

For professional clients only, not suitable for retail clients. This is a marketing communication.



# Royal London Asset Management

## Sustainable Fund Commentary

**31 August 2025**



Funds that have a Sustainability Focus Label investing mainly in assets that focus on sustainability for people or the planet. Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).



# Fund Commentary

**31 August 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.

# Contents

[Royal London European Sustainable Credit Fund](#)

[Royal London Global Sustainable Credit Fund](#)

[Royal London Global Sustainable Equity Fund](#)

[Royal London Global Sustainable Equity Fund \(IRL\)](#)

[Royal London Sustainable Corporate Bond Trust](#)

[Royal London Sustainable Diversified Trust](#)

[Royal London Sustainable Growth Fund](#)

[Royal London Sustainable Leaders Trust](#)

[Royal London Sustainable Managed Growth Trust](#)

[Royal London Sustainable Short Duration Corporate Bond Fund](#)

[Royal London Sustainable World Trust](#)

[Disclaimers](#)

# Sustainable

## Royal London European Sustainable Credit Fund

The fund saw a negative return over the month in euro dollar terms, and was behind the benchmark index. Credit markets were generally positive in August, but the sterling investment grade market suffered a negative return. The US dollar investment grade market seen solid returns while euro markets seen modest gains. Higher risk areas such as corporate hybrids and emerging market bonds seen greater returns.

We continued to add to holdings using the new issue market, particularly in financials, including Legal & General, Credit Agricole, Mizuho Financial and NatWest Markets. In the secondary market, the fund added to favoured positions in financials Axa and Citi as well as European grid operator TenneT.

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.

## Royal London Global Sustainable Credit Fund

The fund saw a positive return over the month in US dollar terms, ahead of the benchmark index. Credit markets were generally positive in August, but the sterling investment grade market suffered a negative return. The US dollar investment grade market seen solid returns while euro markets seen modest gains. Higher risk areas such as corporate hybrids and emerging market bonds seen greater returns.

We continued to add to holdings using the new issue market, particularly in financials, including Legal & General, Standard Chartered, Mizuho Financial and a five-year bond from US fintech firm Fiserv. The fund also took part in a new issue from animal vaccine producer Zoetis.

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.

## Royal London Global Sustainable Equity Fund

After a positive July, equity markets were muted in August with modest gains for the benchmark in sterling terms. Materials were the strongest sector supported by stronger underlying commodity prices while utilities underperformed as long duration bond yields rose despite expectations mounting for rate cuts from the US.

The Fund underperformed during August. Key detractors included Intuit, an accounting software provider, which reported better than expected results but disappointed on guidance which implied a slowdown. Further, investors are increasingly nervous of AI disruption risks in software. Microsoft had a pull-back following very strong performance this year as concerns around the returns on AI capex returned. Positive contributors included HCA, a US hospital chain, which raised guidance following good operational performance.

We continue to focus on adapting to the ever-changing investment landscape and focus on the long term wealth creation characteristics of our holdings.

# Sustainable

## Royal London Global Sustainable Equity Fund (IRL)

After a positive July, equity markets were muted in August with modest gains for the benchmark in sterling terms. Materials were the strongest sector supported by stronger underlying commodity prices while utilities underperformed as long duration bond yields rose despite expectations mounting for rate cuts from the US.

The Fund underperformed during August. Key detractors included Intuit, an accounting software provider, which reported better than expected results but disappointed on guidance which implied a slowdown. Further, investors are increasingly nervous of AI disruption risks in software. Microsoft had a pull-back following very strong performance this year as concerns around the returns on AI capex returned. Positive contributors included HCA, a US hospital chain, which raised guidance following good operational performance.

We continue to focus on adapting to the ever-changing investment landscape and focus on the long term wealth creation characteristics of our holdings.

## Royal London Sustainable Corporate Bond Trust

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 Sustainable Diversified Trust

After a strong July global equity markets were more muted in August with modest gains in sterling terms. The sterling credit market fell slightly in August, driven by a rise in gilt yields.

The Trust underperformed in August and was positioned in the fourth quartile relative to peers. The main detractors were Sage, an accounting software provider, and RELX, a data and analytics business. Both reported good results but faced concerns that AI will lead to barriers to entry and pricing power being reduced. Positive contributors included HCA, a US hospital chain, which raised guidance following good operational performance.

