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Royal London Short-Term Money Market Fund

Quarterly Investment Report

31 December 2025



Quarterly Report

The fund as at 31 December 2025

The purpose of this report is to provide an update on the Royal London Short-Term Money Market Fund. The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

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The fund

Fund performance objective and benchmark

The Fund aims to preserve capital and generate income, over rolling 12-month periods, before the deduction of fees.

Fund value

	Total £m
31 December 2025	10,501.15

Fund analytics

	Fund
Fund launch date	22 July 1999
Benchmark	Sterling Overnight Index Average (SONIA)
Weighted average maturity (days)	40.83
Number of issuers	47
Redemption yield (%)	3.91

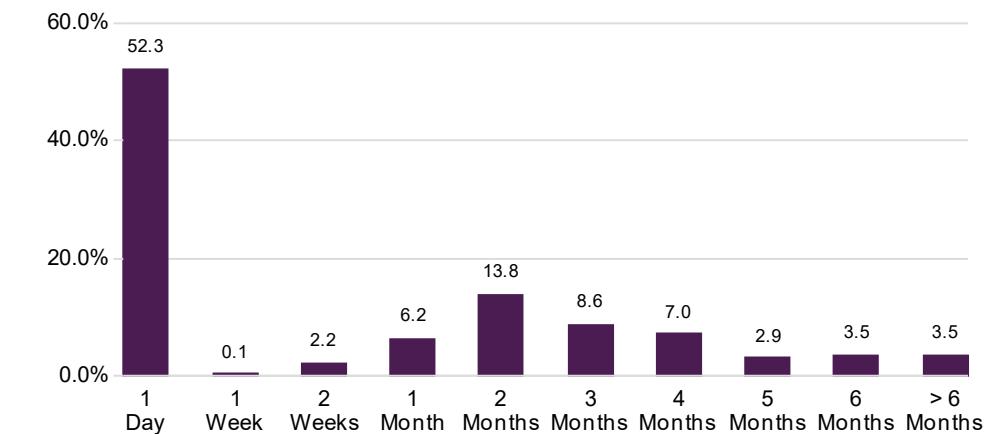
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.05	0.98	0.08
1 Year	4.53	4.22	0.32
3 Years (p.a.)	4.94	4.63	0.31
5 Years (p.a.)	3.25	3.05	0.21
10 Years (p.a.)	1.87	1.69	0.18
Since inception (p.a.)	2.17	2.40	(0.23)

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges, including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces your investment. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on Y Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 22 July 1999.

Duration profile



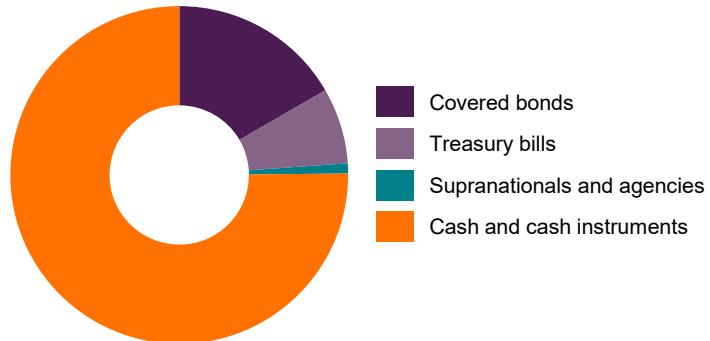
Performance commentary

Money market rates fell in line with the Bank of England rate cut in December at the short end. Longer maturities held their levels, ending the quarter little changed as there were no material changes to longer-term BoE expectations over the quarter. Money market returns, using SONIA as a proxy, remained attractive.

