed the failure to address this issue led to the commencement of the Sequestration process in the Spring. All eyes are now on the US labour market for signs of a reduction of the Fed's Quantitative Easing (QE) programme.

Chinese growth excited a lot of commentary, particularly in the spring as the market became concerned over the perceived 'slowdown' in Chinese economic growth. This manifested itself in a brutal sell off of the mining sector. Better Chinese macro data through the summer months saw the miners claw back some of their underperformance.

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The most dramatic change in the economic outlook was in the UK from Spring onwards, when the economic outlook brightened noticeably. This was evident in a pick-up in activity in the housing market from very subdued levels, but quickly spread out across the wider economy.

There were several good performances, but the one that shone in terms of contribution to fund performance was Ashtead Group. The shares rose over 125% as several positive updates delivered significant earnings upgrades. Ashtead Group is benefitting from very strong demand for its US plant hire equipment, reflecting the secular growth of rental penetration, combined with a reviving US housing market. This recovery has further to go along with the recovery in non-residential building which is still to come. ITV also did well following stronger advertising data, and the expectation of a cash return. Finally, Sports Direct International reaped considerable benefit from the collapse of their major trading competitor, as well as a number of well-timed acquisitions.

Oil exploration and mining shares remained out of favour and this detracted from fund performance. Rockhopper Exploration shares drifted lower as investors focused on the lack of short term drilling news rather than the strength of their balance sheet and the core value of their Sea Lion asset, post the deal with Premier Oil.

The fund is invested using pre-defined ethical criteria. Ethical screening is provided by independent research company EIRiS.

## **Portfolio Outlook**

The UK stockmarket has done well so far in 2013, helped by buoyant markets internationally and a better economic outlook here and in the USA. However the authorities are now signalling that QE may be slowed down at some stage in the future (QE tapering) and this has created some uncertainty in financial markets, particularly in emerging market currencies. This has put huge pressure on the highly rated consumer staples stocks, an area the fund has little exposure to.

The overall strength of corporate balance sheets and ongoing strong cashflows should encourage merger and acquisition activity in due course, which will be supportive of the market. Business confidence is picking up and we are seeing a strong pick up in IPO activity. Whilst valuations are not as attractive as they were 12 months ago, the outlook for equities remains broadly positive.

**Bradley Mitchell**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London UK Ethical Equity Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>M Inc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B5B49T7	B7ZPQG6
Initial Charge		0.00%	0.00%
Initial Commission		0.00%	0.00%
Annual Management Charge (AMC)		0.70%	0.70%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.84%	0.84%
Portfolio Turnover Rate	31/08/13	107%	107%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		09/05/11	26/11/12
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 March & 1 September	
Distribution Payment Dates		30 April & 31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
M Inc Shares	6,554	113.58
M Acc Shares	7,867	121.02

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	M Inc Shares	119.20	103.40	3.60
	M Acc Shares	124.30	106.80	3.27
2012	M Inc Shares	102.20	86.84	3.18
	M Acc Shares <sup>2</sup>	105.50	99.87	n/a
2011 <sup>3</sup>	M Inc Shares	102.60	78.91	0.97

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 26 November 2012

<sup>3</sup> From launch on 9 May 2011

# Royal London UK Ethical Equity Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>	
	<b>1 year %</b>
Royal London UK Ethical Equity Fund	25.34
IMA UK All Companies Sector Average	23.57
<b>Relative Out-Performance</b>	<b>+1.77</b>

The sub-fund was launched on 9 May 2011 and first priced on 10 May 2011,

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b>31/08/13 % Holding</b>	<b> Holding</b>	<b>31/08/12 % Holding</b>
HSBC Holdings (London listed)	5.37	Royal Dutch Shell 'B'	7.34
Rio Tinto	4.89	BP	5.50
Royal Dutch Shell 'B'	4.65	HSBC Holdings (London listed)	5.03
BG Group	3.99	BG Group	4.84
ITV	2.97	Rio Tinto	4.33
BP	2.79	BT Group	3.02
Ashtead Group	2.76	Severn Trent	2.82
Shire	2.63	United Utilities	2.78
United Utilities	2.56	Xstrata	2.75
AstraZeneca	2.53	Pennon Group	2.69

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	26.45	14.07
Oil & Gas	17.31	22.74
Consumer Services	16.20	14.01
Basic Materials	8.51	9.47
Industrials	7.86	14.04
Healthcare	7.17	6.33
Utilities	6.17	8.29
Consumer Goods	4.44	5.03
Telecommunications	4.00	5.43
Technology	0.00	0.73
Cash and net other assets/ (liabilities)	1.89	(0.14)
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Growth Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to actively seek capital growth through investing predominantly in UK equities.

