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Royal London Global Index Linked 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 Global Index Linked 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 Barclays World Government Inflation Linked Bond Total Return Index (GBP hedged) over rolling 5-year periods, through a combination of capital growth and income, after the deduction of charges.

Fund value

	Total £m
31 December 2025	266.30

Asset allocation

	Fund (%)	Benchmark (%)
Index linked foreign sovereigns	81.56	78.45
Index linked gilts	17.16	21.55
Conventional gilts	1.04	-
Conventional foreign sovereigns	0.24	-

Fund analytics

	Fund	Benchmark
Fund launch date	27 January 2010	
Fund base currency	GBP	
Benchmark	Bloomberg World Government Inflation Linked Bond Total Return Index (GBP hedged)	
Duration (years)	8.62	8.37
Real yield (%)	1.50	1.46
Redemption yield (%)	2.22	2.00
Number of holdings	97	161

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.22	0.88	0.34
1 Year	4.96	4.61	0.35
3 Years (p.a.)	2.78	2.47	0.31
5 Years (p.a.)	(1.11)	(1.47)	0.37
10 Years (p.a.)	2.02	1.85	0.18
Since inception (p.a.)	2.76	2.72	0.04

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; Net performance; Since inception date of the share class is 27 January 2010.

Performance commentary

Despite ongoing volatility and the modest move higher in real yields in key markets such as the US and Germany, aggregate returns from global index linked markets over the quarter were modestly positive for sterling-based investors given the strong performance from the UK.

The fund produced a positive absolute return for the quarter, ahead of the benchmark on an underlying basis, which removes timing differences between fund and index pricing, with official returns also ahead of benchmark over the quarter. The fund's outperformance was driven primarily by strategic and tactical duration positioning as well as curve positions, which offset the negative impact of our cross-market positioning.

We have held a strategic long duration position for some time. This position is based on our belief that UK inflation has been stickier than expected and is likely to remain so, with the BoE therefore unlikely to cut rates dramatically. With overall UK real yields lower over the quarter this was positive for returns. We enhanced this through tactical positioning, taking advantage of some of the swings seen in yields over the period.

Performance and activity

Top countries

	Weighting (%)
US	51.13
United Kingdom	18.20
France	9.82
Italy	7.11
Japan	3.93
Australia	3.59
Spain	2.25
Germany	2.02
Canada	1.48
Sweden	0.30
Total	**99.84**

Fund activity

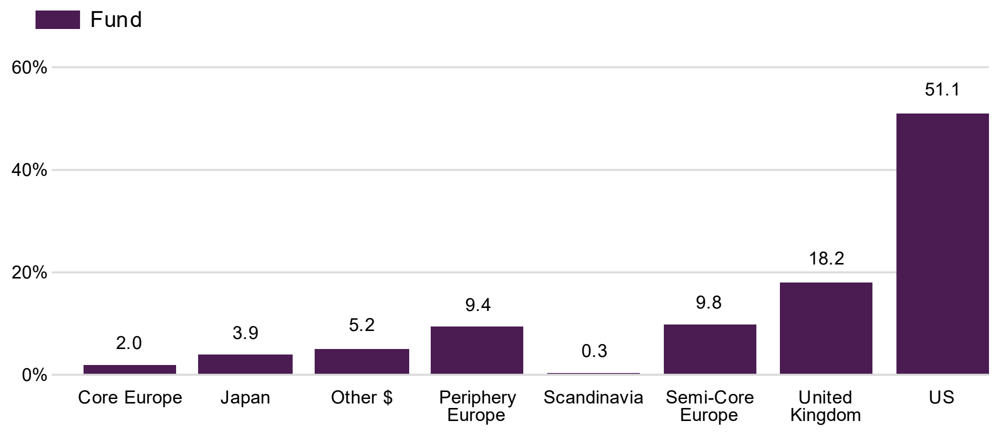
We started the period with a long duration stance, increasing the scale of the position as yields looked high against our valuation views. With yields then generally falling through October and November, we trimmed the position into this strength to end the period with only a modest long. This position was largely reflected in UK index linked gilts, where volatility remained high due to both geopolitical and domestic political events.

Curve positioning was positive for performance. In overall terms, we had a curve flattening bias, on the basis that we felt long-dated bonds were much better value than the long end given rate and inflation expectations. There was strong performance from long-dated index linked gilts over the quarter. Attention coming into the period was firmly on the November Budget announcement. This eventually passed with relatively little of note from a gilt point of view bar the fact there would be no unexpectedly large expansion of government borrowing – something that was already in prices but was seen as a small risk. After the Budget, the Debt Management Office (DMO) announced an update to the gilt remit for the 2025/2026 fiscal year with a smaller-than-expected increase in gilt issuance, and cancellation of several planned auctions this fiscal year including two index linked auctions. The lack of supply in long-dated index linked helped push yields lower, leading to a flattening of the curve.

