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

Royal London Absolute Return Government Bond 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 Absolute Return Government Bond 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The investment objective of the Fund is to target absolute positive capital growth. The Fund seeks to achieve its investment objective by outperforming its benchmark, the Sterling Overnight Index ("SONIA") on an annual basis by +1.5 - 2.5% over rolling three-year periods and aims to provide positive performance over 12 month periods. The Benchmark is an index which tracks overnight funding rates in the Sterling market. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track the Benchmark.

Fund value

	Total £m
31 December 2025	887.73

Asset allocation

	Fund (%)
Conventional credit bonds	50.88
Conventional gilts	24.04
Money Market Instruments	12.22
Index linked foreign sovereigns	4.72
Conventional foreign sovereigns	4.46
Index linked gilts	3.09
Index linked credit bonds	0.60

Fund analytics

	Fund
Fund launch date	17 November 2014
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.47	0.98	0.50
1 Year	5.95	4.22	1.73
3 Years (p.a.)	6.32	4.63	1.69
5 Years (p.a.)	4.52	3.05	1.48
10 Years (p.a.)	2.77	1.72	1.04
Since inception (p.a.)	2.65	1.59	1.06

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 Z Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 17 November 2014.

Performance commentary

The portfolio posted a positive return over the quarter, outperforming its cash benchmark for the fourth quarter and 2025 as a whole, as well as over the past three years. Returns also compare favourably with returns from global bond and index linked indices

The largest contribution to the overall return was again from the holdings of cash instruments that benefitted from base rates being cut further in the UK. The cash exposure within the fund is a mixture of high quality covered bonds (which offer dual recourse) and traditional money market instruments, notably certificates of deposit and commercial paper. Our positioning means we typically create a yield premium to SONIA, 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 yield.

Our money market exposure and covered bond holdings both contributed strongly to returns over the quarter. The impact of our covered bond exposure was positive: after the small hit to confidence in the summer of 2025 when the UK's Prudential Regulation Authority proposed changes to treatment of non-UK bank covered bonds, these had performed well in the third quarter and this continued into the final three months of the year.

Duration: Overall duration added value over the quarter primarily from the holdings of UK securities where yields fell substantially over the quarter as rates were cut. The long position in Australia detracted from value as yields rose – stronger inflation and labour data saw the possibility of rate hikes in 2026 be priced into the market.

Curve: This was the biggest alpha contributor over the quarter, due to a flattening bias in the UK that benefited from further cuts in long issuance by the DMO and steepeners in Europe that saw curves steepen on Dutch Pension Fund reform.

Relative Value: Holdings of gilts relative to swaps added value as swap spreads narrowed on the reduction in long dated issuance in the UK. The swap position in Europe added marginally.

Cross Market: Holdings of Spain relative to core Europe added value as did holdings of shorter-dated UK swaps relative to the US as the market priced in further UK rate cuts.

Inflation: Positions marginally detracted from performance – particularly the long in US 5-year CPI, but also the short in UK. Tactical trading of long-dated RPI forwards mitigated some of the underperformance.

Performance and activity

Return Contribution

	Quarter	1 year	Target return (of live trades)
Cash	86.01	384.14	-
Duration	18.05	80.21	-
Curve	21.40	49.81	-
Cross Market	12.29	36.54	-
Inflation	(1.10)	17.27	-
RV	14.57	28.22	-
FX Hedges	(0.01)	(0.01)	-
Total	**151.23**	**596.19**	**-**

Top Contributors

	Strategy	Q4 Contribution (bps)
Cash	Floating	51.00
Cash	Fixed	26.00
Duration	UK	21.00
RV	UK	13.00
Curve	UK	9.00

Bottom Contributors

	Strategy	Q4 Contribution (bps)
Cross Market	AUS	(9.00)
Inflation	US	(2.00)
Duration	US	(2.00)
RV	EUR	(0.88)
Inflation	UK	(0.84)

Performance and activity

Portfolio Exposure

Trades	Position size	Net duration exposure	Market beta	Target return (bps)
Inflation				
Long US 5y CPI	0.20	0.20	0.06	5.00
Long France 30y RY vs OAT Futures	0.20	0.00	(0.12)	3.00
Short Long RPI Fwds	0.30	0.30	(0.09)	6.00
Long 5y RPI	0.10	0.10	(0.03)	2.00
Short 30y RPI	0.20	0.20	0.02	2.00
Curve				
UK 10-30 Flattener	0.30	0.00	0.10	6.00
JAP 10-30 Flattener	0.40	0.00	0.15	10.00
US 5-10 Flattener	0.10	0.00	0.04	2.00
BUND 5-30 Steepner	0.40	0.00	0.30	5.00
Cross Market				
Long 10 year Spain vs 30 year Germany	0.10	0.00	(0.01)	3.00
Long UK 5y year vs US 5y year	0.20	0.00	0.10	5.00
Long 10 Year Australia vs 10 year US	0.30	0.00	0.02	6.00
Relative Value				
Short 10 year German Asset swap	0.25	0.00	(0.10)	3.00
Long 20 year Gilt Asset swap	0.20	0.00	0.04	3.00

