Royal London Asset Management

Sustainable Fund Commentary

30 April 2025

These funds are adopting the Sustainability Focus label.
We are updating the relevant fund material and will publish these once ready.
Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).

Fund Commentary

30 April 2025

The purpose of this report is to provide an update on the Royal London Sustainable Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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ROYAL LONDON ASSET MANAGEMENT

Sustainable

Royal London European Sustainable Credit Fund

The fund saw a positive return over the month in euro terms, albeit behind the benchmark index. Activity over the month focused on adding to existing positions in preferred names such as Swisscom, GlaxoSmithKline and Deutsche Telekom, while also adding a euro-denominated new issue from US tech giant Alphabet, adding sector diversity.

Credit spreads were generally wider over the month, with modest increases in US dollar, euro and sterling investment grade markets, with larger moves seen in higher risk areas such as emerging market and high yield markets. This was a headwind for returns, albeit with the impact mitigated by falling global government bond yields.

Amidst global geopolitical and macroeconomic uncertainties affecting global government bond markets, credit still offers attractive sources of value for those prepared to look carefully. In a diversified portfolio with an emphasis on security, we believe that we can generate attractive income-supported risk-adjusted returns in an environment of volatile yields and potentially wider spreads.

Royal London Global Sustainable Credit Fund

The fund saw a small positive return over the month in US dollar terms, albeit behind the benchmark index. Activity over the month focused on adding to existing positions in preferred names such as KBC, Citigroup and Gilead Sciences, while also adding a euro-denominated new issue from US tech giant Alphabet, adding sector diversity.

Credit spreads were generally wider over the month, with modest increases in US dollar, euro and sterling investment grade markets. This was a headwind for returns, albeit with the impact mitigated by falling global government bond yields.

Amidst global geopolitical and macroeconomic uncertainties affecting global government bond markets, credit still offers attractive sources of value for those prepared to look carefully. In a diversified portfolio with an emphasis on security, we believe that we can generate attractive income-supported risk-adjusted returns in an environment of volatile yields and potentially wider spreads.

Royal London Global Sustainable Equity Fund

April saw the US government announce a range of reciprocal tariffs that would be applied on goods entering into the country.

The fund outperformed the index during the month and was ranked in the first quartile versus its peer group. The top contributors to returns included Comfort Systems and MercadoLibre.

We continue to be more active with portfolio activity to take advantage of falls in some share prices and to position the portfolio for an evolving market backdrop. During the month we initiated a position in BBVA, a bank focussed on Spanish and Central and South American markets and exited our position in Prologis, a real estate company focussed on ecommerce warehousing.

Sustainable

Royal London Global Sustainable Equity Fund (IRL)

April saw the US government announce a range of reciprocal tariffs that would be applied on goods entering into the country.

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Royal London Sustainable Corporate Bond Trust

UK government bond yields fell significantly over the month, as did government bond yields in Europe, however longer dated yields in the US rose. Credit spreads in the sterling investment grade market continued their year-to-date widening trend over the month, with credit underperforming gilts.

The fund posted positive net returns for April but underperformed the benchmark iBoxx Sterling Non-Gilts All Maturities Index. The main negatives for the fund's relative underperformance during April were security selection and credit allocation. Underweight exposure to supranational bonds, and stock selection in structured bonds negatively impacted returns. Longer term outperformance relative to benchmarks remains intact.

Amidst global geopolitical and macroeconomic uncertainties affecting global government bond markets, sterling credit still offers attractive sources of value for those prepared to look carefully.

Royal London Sustainable Diversified Trust

During April the US government announced a range of reciprocal tariffs on goods entering the country. This caused concerns about the impact on global supply chains, lower profits, and higher prices. Equity and debt markets responded aggressively, with volatility levels comparable to previous crises like COVID-19 and the global financial crisis.

The Trust outperformed during the month, ranking in the second quartile versus its peer group. Top contributors to performance included MercadoLibre and Tesco. Latin American ecommerce and payments company MercadoLibre benefited from the market viewing it and the regions it serves as relative winners from the tariff announcements. Detractors included Thermo Fisher and Fiserv.

We continued building positions in Applied Industrial Technologies, a US-focused industrial distributor and service provider, and Sallie Mae Corporation, the largest provider of US private student loans. This was funded by exiting positions in Nordson and Novo Nordisk.

Sustainable

Royal London Sustainable Growth Fund

The US government announced a range of reciprocal tariffs on goods entering the country. This caused concerns about the impact on global supply chains, lower profits, and higher prices. Equity and debt markets responded aggressively, with volatility levels comparable to previous crises like COVID-19 and the global financial crisis.

