Royal London Asset Management

Fixed Income Fund Commentary

31 August 2025

Fund Commentary

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The purpose of this report is to provide an update on the Royal London Fixed Income 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 Corporate Bond Fund

In August, the UK's 10-year government bond yield rose to the highest level since January, and the yield of the 30-year reached its highest level since 1998. European yields crept up and 10-year US government bond yields declined. Credit markets outperformed government bonds but their overall returns were influenced by those of underlying government bonds.

The fund posted broadly flat returns for August but outperformed its benchmark. The main driver of relative performance was stock selection, with credit sector allocation also contributing to the fund's performance. On a stock selection basis, our holdings in structured and financials supported relative returns, including our overweight in Legal & General legacy bonds.

Despite uncertainty in the macro outlook, markets are driven by current fundamentals. In a diversified portfolio with emphasis on security, we believe our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Ethical Bond Fund

In August, the UK's 10-year government bond yield rose to the highest level since January, and the yield of the 30-year reached its highest level since 1998. European yields also crept up. In the US, the 10-year government bond yield declined within the range seen most of this year. Credit markets outperformed government bonds but overall returns were influenced by those of underlying government bonds.

The fund posted positive returns, outperforming its benchmark. This was driven by security selection, with structured and bank bonds the main contributors. Credit sector allocation also contributed with our exposure to insurance bonds boosting returns.

Despite considerable uncertainty in the macro outlook, markets continue to be driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Global Bond Opportunities Fund

The fund produced a positive return over the month in sterling terms. Performance was driven by the fund's high yield and unrated bonds, with investment grade holdings seeing a negative return. In terms of sectors, consumer services, general industrials and real estate bonds were notable performers.

We continued to add to holdings using the new issue market, including a new subordinated bond issue from Nippon Life, whilst in the secondary market, added to favoured positions in Heathrow Finance, Royal Bank of Canada and a junior pub bond from Mitchells & Butlers. We also enacted a switch into Nationwide from Aberdeen, picking up additional spread.

Despite considerable uncertainty in the macro outlook, markets continue to be driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe our credit strategies continue to benefit from attractive all-in yields available in the asset class.

Fixed Income

Royal London Global High Yield Bond Fund

The high yield market experienced a positive return in the month, marking the fourth consecutive month of positive returns. Credit spreads widened by 22bps on the first day of the month on the back of negative payroll revisions in the US but ended the month only 3bps wider. Government yields fell, to drive the market to a positive return for the month. The new issuance market momentum carried into August with $36.5bn issued globally in the high yield market. However, there was some summer lull as essentially all new issuance was issued during the first half the month. Year to date, global high yield has seen $364.2bn issued, up 10% versus this time last year.

The fund produced a positive return in the month but was behind the benchmark. The fund’s basic industry and healthcare holdings lagged the benchmark, leading to the underperformance. The fund’s bias towards single B rated bonds was a detractor, relative to the benchmark.

High yield fundamentals are well supported and that has resulted in a very moderate default climate up to now. Current US high yield default rates are very low, as are global high yield defaults.

Royal London Global Index Linked Fund

The UK’s 10-year index linked government bond yield rose to the highest level seen this year since January, and the yield of the 30-year reached its highest level since 1998. The upcoming Autumn Budget was a key driver of uncertainty as Chancellor Rachel Reeves faces pressure to balance the books through tax increases or spending restraint, which are alternatives to increased borrowing but could present headwinds to growth. European yields also crept up while, in the US, the 10-year government bond yield declined within the range seen most of this year.

The fund produced a flat return over the month and underperformed the benchmark index. The fund's strategic long duration positioning was a negative contributor to performance given rising yields, although tactically trading market volatility added value. The fund reduced an overweight US position in the month which added to performance. The fund traded breakevens around the 2035 auction adding value by buying gilts beforehand then switching back into the 2035 bond which had cheapened following the auction.

We still expect interest rates to fall in the UK in the next 12 months and the Bank of England to reduce its quantitative tightening programme.

Fixed Income

Royal London Global Mezzanine ABS Fund

The summer lull began earlier than expected but also ended earlier than anticipated. The doors to the primary market flung open after a seven-week hiatus in the last week of August with five new issues across UK and Europe and four in Australia. The CLO space in August was dominated by reset/refi activity, where supply has been record-breaking so far.

The absence of a primary market during the summer period helped contribute to the supportive technical environment with spreads continuing to grind tighter across all markets. Senior non-captive auto paper was the clear outperformer having benefitted from the Supreme court partially overturning the Court of Appeal's motor finance commission ruling at the beginning of August. This sector had suffered most on the initial ruling with senior spreads widening on the news.