Performance and activity

Portfolio Exposure

Trades	Position size	Net duration exposure	Market beta	Target return (bps)
Duration				
Long 30 Japan	0.10	0.10	0.14	2.00
Long 30y Aussie	0.20	0.20	0.15	5.00
Long 10y Bund	0.10	0.10	0.05	2.00
Long 7y UK	0.10	0.10	0.07	3.00
Long 30y UK	0.25	0.25	0.33	10.00
Cash				
Cash	0.20	0.25	-	440.00
Overall Net Duration Position	**4.20**	**1.80**	**1.23**	**523.00**

Performance and activity

Asset allocation – duration

	0 -2 yrs	2 -7 yrs	7 - 12 yrs	12 - 17 yrs	17 -22 yrs	22 -27 yrs	>27 yrs	Total
Australia	0.03	0.00	0.29	0.00	0.20	0.00	0.00	0.53
Canada	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01
European Union	(0.01)	0.00	0.25	0.00	0.00	0.00	0.00	0.24
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	0.00	(0.19)	0.00	0.00	0.19	0.00	0.00
Germany	0.00	0.39	(0.13)	0.00	(0.49)	0.00	0.00	(0.23)
Italy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	0.03	0.00	(0.28)	0.00	0.37	0.00	0.00	0.12
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.10
Supranational	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.13	0.42	0.08	(0.30)	0.73	(0.12)	0.00	0.93
United States	(0.00)	(0.50)	0.00	0.00	0.00	0.00	0.00	(0.50)
Total								1.23

Performance and activity

Asset allocation - inflation

	0 -2 yrs	2 -7 yrs	7 - 12 yrs	12 - 17 yrs	17 -22 yrs	22 -27 yrs	>27 yrs	Total
Australia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
European Union	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.20
Germany	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.04
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Supranational	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	(0.00)	(0.41)	0.00	0.00	0.00	(0.13)	(0.01)	(0.55)
United States	(0.01)	0.21	0.00	0.00	0.01	0.00	0.00	0.21
Total								(0.10)

Performance and activity

Stand alone risk contribution

	Quarterly Vol (%)	Annual Vol (%)
Inflation	0.04	0.08
Curve	(0.01)	(0.01)
Duration	0.20	0.39
Relative Value	0.05	0.10
Cross Market	0.10	0.21
FX Hedges	0.07	0.14
IOTA	0.00	0.00
Cash	0.13	0.27
Futures	0.01	0.02
Overall Volatility	**0.59**	**1.19**

Risk Model Factor Risk Breakdown

	Standalone Risk Portfolio (bp)	Risk Contribution Portfolio (bp)	% of overall risk
Rates	113.98	109.70	92.46
Inflation	28.39	3.53	2.97
Spreads	15.49	5.55	4.68
Foreign Exchange	1.42	(0.13)	(0.11)
Time	0.00	-	-
Other	0.00	-	-
Total	**159.28**	**118.65**	**100.00**

Diversification across Risk Factors (%)	**(26)**

Performance and activity

Fund activity

Markets remained volatile particularly in the UK. In accordance with our fair value models and in-house Economist's views for further rate cuts in the UK and US, a long duration position was maintained over the quarter. Set against our strategic view, that yields in many government markets are at attractive levels, we favoured buying the longer maturity bonds. A view further supported by the steepness of curves and debt issuing authorities reacting to changing patterns of demand by reducing long-dated issuance. Tactically, we took the opportunity presented by volatility to adjust duration over the quarter, trading between 0.60 and 1.6 years long. Duration ended the quarter marginally longer at around 1.2 years long.

On a cross-market basis, the principal activity was building a long position in short-dated UK swaps relative to the US, as we think there is more scope for UK rates to fall further. This position was traded tactically and exited as year end approached after a strong performance from the UK. In December, we built a long position in 10-year Australia relative to the US, on the grounds that we hold the view that Australian rates will not be raised as much as priced in by the market. We continue to hold Spain relative to core Europe, trimming slightly into year end strength, in anticipation of upcoming supply.