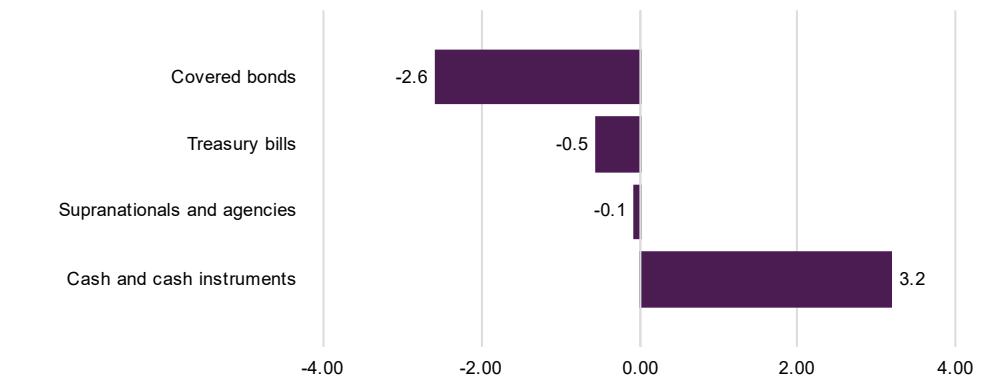
Performance was positive over the quarter compared to the SONIA benchmark. At a portfolio level, we had built up a yield premium to the benchmark, and the diversification of the fund meant that when the Bank of England cut interest rates by 0.25%, we saw a smaller impact on portfolio yield. Our money market exposure was the main driver of returns, reflecting that this makes up the bulk of the fund's assets, but our diversified approach paid dividends, with positive contributions from exposure to t-bills and repo activity – the latter providing opportunities to lend at higher rates on a secured basis than was sometimes available in the unsecured overnight market. Being nimble allows us to lend at lower risk but achieve a better return.

Performance and activity

Asset allocation profile



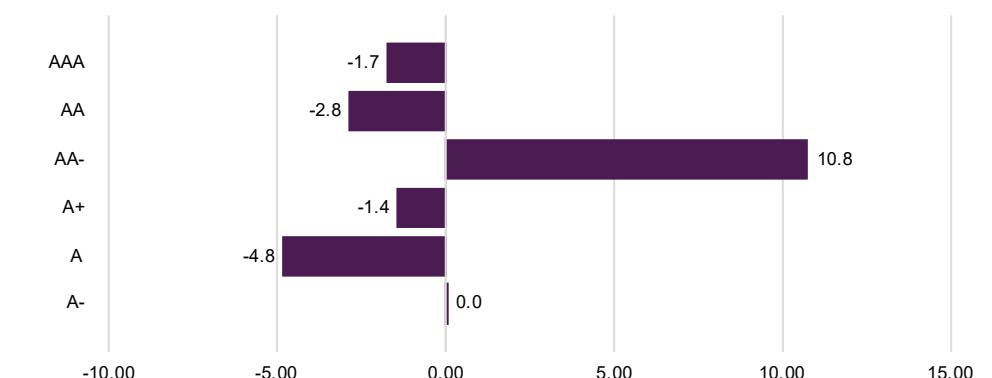
Change since last quarter (asset allocation) %