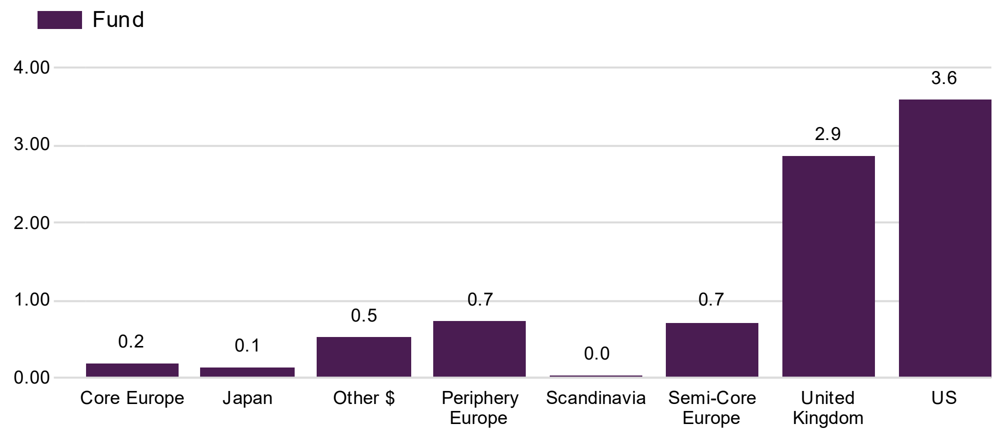
Cross market positioning was a small negative for performance over the period. Over the long term, we aim to add value to portfolios by reducing UK exposure and adding to favoured markets when yield spreads reach attractive levels. Over the course of 2025 and before, tactically adding exposure to US TIPS, Australian index linked bonds and selective parts of the euro zone has added value. However, this approach hurt returns in the fourth quarter: UK index linked gilts outperformed almost all other major markets, helped by the better-than-expected outlook following the budget and the DMO's reduced gilt issuance. Non-UK exposure therefore dragged relative returns lower. Two notable cross-market positions were Japan and Australia. Japanese yields rose on concerns over spending plans, while Australia also saw higher yields as inflation data pointed towards an end to rate cuts and possible rate increases being required. We also tactically traded US TIPS to take advantage of changing spreads relative to the UK. This was a small positive for performance.