## Assets

To achieve this objective the Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 18.4% against 18.9% by the FTSE® All Share benchmark and 23.6% from the IMA UK All Companies peer group.

## Portfolio Commentary

The 12 months under review saw a general improvement in the global economic outlook. This was mainly seen in the United States, where the general trend of macro data was for modest rather than strong economic growth. The US housing market posted a broad recovery, as did industrial output where the huge price advantage in gas prices as a result of the shale energy revolution is starting to come through. The fiscal outlook has improved somewhat, but this reflects stronger economic growth rather than any direct action by legislators. Indeed the failure to address this issue led to the commencement of the sequestration process in the spring. All eyes are now on the US labour market for signs of a reduction of the Fed's Quantitative Easing programme.

Chinese growth excited a lot of commentary, particularly in the spring as the market became concerned over the perceived 'slowdown' in Chinese economic growth. This manifested itself in a brutal sell off of the mining sector. Better Chinese macro data through the summer months saw the miners claw back some of their underperformance.

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The most dramatic change in the economic outlook was in the UK from spring onwards, when the economic outlook brightened noticeably. This was evident in a pick up in activity in the housing market from very subdued levels, but quickly spread out across the wider economy.

There were several good performances, but the one that shone in terms of contribution to fund performance was Ashtead Group. The shares rose over 125% as several positive updates delivered significant earnings upgrades. Ashtead Group is benefitting from very strong demand for its US plant hire equipment, reflecting the secular growth of rental penetration, combined with a reviving US housing market. This recovery has further to go along with the recovery in non-residential building which is still to come. ITV also did well following stronger advertising data, and the expectation of a cash return. Sports Direct International reaped considerable benefit from the collapse of their major trading competitor, as well as a number of well-timed acquisitions. We took a large holding in Countrywide at the time of their IPO, the shares went on to significantly outperform the market.

Oil exploration and mining shares remained out of favour and this detracted from fund performance. An Ophir Energy investor day disappointed, with concerns raised over funding for the 2013 drilling campaign. Whilst Rockhopper Exploration shares drifted lower as investors focused on the lack of short term drilling news rather than the strength of their balance sheet and the core value of their Sea Lion asset, post the deal with Premier Oil. In the miners, it was Kenmare Resources (London listed) that was the biggest disappointment as cost overruns and poor production weighed heavily on investor sentiment.

## **Portfolio Outlook**

The UK stockmarket has done well so far in 2013, helped by buoyant markets internationally and a better economic outlook here and in the USA. However the authorities are now signalling that QE may be slowed down at some stage in the future (QE tapering) and this has created some uncertainty in financial markets, particularly in emerging market currencies. This has put huge pressure on the highly rated consumer staples stocks, an area the fund has little exposure to.

The overall strength of corporate balance sheets and ongoing strong cashflows should encourage merger and acquisition activity in due course, which will be supportive of the market. Business confidence is picking up and we are seeing a strong pick up in IPO activity. Whilst valuations are not as attractive as they were 12 months ago, the outlook for equities remains broadly positive.