The fund was active in UK asset swaps, buying cash gilts and selling swaps, given the ongoing lack of long-dated supply. This position was traded actively and closed after the UK Autumn Budget. This position was then reestablished as we approached year end.

Throughout the quarter, we added to the UK curve flattener and European steepener. The curve position in Japan was maintained, though we did tactically trade the position in 10-year futures, buying when yields hit 2%.

Inflation activity was light, tactically trading long dated RPI forwards, when levels rose above 3.2%, reducing the position in 5-year UK inflation. In addition, we opened a long position in 5-year US inflation.

Market commentary

Market review

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.

Real yields were again volatile over the period. UK real yields ended the quarter slightly lower, despite a small spike in yields around the November budget announcement, with the 10-year falling from 1.66% to 1.61%, while the 30-year saw a larger move, from 2.39% to 2.10%. In contrast, German and US real yields ended the quarter higher. US 30-year TIPS real yields rose from 2.48% to 2.62%, falling in October on concerns over relations with China before grinding higher through most of the rest of the quarter. There was a similar move in German real yields.

Outlook

We expect markets to remain volatile around economic data points and envisage continuing to trade duration tactically particularly around supply events which should pick up in January, and where we expect new issue discounts to continue. Trump policies and geopolitics will continue to add to volatility as seen over the past few months.

Expectations for central bank activity are now very mixed. By the end of 2026, the US and UK have two rate cuts priced, however there are no cuts priced in Europe and rate hikes in Japan, Canada and Australia.

We expect to continue to add duration into any weakness but given steepness of curves this is more likely to be in longer-dated bonds.

Inflation is now more fairly valued in Japan and any further tightening of monetary policy could impact break evens. We will use strength to reduce this position further. On the other hand, US short-dated inflation looks undervalued given the increase in geopolitical risks and we will look to increase the position. In the UK, long dated inflation looks overvalued particularly as we approach RPI reform, so will maintain our short.

With the Bank of Japan expected to raise short term rates further particularly given the weakness of the yen, we expect the Japanese curve – already the steepest amongst G10 nations – to flatten.

After the announcement of a major increase in fiscal spending in Germany, we favour being short German bonds, and retain a steepening bias in German bunds.

Swap spreads in Europe are tighter than global counterparts so we would expect European cash bonds to underperform swaps.

With the UK DMO set to starve the market of long-dated gilt supply, we are long 30-year gilts both outright, vs swaps and on curve.

We do not expect rates in Australia to rise as much as markets are currently pricing and will hold 10-year Australian bonds outright and cross market vs the US.

Further Information

Please click on the links below for further information:

Stewardship and Responsible Investment at RLAM

TCFD climate report

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

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

Telephone calls and written communications may be recorded and monitored. For further information please see the Privacy Policy at www.rlam.com.

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.

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.

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 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.

The Prospectus and Key Investor Information Document (KIID) are available in English via the relevant Fund Information page on www.rlam.com. A summary of investor rights is also available in English, and can be accessed at www.rlam.com/uk/policies-and-regulatory

RLAM may terminate the arrangements made for marketing of the fund pursuant to Article 93a of Directive 2009/65/EC.

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.

The "SONIA" mark is used under licence from the Bank of England (the benchmark administrator of SONIA), and the use of such mark does not imply or express any approval or endorsement by the Bank of England. "Bank of England" and "SONIA" are registered trademarks of the Bank of England.

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.

Derivative risk

This 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.

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.

Exchange rate risk

Investing in assets denominated in a currency other than the base currency of the Fund means the value of the investment can be affected by changes in exchange rates.

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.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	1.47	2.66	5.95	20.19	24.77
Fund (net)	1.40	2.50	5.63	19.12	22.69

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	6.32	4.52
Fund (net)	6.00	4.17

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)	5.95	6.63	6.40	2.88	0.90
Fund (net)	5.63	6.31	6.08	2.51	0.48

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 Absolute Return Government Bond Fund Z Acc GBP share class.

Glossary

Asset allocation

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

Bonds

Securities that represent an obligation to repay a debt, with interest. Investment grade bonds are high quality bonds that are viewed as being highly likely to make all scheduled payments of interest and principal. Low quality bonds carry higher risk but also typically pay higher rates of interest. Corporate bonds are those issued by companies to raise finance.

Currency hedged share classes

Currency Hedged Share Classes aim to provide investors with a return highly correlated to the return of the base currency share class by minimising the impact of exchange rate fluctuations between the base currency of the Fund and the investor's chosen currency. Derivatives are typically used to hedge the relevant share classes.

Derivatives

A financial instrument whose price is dependent upon or derived from one or more underlying asset.

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Performance

Both the Fund and Index performance are based on close of business prices.

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.