Fund breakdown

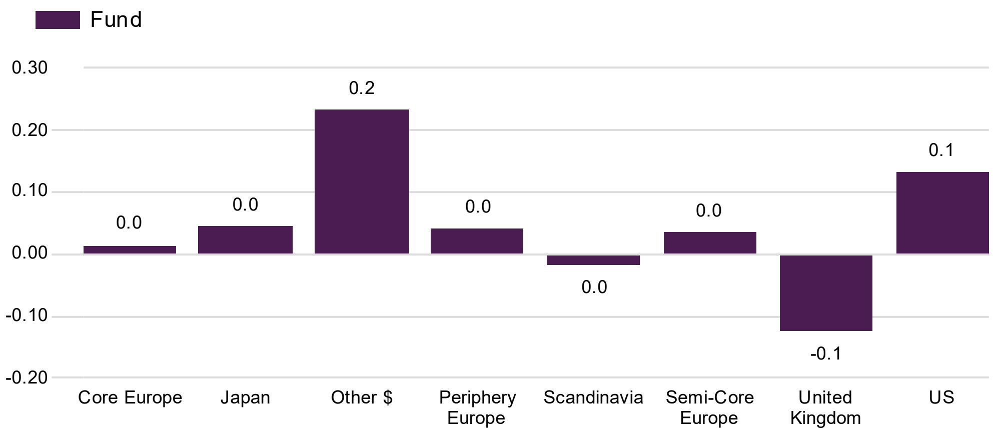
Geographic split by % weight



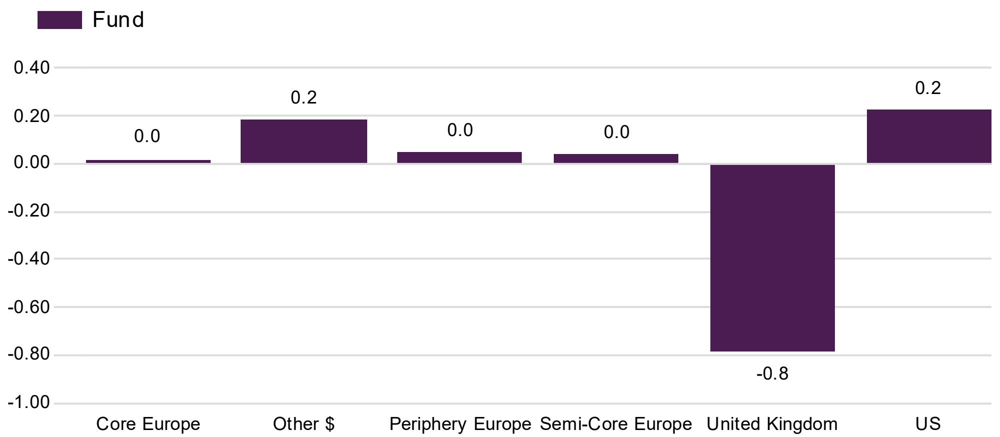
Geographic split by duration



Duration position relative to benchmark

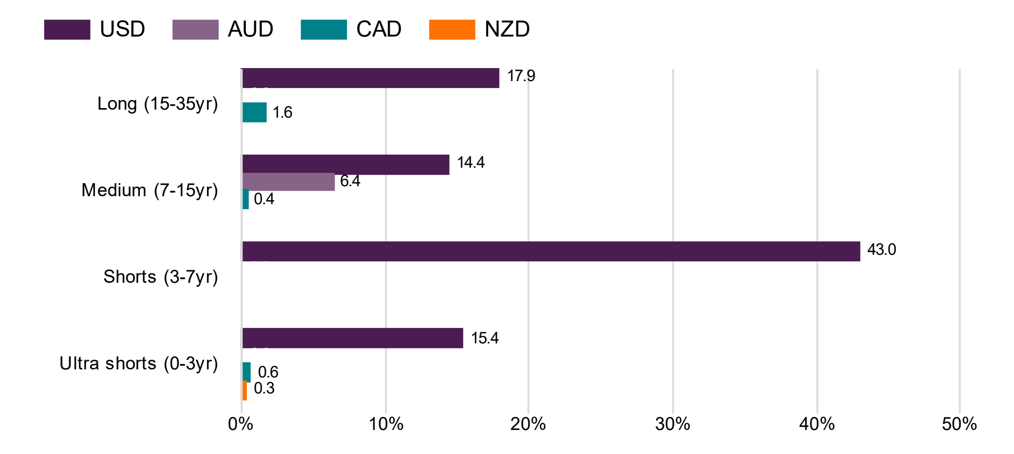


Relative duration quarter on quarter

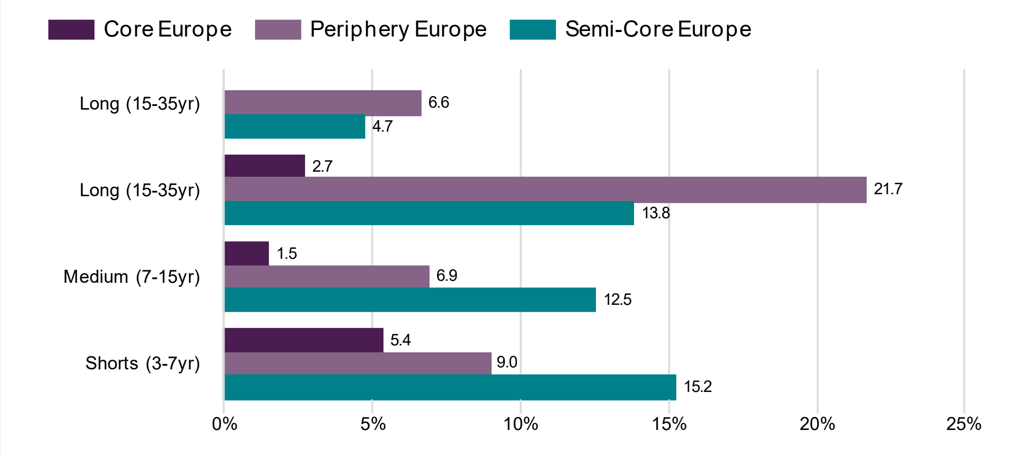


Fund breakdown

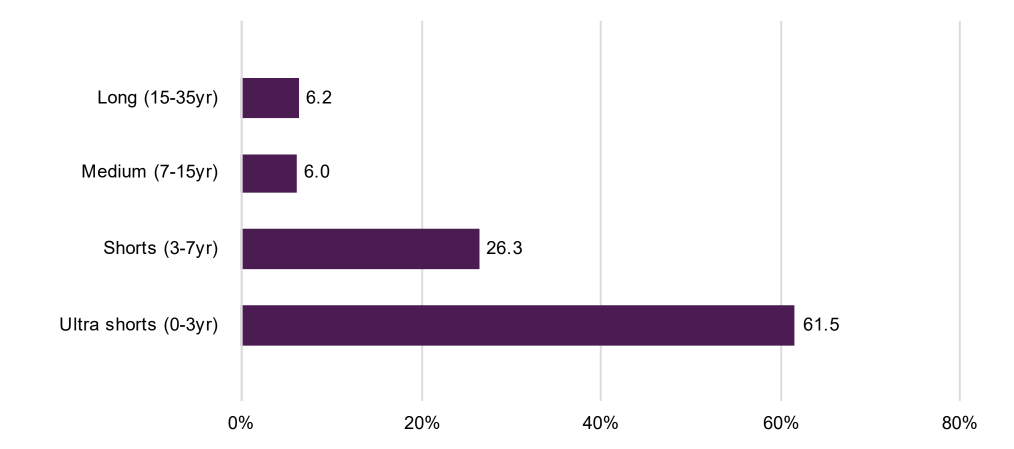
Dollar bloc



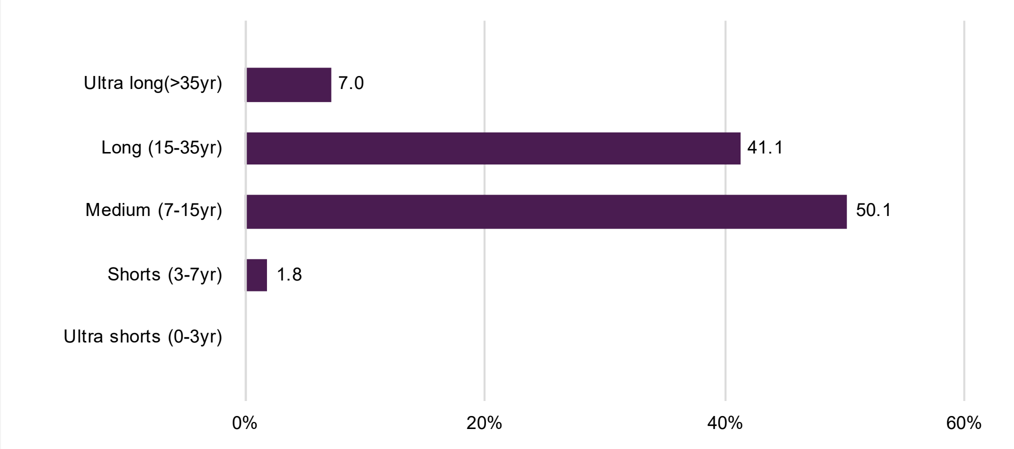
Euro bloc



Japan



UK



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.

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 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.

We believe that real yields look attractive globally. We believe that a world of rising tariffs is helpful for index linked assets as we expect these to be ultimately deflationary leading to lower real yields, and would also expect rate cuts across the globe to add to interest in this area. However, we are somewhat cautious and this is reflected in our key position sizing. We remain long duration and generally expect curves to flatten – the latter because supply is going to be more restricted and demand continues to fall, with the recent change in Dutch pensions the latest example. We believe that there is scope for UK yields to continue to outperform – although the fourth quarter was strong, this really only partially reversed some of the increases seen in the last 12-24 months. There obviously remains risk in the UK given a weak fiscal position, but this is not a uniquely UK problem, despite sometimes being priced as much. However after the strong performance of UK relative to global in the 4th quarter some duration exposure will be held in global bonds.

With other markets also showing value at times, we continue to believe our approach – creating diversified exposure around a pragmatic strategic view and then tactically taking advantage of market inefficiencies – is the right one. If nothing else, the events and market reactions to those events seen in 2025 showed that excessive concentrated strategic positions, or mechanical purchases of bonds based primarily on liquidity or maturity, will not always lead to the best outcomes for investors.

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.

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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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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.

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.

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)	1.30	1.99	5.32	9.74	(3.72)
Fund (net)	1.22	1.82	4.96	8.58	(5.42)

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	3.14	(0.75)
Fund (net)	2.78	(1.11)

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)	5.32	(0.11)	4.30	(17.08)	5.80
Fund (net)	4.96	(0.47)	3.93	(17.37)	5.42

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 Global Index Linked Fund Z Inc 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.

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.

Index-linked bonds
Have returns that are closely tied to an index of consumer prices/ inflation.

Number of holdings
Total number of unique holdings of 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.

Real yield
Real yield shows the inflation-adjusted redemption yield for the underlying fund and therefore does not include the impact of fees. For share class level yields, please see the latest factsheet.

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.

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.