**Bradley Mitchell**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London UK Growth Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B63H3D3	B63DTG6
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.62%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.30%	0.63%
Portfolio Turnover Rate	31/08/13	70%	70%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		30/04/10	17/05/12
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 September & 1 March	
Distribution Payment Dates		31 October & 30 April	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	417,714	243.46
M Shares	464	124.03

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	250.31	220.72	4.29
	M Shares	127.48	111.93	2.91
2012	A Shares	222.70	192.70	3.52
	M Shares <sup>2</sup>	110.42	97.33	0.88
2011	A Shares	223.00	170.80	2.93
2010 <sup>3</sup>	A Shares	218.60	167.50	1.41

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 17 May 2012

<sup>3</sup> From launch on 30 April 2010

# Royal London UK Growth Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year</b> %	<b>3 years</b> %	<b>5 years</b> %
Royal London UK Growth Fund A	18.42	10.27	6.51
IMA UK All Companies Sector Average	23.57	13.52	7.72
<b>Relative Out-Performance</b>	<b>-5.15</b>	<b>-3.25</b>	<b>-1.21</b>

The sub-fund was launched on 30 April 2010 and first priced on 4 May 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Growth Trust launched on 4 August 1997.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13</b> % Holding	<b>Holding</b>	<b>31/08/12</b> % Holding
HSBC Holdings (London listed)	6.32	Royal Dutch Shell 'B'	6.73
Royal Dutch Shell 'B'	5.18	BG Group	4.55
Rio Tinto	5.14	BP	4.11
BG Group	4.03	Rio Tinto	3.96
BP	4.00	HSBC Holdings (London listed)	3.96
GlaxoSmithKline	3.89	Imperial Tobacco Group	3.89
Ashtead Group	3.53	GlaxoSmithKline	3.67
Shire	2.87	Informa	2.93
ITV	2.62	Vodafone Group	2.79
Glencore Xstrata	2.53	Weir Group	2.74

## Sector Breakdown

	31/08/13 %	31/08/12 %
Oil & Gas	20.80	26.06
Financials	19.01	12.54
Consumer Services	12.70	7.16
Industrials	9.52	15.49
Basic Materials	9.21	9.45
Healthcare	9.02	7.41
Consumer Goods	7.43	9.18
Utilities	6.01	5.10
Telecommunications	4.20	5.16
Technology	0.45	0.85
Cash and net other assets	1.65	1.60
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Mid Cap Growth Fund

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## Investment Objectives and Policies

The Fund seeks to maximise capital growth over the medium to long term, mainly through the investment in medium-sized UK companies. The remainder of investments may consist of larger or smaller companies and Exchange Traded Funds as the Manager deems strategically appropriate.

## Assets

The Fund may hold transferable securities, Exchange Traded Funds, and cash. It may also hold derivatives and forward transactions for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 33.8% against 34.4% by the FTSE® 250 (ex IT) benchmark and 23.6% from the IMA UK All Companies peer group.

## Portfolio Commentary

During the period, a highly accommodative policy environment has supported a meaningful strengthening in economic activity. This upward momentum in economic activity is likely to be maintained in the second half of 2013, and into 2014. The improving outlook for consumer activity, has provided strong support to consumer cyclicals such as housebuilders and retailers over the past 12 months.

Despite this rosy outlook for the UK economy, the market has recently given up some of its gains. There have been very few places to hide as risk assets across the spectrum take a beating from the combination of Syrian tension, a spike in oil prices and emerging market concerns. The most direct spillover effect from the escalating Syrian tension has been in crude oil prices which are now 20% above April's lows.

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Positive performances came from stocks exposed to the improving UK housing sector such as Countrywide and Barratt Developments, with the Government's new help-to-buy scheme driving a significant increase in reservations and visitor numbers. Smith (DS) was another good performer as its acquisition of SCA has allowed it to increase its market share with many of its key consumer good companies across most European markets. Ashtead Group was another feature - its CEO still sees substantial upside to come from a cyclical construction market volume recovery in the US, a doubling of market share, and rental penetration moving from 50% to 60%.

Poor performances came from Domino's Pizza following disappointing news on the roll-out of their stores in Germany, and Spirent Communications where the market for telecom testing struggled as companies cut back on capital expenditure.

Among the changes to the fund during the period were sales of Fenner where the outlook for mining capex, especially in Australia, is poor, and the disposal of non-benchmark holdings - Rockhopper Exploration, Northgate, and Falkland Oil and Gas. In future, the fund will concentrate solely on stocks that are either in the mid cap index, or will soon be joining the index. The fund took part in several placings – Essentra, who were funding an acquisition; St James' Place, after Lloyds Banking Group decided to place part of its stake; and estate agent Countrywide, which was a new IPO.