The first deals from Europe were from the auto sector and saw strong execution across all tranches. The desk rotated out of some senior paper to invest further down the credit curve in new issue CLOs and a couple of Australian RMBS transactions. The auto paper was met with aggressive demand and drove spreads extremely tight which did not meet fund requirements.

Royal London Global Senior ABS Fund

The summer lull began earlier than expected but also ended earlier than anticipated. The doors to the primary market flung open after a seven-week hiatus in the last week of August with five new issues across UK and Europe and four in Australia. The CLO space in August was dominated by reset/refi activity, where supply has been record-breaking so far.

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Fixed Income

Royal London Index Linked Fund

The UK's 10-year index linked government bond yield rose to the highest level seen this year since January, and the yield of the 30-year reached its highest level since 1998. The upcoming Autumn Budget was a key driver of uncertainty as Chancellor Rachel Reeves faces pressure to balance the books through tax increases or spending restraint, which are alternatives to increased borrowing but could present headwinds to growth. Real yields in Europe and the US were more mixed.

The fund produced a negative return over the month and underperformed the benchmark index. The fund's strategic long duration positioning was a negative contributor to performance given rising yields, although tactically trading market volatility added value. There was no cross-market activity as we see UK bonds as attractive values. The fund traded breakevens around the 2035 auction adding value by buying gilts beforehand then switching back into the 2035 bond which had cheapened following the auction.

We still expect interest rates to fall in the UK in the next 12 months and the Bank of England to reduce its quantitative tightening programme.

Royal London Investment Grade Short Dated Credit Fund

In August, the UK's 10-year government bond yield rose to the highest level since January, and the yield of the 30-year reached its highest level since 1998. European yields crept up and the 10-year US government bond yield declined. Credit markets outperformed government bonds but their overall returns were influenced by those of underlying government bonds.

The fund recorded positive net returns and outperformed the benchmark. Both credit sector allocation and stock selection contributed to the fund positive performance. Overweight exposure to structured boosted returns over the month. On a stock selection basis, our holdings in structured, insurance and bank bonds all supported relative outperformance.

Despite uncertainty in the macro outlook, markets are driven more by current fundamentals. In a diversified portfolio with emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Short Duration Credit Fund

In August, the UK's 10-year government bond yield rose to the highest level since January, and the yield of the 30-year reached its highest level since 1998. European yields crept up and the 10-year US government bond yield declined. Credit markets outperformed government bonds but their overall returns were influenced by those of underlying government bonds.

The fund recorded positive net returns for August and outperformed the benchmark. The main driver of outperformance was stock selection, with credit sector allocation also contributing to the fund's positive returns. On a stock selection basis, our holdings in structured and consumer services bonds supported returns.

Despite considerable uncertainty in the macro outlook, markets continue to be driven by current fundamentals. In a diversified portfolio with emphasis on security, we believe our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Fixed Income

Royal London Short Duration Gilts Fund

For global government bond markets, August was characterised by higher yields and steeper curves. In the UK, these moves, particularly at the longer end of the curve, were amplified by renewed fears around the UK's deteriorating fiscal picture. Also affecting markets this month was the Bank of England meeting, which turned out to be more hawkish than anticipated.

The fund's strategic long duration position relative to the benchmark detracted from performance during the month as yields rose. Tactically we extended the duration overweight as shorter maturity yields rose throughout August. Our tactical trading of the curve saw the fund sell 2029 and 2030 gilts longer into 2031 and 2033 bonds to take advantage of the steepness of the yield curve, and the additional yield on offer in the 5-7 year portion of the curve. The fund has no inflation exposure and no cross-market exposure.

We still expect interest rates to fall in the UK over the next 12 to 18 months as the economic growth picture in the UK remains relatively anaemic and inflation falls from its current highs of around 4%.

Royal London Short Duration Global High Yield Bond Fund

The high yield market experienced a positive return in the month, marking the fourth consecutive month of positive returns. Credit spreads widened by 22bps on the first day of the month on the back of negative payroll revisions in the US but ended the month only 3bps wider. Government yields fell, to drive the market to a positive return for the month.

The new issuance market momentum carried into August with $36.5bn issued globally in the high yield market. However, there was some summer lull as essentially all new issuance was issued during the first half the month. Year to date, global high yield has seen $364.2bn issued, up 10% versus this time last year.

The fund continued its strong performance in August. All sectors, regions and ratings produced positive returns with basic industry, media and retail outperforming on a relative basis. On a regional basis, the fund's US assets relatively outperformed. With the new issue market continuing to be open, the fund continued to spend cash on existing and new positions as bonds were redeemed. New positions were made in Coty, Techem, Transdigm, Solenis and Wesco.

