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Royal London Corporate Bond Fund

Quarterly Investment Report

31 December 2025

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 December 2025

The purpose of this report is to provide an update on the Royal London Corporate 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

The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the Markit iBoxx Sterling Non-Gilts Total Return All Maturities GBP Index over rolling 5-year periods, through a combination of capital growth and income, after the deduction of charges.The Markit iBoxx Sterling Non-Gilt Total Return GBP Index (the "Index") over a rolling 5-year period. The Index is considered an appropriate benchmark for Fund performance. In addition to the benchmark for performance, the IA Sterling Corporate Bond sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2025	1,624.46

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	94.38	99.37
Conventional gilts	3.11	-
Index linked credit bonds	2.52	-
Conventional foreign sovereigns	-	0.63

Fund analytics

	Fund	Benchmark
Fund launch date	29 March 1999	
Fund base currency	GBP	
Benchmark	iBoxx £ Non-Gilts (Total Return, GBP)	
Duration (years)	6.42	5.45
Redemption yield (%)	5.91	4.88
Number of holdings	314	1,191
Number of issuers	216	475

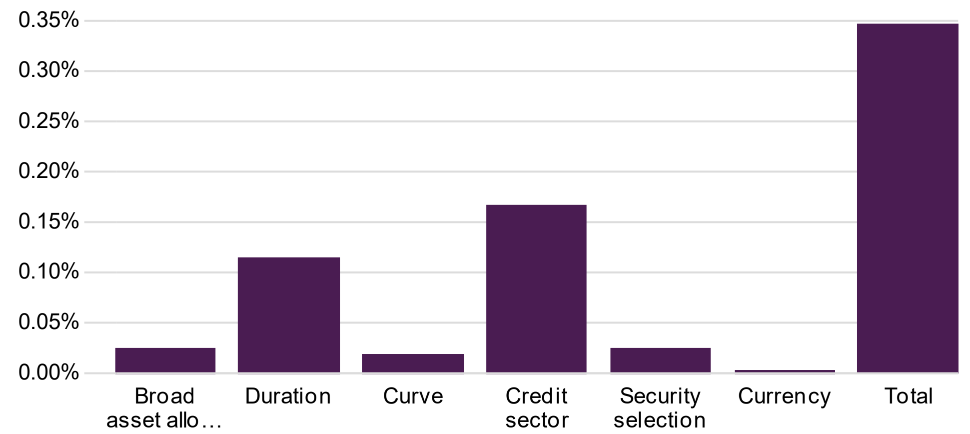
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	3.03	2.58	0.46
1 Year	8.97	6.90	2.08
3 Years (p.a.)	8.79	5.69	3.11
5 Years (p.a.)	1.94	(1.20)	3.14
10 Years (p.a.)	4.48	2.34	2.14
Since inception (p.a.)	5.60	3.79	1.81

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 Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 30 April 2010.

Attribution over the quarter



Performance commentary

The fourth quarter saw positive returns from sterling credit investment grade markets (iBoxx). Against this, the fund outperformed the index. Performance was comfortably ahead of the index for 2025 as a whole.

Duration was a positive story for the fourth quarter. We remain focused on bottom-up credit selection, rather than taking positions based on overall market yield levels. While our government bond strategies have also been long duration, our positioning is more a function of the attractive opportunities in mid and longer-dated bonds rather than a view on yields. This was positive over the quarter.

Sector positioning was positive over the quarter. Our bias towards insurance bonds was helpful as the sector performed strongly, as was our exposure to the structured sector. Our longstanding underweight in supranational bonds also helped performance as the lower perceived risk of the supranational sector contributed to it again lagging the wider market.

Stock selection effects were positive during the quarter. This was particularly noticeable within our banking and financials sector holdings, where AT1 and tier 1 performance was mixed in general, but with strong returns from National Westminster. Insurance stock selection was also helpful. Lower tier 2 bonds were the strong performers over the quarter, particularly bonds from M&G. Our core holdings in social housing bonds showed positive performance across our funds, especially Poplar HARCA and Green Square Accord.