Other transactions saw Travis Perkins, William Hill, Easyjet, and Persimmon sold following their promotion to the FTSE® 100.

## Portfolio Outlook

With GDP upgrades yet to show through in corporate numbers, mergers and acquisitions beginning to show signs of life, balance sheets still delivering plenty of room for special dividends and buy-backs and equities still heavily under-owned, there is still a very good case for the asset class. Despite the recent spike in bond yields, the valuation gap in support of equities still remains compelling. The move up in yields has finally triggered an asset rotation away from fixed income and into equities, and it is this that should protect the downside, and also provide the upside.

**Derek Mitchell**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London UK Mid Cap Growth Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B4V70S5	B5BRW42
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.40%	0.70%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.44%	0.74%
Portfolio Turnover Rate	31/08/13	92%	92%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6
Launch Date (See notes overleaf)		30/10/09	11/11/09
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 September	
Distribution Payment Dates		31 October	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	159,575	249.42
M Shares	27,194	255.96

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	263.30	207.20	2.88
	M Shares	270.10	211.70	4.54
2012	A Shares	203.20	162.60	1.90
	M Shares	207.60	165.00	3.02
2011	A Shares	187.70	143.60	1.65
	M Shares	190.00	145.60	2.87
2010	A Shares	176.20	128.70	1.28
	M Shares	177.70	129.30	2.20
2009 <sup>2</sup>	A Shares	134.10	123.70	n/a
	M Shares	134.10	126.60	n/a

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 30 October 2009 for Class A and 11 November 2009 for Class M

# Royal London UK Mid Cap Growth Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London UK Mid-Cap Growth Fund A	33.83	21.50	15.67
IMA UK All Companies Sector Average	23.57	13.52	7.72
<b>Relative Out-Performance</b>	<b>+10.26</b>	<b>+7.98</b>	<b>+7.95</b>

The sub-fund was launched on 30 October 2009 and first priced on 2 November 2009, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Mid Cap Trust launched on 2 June 2006.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13 % Holding</b>	<b>Holding</b>	<b>31/08/12 % Holding</b>
Michael Page International	3.05	Ashtead Group	2.94
Senior	3.02	Domino's Pizza	2.93
BBA	2.94	Lancashire	2.90
Booker	2.92	Persimmon	2.89
3i Group	2.86	Melrose	2.86
Countrywide	2.85	Barratt Developments	2.84
Barratt Developments	2.79	3i Group	2.84
Inchcape	2.79	Smith (DS)	2.83
Howden Joinery Group	2.77	Informa	2.79
Dixons Retail	2.75	Telety	2.71

## Sector Breakdown

	31/08/13 %	31/08/12 %
Consumer Services	30.76	17.61
Industrials	24.21	28.60
Financials	22.87	20.37
Consumer Goods	5.54	5.73
Oil & Gas	4.18	8.48
Basic Materials	4.18	5.72
Telecommunications	2.71	0.00
Technology	2.14	8.82
Healthcare	1.61	2.11
Cash and net other assets	1.80	2.56
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Opportunities Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to achieve capital growth by exploiting a concentrated portfolio of UK company shares with the potential for above average returns.

## Assets

The Fund may hold transferable securities and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 19.6% against 18.9% by the FTSE® All Share benchmark and 23.6% from the IMA UK All Companies peer group.

## Portfolio Commentary

During the period, a highly accommodative policy environment has supported a meaningful strengthening in economic activity. This upward momentum in economic activity is likely to be maintained in the second half of 2013, and into 2014. The improving outlook for consumer activity, has provided strong support to consumer cyclicals such as housebuilders and retailers over the past 12 months.

Despite this rosy outlook for the UK economy, the market has recently given up some of its gains. There have been very few places to hide as risk assets across the spectrum take a beating from the combination of Syrian tension, a spike in oil prices and emerging market concerns. The most direct spillover effect from the escalating Syrian tension has been in crude oil prices which are now 20% above April's lows.

