ROYAL LONDON
UK SMALLER COMPANIES FUND
29.02.24

FUND OVERVIEW

Fund Manager(s)	Henry Burrell, Henry Lowson
Fund Size	£308.15m
Domicile	United Kingdom
ISA	Eligible
Benchmark Index	FTSE Small Cap ex Inv Co
Investment Association Sector	IA UK Smaller Companies
Currency	GBP
Initial Charge	0.0%
Fund Management Fee (FMF):	M Acc: 0.77% N Acc: 0.70%

Share Class M (Accumulation)

Unit Launch Date	01.05.12
Minimum Investment	£100,000
SEDOL	B3NQHL5
Mid Price	251.80p
Historic Yield	2.13%

Share Class N (Accumulation)

Unit Launch Date	20.03.20
Minimum Investment	£5,000,000
SEDOL	BL5MHK6
Mid Price	137.10p
Historic Yield	2.21%

Overview

The Fund's investment objective is to achieve capital growth over the medium term (3-5 years) by investing at least 80% in the shares of UK smaller companies listed on the London Stock Exchange. The Fund's performance target is to outperform. after the deduction of charges, the FTSE Small Cap ex-IT (investment trusts) Total Return GBP Index (the "Index") over rolling 5-year periods. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA UK Smaller Companies sector is considered an appropriate benchmark for performance comparison.

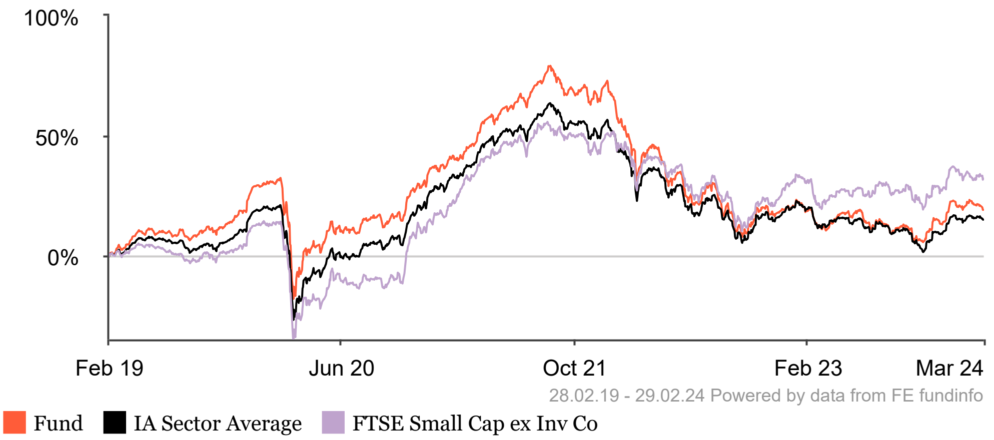
Year-on-year performance

	31.12.22 to 31.12.23	31.12.21 to 31.12.22	31.12.20 to 31.12.21	31.12.19 to 31.12.20	31.12.18 to 31.12.19
Share Class M (Accumulation)	3.7%	-30.9%	25.8%	5.7%	35.6%
Share Class N (Accumulation)	3.7%	-30.8%	25.9%	-	-

Cumulative Performance (as at 29.02.24)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Class M (Accumulation)	5.0%	6.9%	0.2%	-14.7%	19.2%
Share Class N (Accumulation)	5.1%	7.0%	0.3%	-14.5%	-
IA Sector Average	5.3%	3.8%	-4.0%	-13.0%	15.1%
FTSE Small Cap ex Inv Co	4.9%	4.0%	0.5%	6.1%	32.3%
Quartile Ranking	3	1	1	3	2

Performance Chart



Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

Source: RLAM and FE fundinfo as at 29.02.24. Fund performance is shown on a mid to mid price basis, net of fees and gross of taxes, with gross income reinvested unless otherwise stated. Benchmark performance is shown gross of fees and taxes.

Fund Manager(s)

Henry Lowson

Lead Manager
Fund Manager tenure:
01.09.16

Henry Burrell

Deputy Manager
Fund Manager tenure:
01.01.20

Yield Definitions

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. Reported yields reflect RLAM's current perception of market conventions around timing of bond cash flows.

Important Information

This is a financial promotion and is not investment advice.

The Fund is a sub-fund of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

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Source: RLAM, FE fundinfo and HSBC as at 29.02.24, unless otherwise stated. Yield definitions are shown above.

Our ref: FS RLAM PD 0121

Breakdowns exclude cash and futures.

Fund Commentary

The UK Smaller Companies fund returned -3.4% during the month, underperforming the benchmark (FTSE Small Cap ex IT) by -1.7%.