Aggregated Micro Power was a small positive for the quarter, but a much larger positive over the year as a whole. AMP is an energy company focused on biomass boilers and flexible electricity generation. These bonds were repaid at par during the quarter, providing a modest uplift to performance. The bonds are unrated, meaning many other credit investors will have overlooked the opportunity. Our credit research was positive on the issue, and it was providing capital to a business that is helping with the switch to more sustainable energy as well as providing an 8% coupon while we held this. It is a small but notable example of how our approach can unearth opportunities others overlook.

Performance and activity

Top 10 holdings

	Weighting (%)
UK CONV GILT 3.75 22 Oct 2053	3.08
HSBC BANK FUNDING STERLING LP 5.844 31 Dec 2079	2.73
Assicurazion Generali 6.269 31 Dec 2079	1.93
VIRGIN MONEY UK PLC 7.625 23 Aug 2029	1.72
CO-OPERATIVE BANK FINANCE PLC 6 06 Apr 2027	1.45
BARCLAYS BANK PLC 6.278 31 Dec 2079	1.32
CO-OPERATIVE BANK FINANCE PLC 9.5 24 May 2028	1.31
DIRECT LINE INSURANCE GROUP PLC 4 05 Jun 2032	1.25
M&G PLC 6.34 19 Dec 2063	1.18
STANDARD CHARTERED PLC 5.60994 31 Dec 2079	1.10
Total	**17.07**

Fund activity

Banks and financials remain the largest part of the index. Our portfolios have a long-standing high level of exposure to the sector as we believed that credit spreads looked very attractive for the risk taken. Following two years of outperformance, the overall valuation picture looks less compelling than it did, leading to lower exposure over time. However, we continue to find attractive opportunities. Examples over the quarter included senior bonds from Commerzbank – which is not a major issuer in the sterling market and therefore offered an attractive spread and diversification benefits. We also added a senior new issue from Dutch banking giant ING and a tier 2 new issue from Australian & New Zealand Banking and specialist insurer Pension Insurance Corporation – the latter a leader in the UK pension risk transfer market – where we saw attractive yield premia to the market. We also added a number of subordinated ‘legacy’ bonds that offered attractive yields and scope for early repayment as banks and insurers look to increase capital efficiency. Examples during the quarter included tier 1 bonds from HSBC and Commerzbank.

With overall market levels tighter after a strong 2025, we have looked at areas that would usually be seen as offering lower value. An example in the government guaranteed area was Saltaire Finance, a special purpose vehicle, which was established in connection with the management and delivery of the UK's Affordable Homes Guarantee Scheme. The bonds were issued to help fund the development of affordable homes. The bonds came to market at an attractive level given market levels and very low credit risk given the UK Government guarantee.

Structured bonds remain a key exposure for the portfolio. With overall credit spreads tightening over the year, we were happy to take advantage of new issue opportunities to add secured bonds that often offered more attractive spreads than similar unsecured bonds. During the quarter, we added Vantage Data Centers, a securitisation of real estate and tenant lease payments from two operating wholesale data centres in Newport. This deal offered an attractive loan to value (LTV), has highly rated tenants, and pays an attractive credit spread – notably higher than unsecured bonds from large technology companies. We also added AAA rated floating rate bonds from DBMS, a logistics CMBS backed by 64 properties across the UK with a diversified tenant base, that came to market at spread of 128bps over SONIA.

Social housing also offers security over property assets, as well as fulfilling an important societal need. We added a new issue from Blend Funding – a housing aggregator that helps smaller housing associations access debt markets efficiently. The bonds were secured, and offered an attractive spread over gilts.

Performance and activity

Fund activity (continued)