Positive performances came from stocks exposed to the improving UK housing sector such as Lloyds Banking Group, and Persimmon, with the Government's new help-to-buy scheme driving a significant increase in reservations and visitor numbers. Smith (DS) was another good performer as its acquisition of SCA has allowed it to increase its market share with many of its key consumer goods companies across most European markets. Ashtead Group was another feature - its CEO still sees substantial upside to come from a cyclical construction market volume recovery in the US, a doubling of market share, and rental penetration moving from 50% to 60%.

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Poor performances came from Ophir Energy following disappointing drilling news and lack of progression on farm-out, and Pennon Group where their waste recycling division, Veridor, suffered from lower landfill volumes.

The fund took part in a placing in Essentra that was funding an acquisition, as well as a rights issue from Ophir Energy that plugged its funding gap ahead of its next drilling campaign. Taylor Wimpey was added to the fund to benefit from the increasingly positive outlook for the UK housebuilders. It has recently reported a strong selling season, with volumes and pricing better, and offers the prospect of a capital return funded by its strong cashflow. Weir Group was sold as the outlook for mining capex, especially in Australia, is much reduced. New management at several of the leading mining companies have promised a greater focus on capital discipline, returning cash to shareholders rather than spending it on expensive greenfield developments.

## **Portfolio Outlook**

With GDP upgrades yet to show through in corporate numbers, mergers and acquisitions (M&A) beginning to show signs of life, balance sheets still delivering plenty of room for special dividends and buy-backs and equities still heavily under-owned, there is still a very good case for the asset class. Despite the recent spike in bond yields, the valuation gap in support of equities still remains compelling. The move up in yields has finally triggered an asset rotation away from fixed income and into equities, and it is this that should protect the downside, and also provide the upside.

**Derek Mitchell**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London UK Opportunities Fund

(continued)

<b>Fund Facts</b>				
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>	<b>M Inc Shares</b>
Sedol Number		B4WMW05	B5BRWCO	B4MB138
Initial Charge		4.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%
Annual Management Charge (AMC)		1.40%	0.70%	0.70%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.41%	0.71%	0.71%
Portfolio Turnover Rate	31/08/13	83%	83%	83%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6	6	6
Launch Date (See notes overleaf)		30/10/09	14/04/10	10/11/10
Fund Type	Authorised OEIC Fund			
Domiciled	UK			
Distribution Calculation Dates (XD)	1 September			
Distribution Payment Dates	31 October			

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	501,906	138.10
M Inc Shares	778	114.69
M Acc Shares	14,899	141.45

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	145.00	121.00	2.11
	M Inc Shares	123.00	102.20	2.54
	M Acc Shares	148.50	123.30	3.07
2012	A Shares	121.80	108.10	1.68
	M Inc Shares	104.60	93.00	2.14
	M Acc Shares	123.60	109.80	2.47
2011	A Shares	122.10	92.90	1.44
	M Inc Shares	105.90	79.02	1.65
	M Acc Shares	122.90	93.95	2.26
2010	A Shares	120.20	92.32	0.81
	M Inc Shares <sup>2</sup>	104.20	96.08	n/a
	M Acc Shares <sup>3</sup>	120.90	93.95	0.57
2009 <sup>4</sup>	A Shares	98.28	89.28	n/a

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 10 November 2010

<sup>3</sup> From launch on 14 April 2010

<sup>4</sup> From launch on 30 October 2009

# Royal London UK Opportunities Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year %</b>	<b>3 years %</b>	<b>5 years %</b>
Royal London UK Opportunities Fund A	19.55	10.72	8.23
IMA UK All Companies Sector Average	23.57	13.52	7.72
<b>Relative Out-Performance</b>	<b>-4.02</b>	<b>-2.80</b>	<b>+0.51</b>