Royal London Short Duration Global Index Linked Fund

The UK's 10-year index linked government bond yield rose to the highest level seen this year since January, and the yield of the 30-year reached its highest level since 1998. The upcoming Autumn Budget was a key driver of uncertainty as Chancellor Rachel Reeves faces pressure to balance the books through tax increases or spending restraint, which are alternatives to increased borrowing but could present headwinds to growth. European yields also crept up while, in the US, the 10-year government bond yield declined within the range seen most of this year.

The fund produced a positive return over the month but underperformed the benchmark index. Duration positioning was mixed, with our strategic long position negative given rising yields, but tactical positioning offset this. The fund reduced an overweight US position in the month which added to performance. The fund traded breakevens around the 2035 auction adding value by buying gilts beforehand then switching back into the 2035 bond which had cheapened following the auction.

We still expect interest rates to fall in the UK in the next 12 months and the Bank of England to reduce its quantitative tightening programme.

Fixed Income

Royal London Short Term Fixed Income Enhanced Fund

The Bank of England was widely expected to cut rates at its August meeting, and duly delivered, a 0.25% cut taking UK rates to 4.00%. This is the lowest level for UK rates since early 2023, but was more notable for two rounds of voting to reach a decision, as the Bank weighed soft growth against rising inflation.

Following the cut by the Bank of England, SONIA fell from 4.22% to 3.97%. Two-year gilts, often seen as a proxy for market expectations of BoE rates, remained in the trading range seen over the past few months, rising from 3.89% to 3.96%.

Activity remained somewhat lower than usual, reflecting lighter volumes over the summer. The fund participated selectively in attractive new issues that offered attractive yields, including senior bonds from Bank of Montreal and secured bonds from US insurance company Northwestern Mutual. We also bought six-month treasury bills, these yielding in excess of SONIA at more than 4%, with no credit risk. Other activity was around trading short-dated gilts to benefit from market volatility.

Royal London Short Term Fixed Income Fund

The Bank of England was widely expected to cut rates at its August meeting, and duly delivered, a 0.25% cut taking UK rates to 4.00%. This is the lowest level for UK rates since early 2023, but was more notable for two rounds of voting to reach a decision, as the Bank weighed soft growth against rising inflation.

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Activity remained somewhat lower than usual, reflecting lighter volumes over the summer, although we added selectively to longer dated paper where pricing was attractive, including one-year CDs from Royal Bank of Canada and Nordea at over 4%. We also bought six-month treasury bills, these yielding in excess of SONIA at more than 4%, with no credit risk.

Royal London Short-Term Money Market Fund

The Bank of England was widely expected to cut rates at its August meeting, and duly delivered, a 0.25% cut taking UK rates to 4.00%. This is the lowest level for UK rates since early 2023, but was more notable for two rounds of voting to reach a decision, as the Bank weighed soft growth against rising inflation.

Following the cut by the Bank of England, SONIA fell from 4.22% to 3.97%. Two-year gilts, often seen as a proxy for market expectations of BoE rates, remained in the trading range seen over the past few months, rising from 3.89% to 3.96%.

The fund retains a bias towards three-month and shorter paper, adding the likes of Bank of Montreal, BNP Paribas and Nationwide. Activity remained somewhat lower than usual, reflecting lighter volumes over the summer, although we added selectively to longer dated paper where pricing was attractive, including six-month floating rate CDs from Bank of Nova Scotia and longer CIBC covered at attractive premia over SONIA. We also bought six-month treasury bills late in the month, these yielding in excess of SONIA at more than 4%, with no credit risk.

Fixed Income

Royal London Sterling Liquidity Money Market Fund

The Bank of England was widely expected to cut rates at its August meeting, and duly delivered, a 0.25% cut taking UK rates to 4.00%. This is the lowest level for UK rates since early 2023, but was more notable for two rounds of voting to reach a decision, as the Bank weighed soft growth against rising inflation.

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Royal London Sterling Credit Fund

In August, the UK's 10-year government bond yield rose to the highest level since January, and the yield of the 30-year reached its highest level since 1998. European yields crept up and the 10-year US government bond yield declined. Credit markets outperformed government bonds but overall returns were influenced by those of underlying government bonds.

The fund posted broadly flat returns for August but outperformed its benchmark. The main driver of relative performance was stock selection, with credit sector allocation also contributing. On a stock selection basis, our holdings in structured, consumer services and bank bonds supported relative returns.

Despite considerable uncertainty in the macro outlook, markets continue to be driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Sterling Extra Yield Bond Fund

The fund recorded positive returns over the month with positive contributions from across the portfolio, including investment grade, high yield and unrated bonds. In terms of sectors, the fund's holdings in banking, consumer services and general industrials bond were the notable performers.