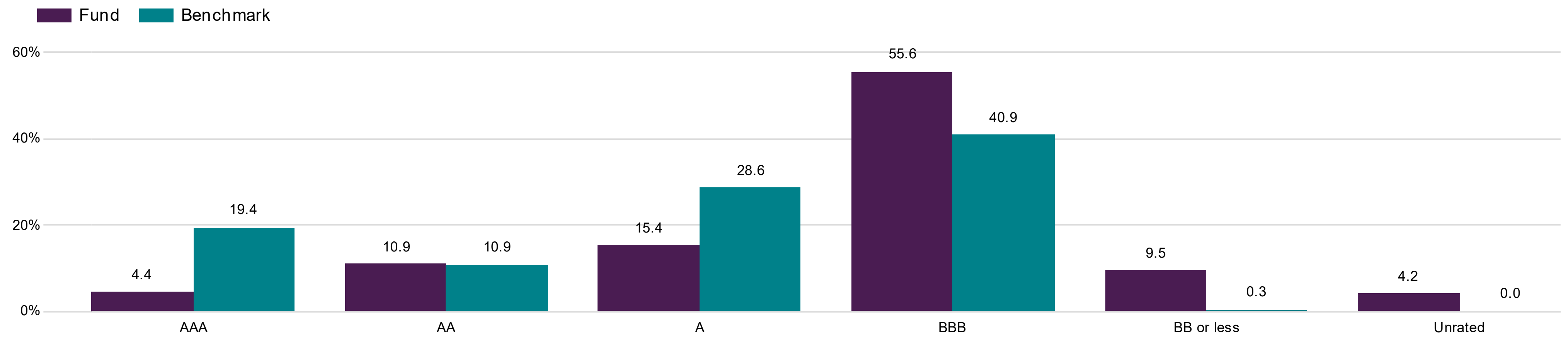
We will always look to switches to enhance spread or reduce risk, and we found opportunities to move from unsecured to secured bonds during the quarter. An example of this was adding to Aspire switching out of HSBC subordinated bonds – the trade again attractive given the increased security and minimal impact on spread. Finally we sold EDF 2064 bonds, buying 2114 bonds from the same issuer which offered a materially higher yield. Although the 2114 bond have a much longer maturity date, the impact on duration is negligible.

Water company bonds have generally done well in 2025. The water industry still offers attractive yield premia compared to other regulated utilities, despite the reduced risk following the completion of the regulator review in 2025. We added a new issue from Southern Water during the period, the company recently strengthened with £900m of equity support since summer 2025. In the secondary market, we added South East Water and Yorkshire Water. Both offer attractive spread, but Yorkshire Water bonds were available at a very attractive low cash price.

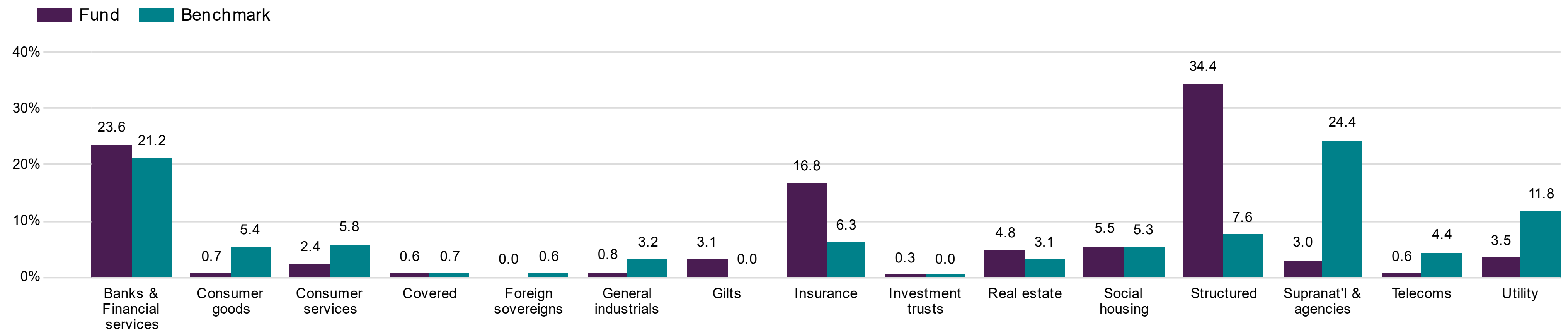
While we retain exposure to financials, secured bonds and social housing, we look for issues in other sectors that add diversification and resilience to our portfolios. During the quarter we added a new issue from US communications giant Verizon, these hybrid bonds offering a yield of over 6%. We also added bonds from International Distribution Services, parent company of Royal Mail, these trading at an above-market yield and offering a strong lending structure.