The sub-fund was launched on 30 October 2009 and first priced on 2 November 2009, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Special Situations Trust launched on 20 July 2007.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b>Holding</b>	<b>31/08/13 % Holding</b>	<b>Holding</b>	<b>31/08/12 % Holding</b>
Lloyds Banking Group	4.83	Imperial Tobacco Group	4.56
ITV	4.43	Compass Group	4.05
Legal & General	3.97	GlaxoSmithKline	3.95
Ashtead Group	3.72	BG Group	3.87
HSBC Holdings (London listed)	3.55	Babcock International Group	3.86
Barclays	3.41	BP	3.68
GKN	3.36	Pennon Group	3.68
Prudential	3.18	HSBC Holdings (London listed)	3.32
BT Group	3.04	Aggreko	3.16
William Hill	2.98	Vodafone Group	3.11

## Sector Breakdown

	31/08/13 %	31/08/12 %
Consumer Services	23.28	6.55
Financials	22.26	11.61
Industrials	19.18	26.08
Oil & Gas	10.21	20.35
Basic Materials	7.94	6.47
Consumer Goods	7.68	10.56
Healthcare	4.60	6.41
Telecommunications	3.04	6.20
Utilities	0.00	3.68
Cash and net other assets	1.81	2.09
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London UK Smaller Companies Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to achieve capital growth by investing primarily in UK smaller companies.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013 the fund gave a total return of 34.6% against 44.9% by the FTSE® Small Cap ex-Investment Trust Index and 31.7% from the IMA UK Smaller Companies peer group.

## Portfolio Commentary

The strength in equity markets last year gathered more momentum this year as Eurozone issues receded, US economic data improved, policy makers globally committed to loose monetary policy until economies are strong enough to withstand stimulus withdrawal and confidence in equities grew in the pursuit of real returns in an environment of low nominal growth rates. Against this background the more dynamic small and mid-size capitalised stocks outperformed their larger brethren significantly.

More than 20 positions in the fund recorded returns in excess of 50% over the financial year. Notably, long-held favourites Workspace, Brewin Dolphin, Dunelm and Cineworld were all strong over the period, aided in part to their exposure to the improving UK economy. The highest returning investment in the fund was Globo, a developer of mobile IT solutions for the consumer and enterprise sectors, reflecting a number of key milestones in product launches and distribution agreements. However, relative performance was held back by lack of exposure to some of the strongly performing larger stocks in the benchmark including Thomas Cook Group (4.7 points of the index return) and Xaar 2.3 points of the index return). SDL has been the biggest disappointment among the stocks held

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in the portfolio having missed profits forecast more than once. It instigated a new marketing strategy to kick-start sales, and has finally begun to stabilise profit expectations; we wait to see if an inflection point has been reached. Conversely, a holding in another disappointing technology company, Phorm, which also failed to deliver on expectations, was sold as we could see no way that this company could recoup the lost opportunities fast enough to ensure a satisfactory recovery. The overall underweight position in resources stocks has been a significant positive over the period as concerns on Chinese economic growth, and hence commodity prices, continued to depress the sector.

We have added a number of new holdings to the portfolio during the year including LSL Property Services, Majestic Wine and Mothercare. LSL is well positioned to benefit from the improving UK housing and property markets; Majestic Wine is a well-managed company with a strong market position and a growing online presence. Mothercare is playing catch-up with its online strategy versus other vendors in the baby and child space, but added to a rationalisation strategy for the branch network which has a lot of latent value to be unlocked in a significant market position. We have taken small positions in US corporate gift distributor, 4Imprint and data management company, WANdisco. Besides Phorm, we also exited Paragon Group of Companies during the period, where the shares had performed very strongly and closed the discount to asset value and a small holding in Valliant Petroleum was taken over.

## Portfolio Outlook

The fund's continued strategy of investing in a broad range of financially sound companies with a focus on structural and self-determined growth whilst running a structural underweighting to commodity and financially impaired stocks. As economic data continues to improve, more recovery companies will move from the higher risk investment category to acceptable risk as confidence in profit expectations is underpinned and we shall selectively seek to take advantage of this. However, core strategy to deliver performance without adding the undue risk remains. We also anticipate that improved confidence and risk appetite should generally lead to more corporate activity and we would expect that a number of our existing holdings would be attractive to larger slower growth corporates.