The Trust started new positions in Eurofins and BT. Eurofins, a French testing company, is benefiting from improvements in its end markets alongside operational improvements. At BT we anticipate cash flow to inflect as the rollout of fibre is completed supported by disciplined cost management and an improved external environment.

# Sustainable

## Royal London Sustainable Growth Fund

After a strong July global equity markets were more muted in August with modest gains in sterling terms. The sterling credit market fell slightly in August, driven by a rise in gilt yields.

The Fund underperformed in August and was positioned in the fourth quartile relative to peers. Key detractors included Fortinet, a cyber security company, which overestimated the positive impacts of a hardware refresh cycle. Meanwhile Intuit, an accounting software provider, reported better than expected results but disappointed on guidance which implied a slowdown. Positive contributors included HCA, a US hospital chain, which raised guidance following good operational performance.

The Fund started new positions in Eurofins and Nvidia. Eurofins, a French testing company, is benefiting from improvements in its end markets alongside operational improvements. Nvidia diversifies and broadens the Fund's AI exposure beyond Broadcom and TSMC.

## Royal London Sustainable Leaders Trust

The UK equity market rose in August as defensive sectors like consumer staples performed well. The Bank of England reduced interest rates to 4%, but as concerns remain about the persistency of inflation and the stretched state of UK government finances, domestic sectors such as housebuilders and real estate were weak.

The Trust underperformed the index during the month. The main detractors were Sage, an accounting software provider, and RELX, a data and analytics business. Both reported good results but faced concerns that AI will lead to barriers to entry and pricing power being structurally reduced. Positives included AstraZeneca which reported results ahead of expectations and positive clinical trial readouts.

A new position was initiated in BT. We anticipate cash flow to inflect as the rollout of fibre is nearing completion supported by disciplined cost management and an improved external environment.

## Royal London Sustainable Managed Growth Trust

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 negative returns for August. The fixed income exposure saw overall positive returns compared to broad sterling corporate bond markets – mainly due to overweight exposure to structured, while stock selection in consumer services bonds proved beneficial. In equities, our holdings in Sage Group and Schneider Electric were a drag on performance.

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.

# Sustainable

## Royal London Sustainable Short Duration 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 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 relative returns.

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 Sustainable World Trust

After a strong July global equity markets were more muted in August with modest gains in sterling terms. The sterling credit market fell slightly in August, driven by a rise in gilt yields.

The Trust underperformed in August and was positioned in the fourth quartile relative to peers. Key detractors included Fortinet, a cyber security company, which overestimated the positive impacts of a hardware refresh cycle. Meanwhile Intuit, an accounting software provider, reported better than expected results but disappointed on guidance which implied a slowdown. Positive contributors included HCA, a US hospital chain, which raised guidance following good operational performance.

We started new positions in Eurofins and Nvidia. Eurofins, a French testing company, is benefiting from improvements in its end markets alongside operational improvements. Nvidia diversifies and broadens the Trust's AI exposure beyond Broadcom and TSMC.

# Disclaimers

## Important information

For professional clients only, not suitable for retail clients. 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](http://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.

### **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.

### **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.

### **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](http://www.rlam.com).

### **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.

FTSE indexes and data are an intellectual property of FTSE International Limited ("FTSE"). "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. The Index is calculated by FTSE or its agent. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Royal London Asset Management.

MSCI indexes and data are the intellectual property of MSCI Inc. MSCI has no liability to any person for any loss, damage, cost, or expense suffered as a result of any use of or reliance on any of the information.

# Disclaimers

## Important information

Bloomberg® is a trademark and service mark of Bloomberg Finance L.P. (collectively with its affiliates, "Bloomberg"). Barclays® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approve or endorse this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

ICE indexes and data are the intellectual property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its Third-Party Suppliers and has been licensed for use by Royal London Asset Management. ICE Data and its Third-Party Suppliers accept no liability in connection with its use. See <https://www.theice.com/market-data/disclaimer> for a full copy of the Disclaimer.

iBoxx indexes and data are an intellectual property of Markit North America, Inc., Markit Indices GmbH, Markit Equities Limited and/ or its affiliates iBoxx and has been licensed for use in connection with the fund (or other investment vehicle) or securities referenced herein. The Index provided by IHS Markit is subject to disclaimer currently available here (and as updated by IHS Markit from time to time): <https://ihsmarkit.com/Legal/disclaimers.html> and/or in the prospectus for the Fund.

Issued in September 2025 by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

FC RLAM PD 0100 RA



# 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.