Fund breakdown

Credit ratings

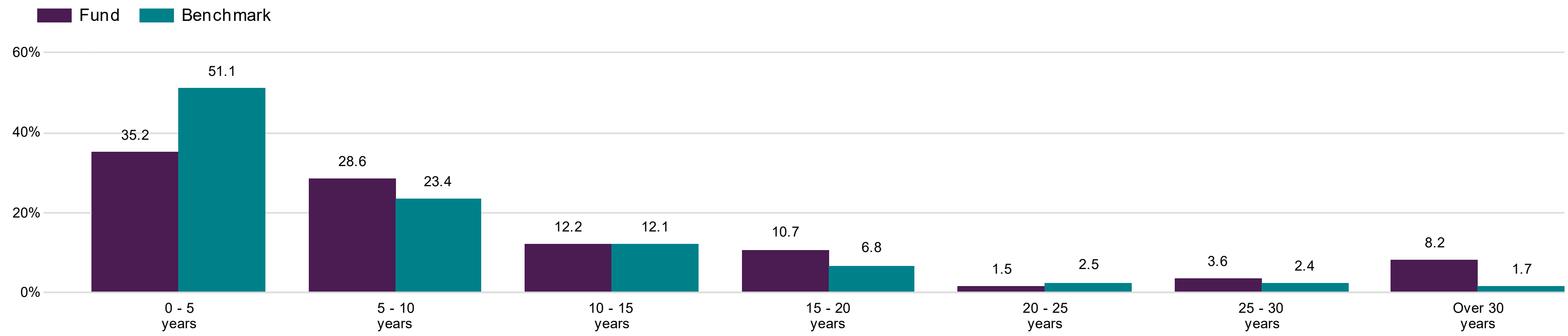


Sector breakdown



Fund breakdown

Maturity profile



Fund Engagement

Engagement definition

Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	17	30
Number of engagements	23	74

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Total engagements by theme and topic

Theme / topic	Engagements
Biodiversity	1
Climate	11
Climate - Transition Risk	10
Climate - Physical Risk	1
Environment	4
Governance	4
Corporate Governance	2
Remuneration	2
Social & Financial Inclusion	6
Just transition	4
Labour & Human Rights	1
Social & Financial inclusion	1
Technology, Innovation & Society	2
Technology & Society	2

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Fund Engagement

Engagement outcomes

HSBC Holdings plc – Just Transition

Purpose:

HSBC Holdings plc, a global bank, was engaged as part of our long-running engagement with banks on just transition, seeking for it to integrate social considerations into its Net Zero transition plan.

Outcome:

HSBC is updating its Net Zero transition plan and benchmarking peers to improve just transition disclosures. The bank recognised deficiencies in managing climate-related human rights risks and sector-specific social impacts, but emphasised ongoing measures, such as the implementation of enhanced vulnerability standards and various financial inclusion initiatives. HSBC emphasised challenges in retrofitting liability and Use of Proceed loans in the retail mortgage market. Following our meeting, we will review our draft assessment and share it with the bank to encourage improved disclosure and integration of social considerations.

Lloyds Banking Group plc – Just Transition

Purpose:

Lloyds Banking Group plc (Lloyds), a UK-based financial institution, was engaged as part of our long-running engagement with banks on just transition. We sought the integration of social considerations into the company's decarbonisation strategy.

Outcome:

Lloyds continues to integrate just transition across its strategy, committing £1 billion to its Regional Impact Fund to address regional inequality and drive inclusive economic growth. The bank showcased partnerships with the North East Combined Authority and Office of Investment to channel private investment into green infrastructure. It also expanded its 'Eco Home Reward' scheme, offering up to £2,000 cashback for energy efficiency measures, returning over £2 million to customers in 2025. Lloyds is working with Octopus Energy to reduce heat pump installation wait times and exploring property-linked financing. Before implementing mortgage policy changes, Lloyds conducted analysis to ensure alignment with just transition principles. We will continue this engagement to monitor disclosure improvements.

Fund Engagement

Engagement outcomes

Yorkshire Water – Environment

Purpose:

Yorkshire Water, a UK water utility, was engaged to assess its climate resilience and pollution control strategies.

Outcome:

Yorkshire Water is investing £1.5 billion to upgrade storm overflow systems and implement nature-based solutions such as wetlands and tree planting to improve water quality and biodiversity. The company is also deploying ~20,000 sewer monitors and intelligent pumps to prevent failures, supported by a broader digital transformation programme and investment in green skills for its workforce. On financing, Yorkshire Water is focusing on inflation-linked debt and reducing gearing (a measure of financial leverage) to maintain stability. We will continue engagement to monitor progress on biodiversity initiatives and resilience disclosures.