The fund remains active in primary markets, taking part in a new issue from US automotive firm Ford, with the six-year issue coming at attractive spread levels. In the secondary market, we added to exposure in favoured positions in Mitchells & Butlers and Nationwide.

Despite considerable uncertainty in the macro outlook, markets continue to be driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe our credit strategies continue to benefit from attractive all-in yields available in the asset class.

Fixed Income

Royal London UK Government Bond Fund

For global government bond markets, August was characterised by higher yields and steeper curves. In the UK, these moves, particularly at the longer end of the curve, were amplified by renewed fears around the UK's deteriorating fiscal picture. Also affecting markets this month was the Bank of England meeting, which turned out to be more hawkish than anticipated.

The fund's strategic duration long position was the main driver of underperformance. As yields rose we gradually extended the duration overweight, buying longer maturity UK gilts at or close to 30-year highs. The fund remains long Australia, Japan and the US, which was beneficial to performance in that they outperformed equivalent maturity gilts. The fund's curve position was also a contributor as our overweight position in 5-year bonds versus the belly of the curve, performed well as the curve steepened.

We still expect interest rates to fall in the UK in the next 12 months and the Bank of England to reduce its quantitative tightening programme.

Disclaimers

Important information

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RL Corporate Bond Fund, RL Investment Grade Short Dated Credit Fund, RL Sterling Credit Fund, RL Global Index Linked Fund, RL UK Government Bond fund, RL Index Linked, RL Short Duration Global Index Linked Fund and RL Short Duration Gilts Fund, RL Short Term Fixed Income Fund, RL Short Term Fixed Income Enhanced Fund, RL Short Term Money Market Fund:

The Funds are sub-funds of Royal London Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797. 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.

RL Ethical Bond Fund, RL Short Duration Credit Fund

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RL Global Bond Opportunities Fund, RL Sterling Extra Yield Bond Fund, RL Global High Yield Bond Fund, RL Short Duration Global High Yield Bond Fund, RL Sterling Liquidity Money Market Fund:

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RL Global Mezzanine ABS Fund, RL Global Senior ABS Fund:

The Fund is a sub-fund of Royal London Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations and has been established as an umbrella fund with segregated liability between Funds. It is not a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is FundRock 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.

Notice for UK Investors:

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

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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.

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.

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.

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.

EPM techniques risk
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.

Derivative risk
The fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

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.

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

Liquidity risk
In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Government and public securities risk
The Fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

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

Sub-investment grade investment risk
Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Unrated bond risk
Non-rated bonds may have the characteristics of either investment or sub-investment grade bonds. Market activity in unrated securities and instruments may be low for a considerable period of time and this may impact on liquidity.

Risk and Warnings

Stable NAV risk

The Fund is not the same as a bank deposit account. It is designed such that it will seek, for the Distribution Classes, to maintain the Net Asset Value per Share at a fixed value by distributing income from the Fund as it arises. However, whilst the Fund's investments are reasonably believed by the Investment Manager to be of high quality, there is always a risk that an underlying issuer could default or otherwise fall in value, resulting in the Fund being unable to maintain the Net Asset Value per Share at a fixed value and therefore a loss of capital will occur. The risk of loss is to be borne by the investor. There is no representation or warranty that the Fund will be able to maintain a stable Net Asset Value per Share.

Inflation risk

Where the income yield is lower than the rate of inflation, the real value of your investment will reduce over time.

Money market fund risk

A Money Market Fund is not a guaranteed investment, and is different from an investment in deposits. The principal invested in the Fund is capable of fluctuation and the risk of loss of the principal is to be borne by the investor. The Fund does not rely on external support for guaranteeing the liquidity of the Fund or stabilising the NAV per share.

Responsible investment 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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily

affected by events that influence the stockmarket and therefore more volatile.

Leverage risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily

affected by events that influence the stockmarket and therefore more volatile.

Short Term Money Market Fund

The Fund has been authorised as a Variable Net Asset Value (VNAV) MMF and is a short term money market fund in accordance with MMF Regulation. The NAV is calculated using mark to market prices where possible otherwise mark to model prices are used. The redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.

Sterling Liquidity Money Market Fund

The Fund has been authorised as a Low Volatility Net Asset Value (LVNAF) MMF and is a short-term money market fund in accordance with MMF Regulation which seeks to maintain a stable NAV under the condition that the stable NAV does not deviate from the Net Asset Value per share by more than 20 basis points. In case of a deviation of more than 20 basis points between the stable NAV and the Net Asset Value per share, the following redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.