February was a relatively uneventful month for macroeconomic news; expectations for interest rate cuts were pushed back a few months by central bankers, although this didn't prevent the Nasdaq in the US hitting all time highs thanks to continued enthusiasm for all things AI related. The FTSE All Share ended broadly flat, while Small and Mid Caps underperformed, reflecting caution about the UK economy. Data released during the month suggested that the UK economy did slip into a mild technical recession at the end 2023, but better PMI data gave cause for optimism that the economy was starting 2024 more positively.

Wilmington was the top contributor during the month, with the shares rallying after announcing impressive full year results for 2023 as well as a sale process for their non-core Healthcare businesses. This brought to light the quality of earnings in the remaining group, with recurring revenues growing double digit and margins in their Intelligence division approaching 40% - a financial profile which merits a much more generous valuation. Auction Technology Group ("ATG") and Keystone Law also performed well after encouraging trading updates. ATG's update, which released at the end of January, surprised naysayers by holding guidance for the coming year despite operating in markets which have some short term challenges, while Keystone's trading update drive earnings upgrades as more fee earners joined the network and existing lawyers generated strong billings.

There were some disappointments in the month, of which Gooch & Housego ("G&H") and Genus were the most significant. In both cases these companies have been impacted by challenges not of their own making, which nevertheless had material impacts on their earnings expectations. G&H suffered from the US DoD cancelling a new satellite communications program at the last minute, as well as some ongoing destocking from their industrial laser customers. Management are taking appropriate action to manage costs while the recovery in demand from Industrial and Life Sciences customers will, in time, significantly boost their margin potential. Genus struggled to manage weak demand in both their Bovine and Porcine markets, most acutely in China. The executive team are taking action to fundamentally improve the economics of their business model in Bovine, as well as removing some central costs to drive profitability. Within Porcine, despite the weak trading results from China, they're nevertheless making progress winning large Chinese customers and transitioning more customers to predictable royalty contracts; this will be a better business when demand returns, more in the form of their world class European and US operations.

This is not a recommendation or solicitation to buy or sell any particular security. The views and opinions expressed herein are those of the manager at the time and are subject to change without notice.

Sector Breakdown

	Fund
Industrials	32.8%
Consumer Discretionary	21.3%
Technology	14.5%
Financials	10.6%
Health Care	6.5%
Consumer Staples	5.2%
Basic Materials	4.2%
Energy	1.8%
Telecommunications	1.6%
Real Estate	1.6%

Top 10 Holdings as at 29.02.24

	Fund
HOLLYWOOD BOWL GROUP PLC	3.4%
BOKU INC. INC	2.9%
PORVAIR PLC	2.6%
CHEMRING GROUP PLC	2.5%
GLOBALDATA PLC	2.5%
ALFA FINANCIAL SOFTWARE HOLDINGS P	2.5%
ADVANCED MEDICAL SOLUTIONS GROUP P	2.4%
HILL AND SMITH PLC	2.3%
XPS PENSIONS GROUP PLC	2.3%
WILMINGTON PLC	2.3%
Total	**25.7%**
No of Holdings	**68**

CONTACT DETAILS

Private Investors

For enquiries and dealing: Tel: 03456 04 04 04*

Intermediaries

For enquiries: Tel: 0203 272 5950*
Email: BDSupport@rlam.co.uk

Institutional Investors

For enquiries: Tel: 020 7506 6500*
Email: Institutional@rlam.co.uk

Head Office

Royal London Asset Management Limited
80 Fenchurch Street
London, EC3M 4BY
Tel: 020 7506 6500*
Telephone calls may be recorded. For further information please see the privacy policy at http://www.rlam.com.

Key Concepts to Understand

Capital Growth: Capital growth is defined as the rise in an investment's value over time.
Rolling 5 Year Period: A rolling 5-year period is any period of five years, no matter which day you start on.
Derivative A financial instrument whose price is dependent upon or derived from one or more underlying asset.
Efficient Portfolio Management: A list of approved investment techniques, including the use of derivatives, used to protect against excessive risk, reduce cost or generate extra income or growth.
Smaller companies (small-cap): Those worth less than £250 million.
Exchange traded funds: Are tradeable on an index in a similar way to individual shares. ETFs track other indices and provide a lower-cost method of diversifying a portfolio.

Fund Risks

Investment Risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.
EPM Techniques: The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.
Liquidity Risk In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding
Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
Smaller Company Risk: The Fund invests in smaller companies, the prices for which can be less liquid and be more volatile than those of larger companies and therefore may have a greater impact on the value of the Fund.