Credit rating profile

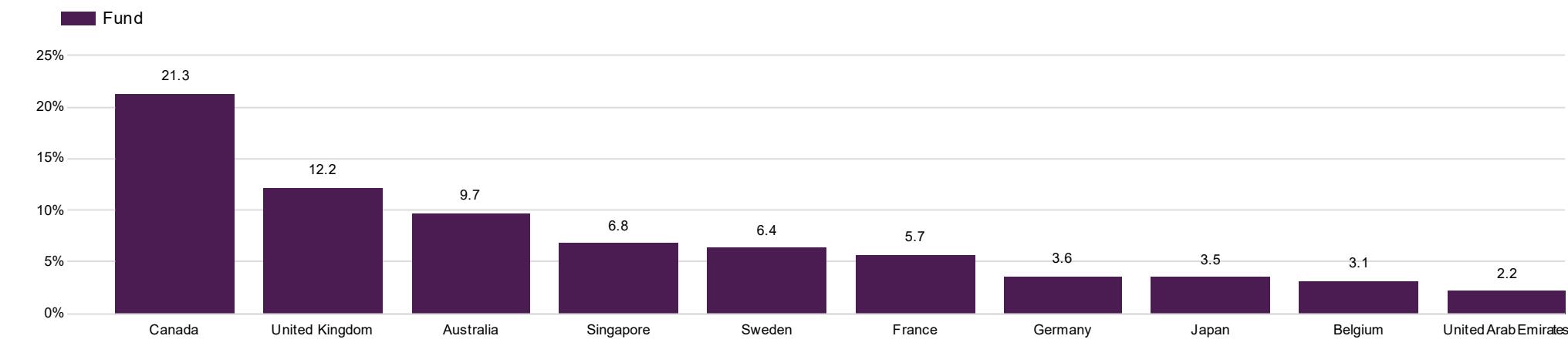


Change since last quarter (rating) %

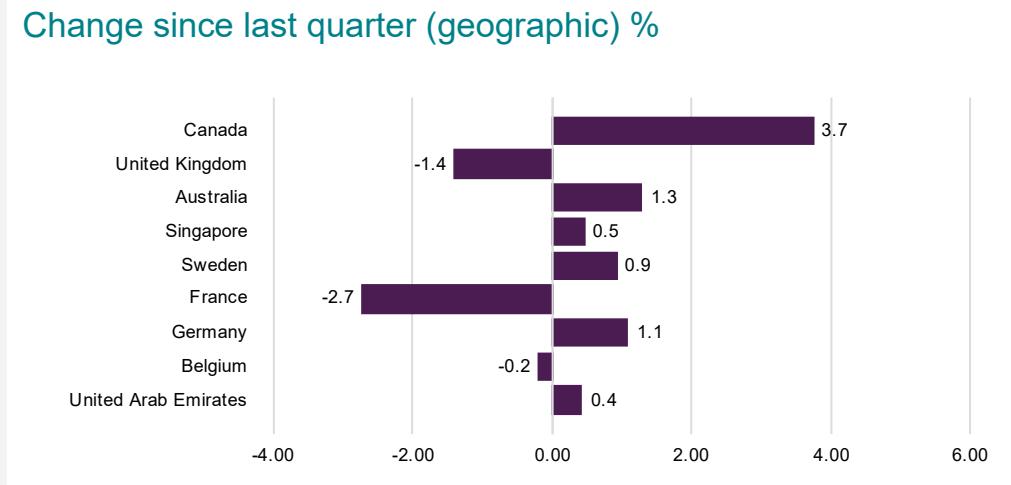


Performance and activity

Top ten geographic allocation (ex gilts) %



Change since last quarter (geographic) %



Performance and activity

Fund activity

For much of 2025, market expectations on the potential for Bank of England rate cuts was probably over optimistic – expecting inflation to fall faster and for UK rates to fall materially from the levels seen at the start of the year. However, this was interspersed with periods where markets were too pessimistic – moving to price in no more cuts until well into 2026. These periods were useful, as it meant that longer yields looked attractive against our models given that we thought the BoE would probably take a middle route, allowing us to extend maturities selectively and lock in more attractive yields.

In the final months of 2025, we saw little notable over- or under-pricing of rate cuts, with markets notably calmer once the November budget had passed with this bringing in little of note. As a result, and in line with the fund's objective, most activity was focused on three-month CDs, including preferred names such as Sumitomo Mitsui Banking, Bank of Montreal and Nationwide, these all at yields above SONIA, while also adding six-month paper from National Australia Bank, Australia and New Zealand Banking, and Canadian Imperial Bank of Commerce. At the margin, we had a bias towards Canadian names – these not subject to bail-in and hence where we could access these at similar yields to (bailable) UK names, we were happy to buy. We also looked at Australian names, these being part of a mature sector and helped by a strong underlying economy.

Outside of CDs, we were active in adding short-dated treasury bills later in the period, where yields looked attractive, especially as these have no credit risk attached. There were limited opportunities to add to covered bonds that suited the profile of the fund, but we found a number of opportunities to add bonds maturing in the first six months of 2026 that offered an attractive premium to SONIA, including Toronto Dominion, Clydesdale Bank and Bank of Nova Scotia.

Market commentary

Market overview

Markets were focused on the US during the quarter, with rate cuts from the Federal Reserve bookending the longest US Federal Government shutdown in history. The decision was accompanied by language suggesting a pause after three cuts in the final four months of 2025. In the euro zone, the European Central Bank left rates unchanged – with inflation concerns causing reluctance to cut further after four cuts in the first half of 2025. The Bank of England (BoE) cut rates from 4% to 3.75%, the sixth cut since mid-2024 from the recent peak of 5.25%. The BoE noted that inflation was still a concern (reflected in a 5-4 vote) but concerns over downside risks including an unemployment rate that has edged to its highest rate since the Covid pandemic.

Risk assets closed the year strongly. After the sharp fall in the wake of the Trump tariff announcement in early April, global equity markets generally ground higher, including during the fourth quarter, helped by ongoing optimism over AI as well as supportive corporate earnings. For the year as a whole, there was strong performance from all major markets – the US, Europe, UK and Japan – with the US lagging in common currency terms after the US dollar weakened significantly. Global credit has benefited from falling interest rates and the strong corporate backdrop leading to tighter credit spreads. Government bond yields were mixed, with US and German government bond yields edging higher, while UK yields moved lower on hopes that the November budget announcement would be gilt-friendly.