**Victoria Stewart**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

# Royal London UK Smaller Companies Fund

(continued)

<b>Fund Facts</b>			
	<b>As at</b>	<b>A Acc Shares</b>	<b>M Acc Shares</b>
Sedol Number		B694M64	B3NQHL5
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.40%	0.70%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	1.43%	0.73%
Portfolio Turnover Rate	31/08/13	9%	9%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	5	5
Launch Date (See notes overleaf)		05/11/10	01/05/12
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 September & 1 March	
Distribution Payment Dates		31 October & 30 April	

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
A Shares	167,909	137.37
M Shares	15	134.50

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	A Shares	139.00	112.20	1.44
	M Shares	136.00	109.40	2.22
2012	A Shares	110.40	87.91	1.04
	M Shares <sup>2</sup>	107.60	92.38	0.81
2011	A Shares	101.10	82.64	0.60
2010	A Shares	94.14	85.23	n/a

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 1 May 2012

# Royal London UK Smaller Companies Fund

(continued)

<b>Fund vs Sector Average Out-Performance</b>			
	<b>1 year</b> %	<b>3 years</b> %	<b>5 years</b> %
Royal London UK Smaller Companies Fund A	34.63	21.74	12.70
IMA UK Smaller Companies Sector Average	31.69	19.13	12.36
<b>Relative Out-Performance</b>	<b>+2.94</b>	<b>+2.61</b>	<b>+0.38</b>

The sub-fund was launched on 05 November 2010 and first priced on 08 November 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Smaller Companies Trust launched on 20 July 2007.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

<b>Top Ten Holdings</b>			
<b> Holding</b>	<b> 31/08/13</b> <b> % Holding</b>	<b> Holding</b>	<b> 31/08/12</b> <b> % Holding</b>
Cineworld	3.71	Cineworld	3.55
Workspace Group REIT	3.45	Elementis	2.79
Brammer	2.97	Vitec Group	2.72
Brewin Dolphin	2.81	Unite Group	2.71
Diploma	2.78	Diploma	2.59
Unite Group	2.76	Workspace Group REIT	2.49
Galliford Try	2.70	Galliford Try	2.48
Berendsen	2.59	Optos	2.34
Hill & Smith	2.55	Genus	2.34
Hyder Consulting	2.47	Dunelm	2.25

## Sector Breakdown

	31/08/13 %	31/08/12 %
Industrials	36.46	34.86
Financials	21.36	20.12
Consumer Services	18.44	13.59
Technology	7.91	9.65
Basic Materials	4.05	5.56
Healthcare	3.77	5.26
Consumer Goods	2.37	2.49
Oil & Gas	2.35	2.71
Utilities	0.28	0.47
Cash and net other assets	3.01	5.29
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Royal London US Tracker Fund

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## Investment Objectives and Policies

The investment objective and policy of the Fund is to aim to achieve the capital return of the FTSE® World US Index by investing primarily in the securities that make up the FTSE® World US Index.

## Assets

The Fund may hold transferable securities, (including Exchange Traded Funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

## Fund Performance

During the 12 month period ending 31 August 2013, the return from the Royal London US Tracker Fund was 22.2%. This compares with a capital return on the FTSE® World US Index of 19.8%. This difference can be explained primarily by a combination of the timing of the fund pricing, the fund being priced at midday while the index is priced at the end of the day, and the impact of income within our fund.

## Portfolio Commentary

The fund manager uses an optimised portfolio to track the capital return of the FTSE® World US Index. We take the view that full replication may result in too much costly trading, which could outweigh the benefit of perfect replication.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix.

In practice, the Royal London US Tracker Fund holds most of its benchmark's names as well as having holdings in futures and cash.

**Symon Bradford**  
**Fund Manager**

**October 2013**

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM



# Royal London US Tracker Fund

(continued)

<b>Fund Facts</b>		
	<b>As at</b>	<b>Z Acc Shares</b>
Sedol Number		B5172X1
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.20%
Ongoing Charges Figure (OCF) <sup>1</sup>	31/08/13	0.22%
Portfolio Turnover Rate	31/08/13	0%
Synthetic Risk Reward Indicator (SRRI) <sup>2</sup>	31/08/13	6
Launch Date (See notes overleaf)		26/02/10
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 September
Distribution Payment Dates		31 October

<sup>1</sup> The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup> The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website <http://www.rlam.co.uk/Fund-Performance-Prices>.