Market commentary

Market overview

Markets were focused on the US during the fourth 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 include unemployment edging to its highest rate since the Covid pandemic.

Risk assets closed the year strongly – the third consecutive year of double digit returns for equities. 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.

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. Gilts rallied as Budget news broke but the initial volatility was absorbed during the course of the day, with expected tax hikes backloaded and some action to curb short-term inflation announced.

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 sterling investment grade credit market (iBoxx non-gilt index) returned 2.58% over the period under review. Gilts outperformed credit over the quarter, helped by the longer duration of this market in a quarter where UK government bond yields edged lower. The average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) was relatively unchanged over the period. Spreads began and ended the quarter at 0.77% (iBoxx), compared to the narrowing of spreads seen during the second and third quarters after the widening seen in the first quarter. Sector returns were generally positive, led by banks, insurance and structured bonds.

Outlook

Sterling credit markets have shown remarkable resilience in 2025, weathering external noise and tightening spreads. Despite elevated interest rates and persistent volatility, sterling investment grade credit provided strong returns in 2025. Many of the same uncertainties we were looking at 12 months ago remain in place today – along with some new ones: US policies on tariffs, a new Fed chair and engagement on conflicts such as Gaza and Ukraine remain unpredictable; global inflation is falling but not as fast as economists would like; more central bank rate cuts are expected but there is little consensus around the quantum of these; vast amounts of money are being poured into AI with little attention on the return on that capital.

Sterling credit spreads have continued to tighten through 2025 and are now at levels last seen before the Global Financial Crisis. We see this as logical: defaults are low, company balance sheets are generally healthy, and investors have been buying credit because of attractive yields. At a fundamental level, we still believe that credit spreads over-compensate investors for default risk, and that the all-in yield on sterling credit remains attractive. Furthermore, we continue to find attractive investment opportunities, partly through the new issue market but also by focusing on exploiting market inefficiencies. By focusing on bottom-up analysis, we continue to build overall portfolios that we believe offer attractive risk / return profiles with above-market yields.

While near-term absolute performance is likely to be heavily influenced by movements in the yields of underlying government bond markets, we expect relative performance to continue to be meaningfully influenced by the comparative exposure to supranational bonds and to more economically sensitive or cyclical industrial and consumer sectors. However, we believe that continued emphasis on diversification and our bias towards secured and collateralised debt to help mitigate default risk, as well as our focus on income, will continue to support returns as has been the case through the present environment of volatile yields.

We remain confident that we can further achieve an attractive yield premium in our sterling credit portfolios, as we look to exploit market inefficiencies, with long-standing belief such as the undervaluing of security now augmented by newer inefficiencies such as the ‘mechanised’ approaches used by annuity providers, Exchange Traded Funds and passive funds that treat credit as a homogenous commodity area, buying in a relatively price insensitive manner. Experience suggests that the more credit is treated as a commoditised asset class, the greater the level of inefficiencies that an active manager can exploit.

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

Further Information

Please click on the links below for further information:

Stewardship and Responsible Investment at RLAM

Royal London Sterling Credit ESG analysis

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

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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.rlam.com.

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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.

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.

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.

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.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	3.03	4.37	8.97	28.79	10.07
Fund (net)	2.94	4.19	8.59	27.37	7.98

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
8.79	1.94
8.39	1.55

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)	8.97	5.54	11.99	(15.74)	1.43
Fund (net)	8.59	5.17	11.53	(16.08)	1.01

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 Corporate Bond Fund Z Inc GBP share class.

Glossary

Asset allocation

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

Attribution

Attribution is shown for the most recent quarter. Attribution figures are based on close of business returns for both the fund and the index whereas performance figures are based on midday returns for the fund and close of business for the index. Therefore the performance will not include market moves between midday when the fund is priced, and close of business when the index is calculated. This may result in a different figure being shown for the quarterly performance vs attribution data.

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.

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.
This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Hedging

Reduces risk by protecting an investment with another related investment.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

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.

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.

Rolling 5-Year Period

A rolling 5-year period is any period of five years, no matter which day you start on.

Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

Total return

A total return is a combination of capital growth and income. Capital growth is defined as the rise in an investment's value over time and income as the payment an investment generates, such as dividends or bond coupons.