The fund outperformed during April, ranking in the second quartile versus its peer group. Top contributors to performance included Comfort Systems and MercadoLibre. Comfort Systems reported positive quarterly results. Latin American ecommerce and payments company MercadoLibre benefited from a view among investors that the regions it serves will be relative winners from the tariff announcements.

We continued building positions in Applied Industrial Technologies, a US-focused industrial distributor and service provider, and Sallie Mae Corporation, the largest provider of US private student loans.

Royal London Sustainable Leaders Trust

April saw the announcement by the US government of a range of reciprocal tariffs that would be applied on goods entering into the country.

The Trust outperformed the index during the month but underperformed relative to peers and was positioned in the third quartile. Top contributors to performance included Tesco and SSE. Tesco reported strong results as it continued to take market share and investors gained confidence in its ability to successfully navigate pricing disruptions to the UK supermarket industry.

During the month, the Trust continued to build a position in Aviva, a UK insurance, retirement and investment business, and added to its holdings in banks including HSBC, NatWest and Lloyds. This was funded through exiting a position in Thermo Fisher Scientific.

Royal London Sustainable Managed Growth Trust

UK government bond yields fell significantly over the month, as did government bond yields in Europe, however longer dated yields in the US rose. Credit spreads in the sterling investment grade market continued their year-to-date widening trend over the month, with credit underperforming gilts.

The fund posted positive net returns for April. The fixed income exposure saw smaller gains than broad sterling corporate bond markets – mainly due to our exposure to structured bonds, and stock selection in insurance bonds, in addition to a negative impact from our equity positions in ThermoFisher and Fiserv.

In a diversified portfolio with an emphasis on security, we believe that we can generate attractive income-supported risk-adjusted returns in an environment of volatile yields and potentially wider spreads.

Sustainable

Royal London Sustainable Short Duration Corporate Bond Fund

UK government bond yields fell significantly over the month, as did government bond yields in Europe, however longer dated yields in the US rose. Credit spreads in the sterling investment grade market continued their year-to-date widening trend over the month, with credit underperforming gilts.

The fund posted positive net returns for April but underperformed the benchmark ICE BofAML 1-5yr Sterling Non-Gilt All Stocks Index. A key negative for the fund's relative underperformance during April was credit allocation and security selection. Underweight exposure to supranational and overweight exposure to financial bonds were a drag on returns, and stock selection in insurance bonds also negatively impacted returns. Longer term outperformance relative to benchmarks remains intact.

In a diversified portfolio with emphasis on security, we believe that we can generate attractive income-supported risk-adjusted returns in an environment of volatile yields and potentially wider spreads.

Royal London Sustainable World Trust

The US government announced a range of reciprocal tariffs on goods entering the country. This caused concerns about the impact on global supply chains, lower profits, and higher prices. Equity and debt markets responded aggressively, with volatility levels comparable to previous crises like COVID-19 and the global financial crisis.

The Trust outperformed, ranking in the second quartile versus its peer group. Top contributors to performance included Comfort Systems and MercadoLibre. Comfort Systems reported positive quarterly results. Latin American ecommerce and payments company MercadoLibre benefited from a view among investors that the regions it serves will be relative winners from the tariff announcements.

We continued building positions in Applied Industrial Technologies, a US-focused industrial distributor and service provider, and Sallie Mae Corporation, the largest provider of US private student loans. This was funded by exiting positions in L'Oreal and Novo Nordisk.

Disclaimers

Important information

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This is a financial promotion and is not investment advice.

The views expressed are the presenter's own and do not constitute investment advice. Telephone calls may be recorded. For further information please see the privacy policy at www.rlam.com.

RL Sustainable Leaders Trust, RL Sustainable World Trust, RL Sustainable Diversified Trust, RL Sustainable Managed Growth Trust, RL Sustainable Corporate Bond Trust.

The Trusts are authorised unit trust schemes. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032. For more information on the trust or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

RL Global Sustainable Equity Fund, RL Sustainable Growth Fund

The Funds are sub-funds 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.

RL European Sustainable Credit, RL Global Sustainable Credit Fund, RL Global Sustainable Equity (IRL):

The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is Fund Rock Management Company SA, Registered office: Airport Center Building, 5 Heienhaff, L-1736 Senningerberg, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited. For more information on the Fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

RL Sustainable Short Duration Corporate Bond Fund

The Fund is a sub-fund of Royal London Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128. 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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Risk and Warnings

Investment risk

The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stock market and therefore more volatile.

Credit risk

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

Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.

Efficient portfolio management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Exchange Rate Risk

Changes in currency exchange rates may affect the value of your investment.

Interest rate risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

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.

Emerging markets risk

Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Responsible investment style risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Charges from capital risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.