## Fund Performance Data

Share Class	Net Asset Value as at 31/08/13 £'000	Net Asset Value per share as at 31/08/13 p
Z Shares	1,979,240	161.99

## Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013 <sup>1</sup>	Z Shares	172.20	132.20	2.37
2012	Z Shares	136.70	119.60	1.84
2011	Z Shares	125.10	100.50	1.50
2010 <sup>2</sup>	Z Shares	119.80	97.87	0.78

Single priced ICVC sub-fund

<sup>1</sup> To 31 August 2013

<sup>2</sup> From launch on 26 February 2010

# Royal London US Tracker Fund

(continued)

Fund vs Sector Average Out-Performance			
	1 year %	3 years %	5 years %
Royal London US Tracker Fund Z	22.17	17.77	10.25
IMA North America Sector Average	22.27	16.13	9.10
<b>Relative Out-Performance</b>	<b>-0.10</b>	<b>+1.64</b>	<b>+1.15</b>

The sub-fund was launched on 26 February 2010 and first priced on 1 March 2010, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London US Index Tracker Trust launched on 24 August 2007.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is annualised over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings			
Holding	31/08/13 % Holding	Holding	31/08/12 % Holding
Apple	2.83	Apple	4.27
Exxon Mobil	2.44	Exxon Mobil	2.78
Microsoft	1.59	Microsoft	1.78
General Electric	1.52	IBM	1.53
Johnson & Johnson	1.48	Chevron	1.52
Chevron	1.48	General Electric	1.52
Google	1.44	AT & T	1.49
Wells Fargo & Co	1.36	Wal-Mart Stores	1.30
Procter & Gamble	1.32	Johnson & Johnson	1.28
IBM	1.27	Procter & Gamble	1.28

## Geographical Breakdown

	31/08/13 %	31/08/12 %
United States	93.90	91.67
Ireland	0.80	0.85
Switzerland	0.65	0.62
Bermuda	0.36	0.38
United Kingdom	0.32	0.12
Netherlands	0.27	0.19
Channel Islands	0.12	0.04
Singapore	0.10	0.09
Israel	0.06	0.07
Cayman Islands	0.05	0.04
Liberia	0.04	0.03
Canada	0.02	0.02
Panama	0.01	0.02
Cash and net other assets	3.30	5.86
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

## Sector Breakdown

	31/08/13 %	31/08/12 %
Financials	17.08	14.81
Technology	15.37	16.65
Consumer Services	13.11	12.59
Healthcare	11.42	10.28
Industrials	11.28	10.51
Consumer Goods	10.52	10.21
Oil & Gas	9.79	9.87
Utilities	3.08	3.33
Basic Materials	2.69	2.67
Telecommunications	2.36	2.93
Futures	0.00	0.29
Cash and net other assets	3.30	5.86
<b>Total<sup>1</sup></b>	<b>100.00</b>	<b>100.00</b>

<sup>1</sup> Subject to rounding

# Important Notes

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Investments in stocks and shares can go down as well as up. This can affect the price of shares within Open Ended Investment Companies and the income from them.

Where overseas securities are held the prices and income may also be affected by changes in currency exchange rates. It is possible that the value of an investment may fall below its original level.

Where funds hold investments in smaller companies it should be noted that by their nature these companies are generally new to the market and may therefore be subject to significant price movements. They may also be difficult for the fund manager to buy and sell.

Past performance should not be seen as a guide to future returns.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future fund performance. Source RLAM unless otherwise stated.

Your holding in an Open Ended Investment Company must be regarded as a medium to long term investment, this means for at least five years.

## **Risk Profile**

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

# Company Information

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**A copy of the Long Form Report and Accounts is available on request.**

**The Authorised Corporate Director (ACD) of the Royal London Equity Funds ICVC is Royal London Unit Trust Managers Ltd.**

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Good thinking. Well applied.

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