Benchmark 10-year gilt yields fell from 4.70% to end at 4.55%, meanwhile UK 30-year gilt yields took a step back from their highest levels in almost 30 years seen in the summer. In the US, 10-year treasury yields rose slightly to 4.14% from 4.13% at the end of September but seen volatility in the interim. The German 10-year bund yield was 2.82% at the end of the fourth quarter, rising from 2.67% three months prior.

The Bank of England rate cut in December was the focus for money market rates over the quarter. Having started the period at 3.97%, SONIA fell to 3.72% after the cut, compared to 4.70% at the start of 2025. Two-year gilts, often seen as a proxy for market expectations of BoE rates, started the quarter at 3.99%, and fell to 3.71% as investors became more confident that the November budget would be supportive of gilts.

Outlook

We began 2025 expecting policy rates to fall and inflation to ease but stay sticky – and that broad call held. Major central banks moved further into their easing phases, while inflation moderated from its peaks without returning to pre pandemic norms. Where we misjudged was the pace of disinflation in the second half. The global economy proved more resilient than consensus, with wage dynamics and protectionist trade policies slowing the descent of core inflation.

The UK economy continues to face a challenging backdrop. Fiscal pressures are significant, resulting in the government announcing further tax increases at the Budget in late November. It has been easy to present a gloomy case for the UK economy given the soft jobs market, headlines around 'fiscal black holes', persistent inflation, and a BoE that, for much of the period since the summer, sounded hesitant to cut rates further. While there is broad consensus that rates will fall further – a view we share – there is quite a lot of uncertainty about how far and by when. The Bank is looking to be data-dependent, but there is little obvious sign as to whether growth will pick up at all, and to what extent inflation can fall to or below target.

For our liquidity funds, we look for value on the money market curve relative to market expectations. At present, we see little obvious attraction in broadly extending duration as this would mean higher interest rate risk but without an appropriate reward for taking that risk – and during 2025 we demonstrated that significant long or short positioning is not needed to deliver outperformance. While we target an attractive yield in the portfolios, we are mindful of liquidity and security as well, therefore preferring to look for value on a case-by-case basis instead. We continue to believe that the overall yields in our liquidity and short-term fixed income funds remain attractive for investors.

For more insights into the outlook for 2026, including from our CIO, Will Nicholl, go to the Our Views section at www.rlam.com

Further Information

Please click on the links below for further information:



Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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Issued in January 2026 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.

The Fund is a sub-fund 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.

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.rl.com.

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Risks 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.

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.

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.

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.

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.

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 risks

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.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	1.05	2.15	4.53	15.57	17.37	4.94	3.25
Fund (net)	1.03	2.10	4.43	15.22	16.78	4.83	3.15

Annualised (%)

Year on year performance (%)

	31/12/2024 - 31/12/2025	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021
Fund (gross)	4.53	5.39	4.91	1.48	0.08
Fund (net)	4.43	5.28	4.80	1.37	(0.02)

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges, including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces your investment.

Source: RLAM as at 31 December 2025. All figures are mid-price to mid-price for the Royal London Short-Term Money Market Fund Y Inc GBP share class.

Glossary

Asset allocation

Breakdown of the assets by asset classes. Based on RLAM asset classification scheme.

Money market instruments

Investments that pay interest, have a short duration and are designed to maintain a stable value.

Number of issuers

Number of unique issuers of all assets held by the Fund, excluding cash, currency and derivatives.

Performance

The Fund price is taken at mid-day using swing prices where applicable, while the index performance is priced at close of business. Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

Pricing

The Fund's price may swing to bid or offer to protect existing investors from the costs associated with buying or selling the fund's underlying assets when other investors are entering or leaving the fund. Performance is based on this pricing.

Ratings

Credit-rating agencies rate bonds based on the likelihood of them defaulting and being unable to repay their debt.

Redemption yield

The weighted average rate of discount at which the future obligations of interest and capital payments of each of the fund's holdings equates to its current price, gross of relevant fund management costs and gross of tax.

Reverse repurchase agreements

Agreeing to sell a purchased security at a specified later date.

Rolling 12 month period

A rolling 12 month period is any period of twelve months, no matter which day you start on.

Weighted average maturity

The average length of time to maturity of all underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid.