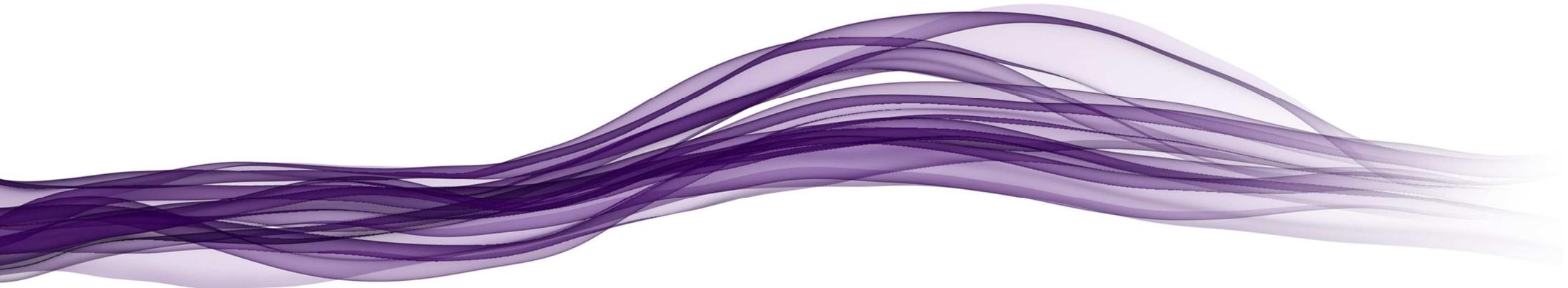


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Royal London International Government Bond Fund

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 International 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.

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The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the JP Morgan Global Bond Index ex UK (Traded) Total Return (GBP hedged) Index, over rolling 5-year periods, through a combination of capital growth and income, after the deduction of charges. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA Global Government Bond sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2025	1,064.09

Asset allocation

	Fund (%)	Benchmark (%)
Conventional foreign sovereigns	94.23	100.00
Index linked foreign sovereigns	4.14	-
Conventional gilts	1.09	-
Conventional credit bonds	0.54	-

Fund analytics

	Fund	Benchmark
Fund launch date	4 November 2011	
Fund base currency	GBP	
Benchmark	J.P. Morgan Global Bond Index ex UK Total Return (GBP hedged) Index	
Duration (years)	6.57	6.30
Redemption yield (%)	4.41	4.43
Number of holdings	123	1,044

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.43	0.43	(0.01)
1 Year	4.01	3.63	0.38
3 Years (p.a.)	3.98	3.39	0.58
5 Years (p.a.)	(0.04)	(1.04)	1.00
10 Years (p.a.)	1.65	1.08	0.57
Since inception (p.a.)	2.12	1.87	0.24

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 M Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 4 November 2011.

Performance commentary

The quarter started with the continued government shutdown in the US, where markets were starved of key US economic data points, leading to market participants - and the Fed - having to rely on private sector data and trend assumptions to gauge the state of the world's largest economy. US treasuries initially rallied in the early part of the month amid concerns of a renewed tariff spat with China, but these gains were given back as President Trump met with President Xi and a deal was reportedly agreed. Another key driver of yields in this period was the Fed's rate cut, however, this cut was fully expected (and priced) by bond markets, and it was an accompanying hawkish tilt from Fed Chair Jerome Powell stating that a further cut in December was "far from" a foregone conclusion that saw the market re-appraise the immediate path of policy pricing, causing US treasuries to sell off, dragging other developed government bond markets with them.

The US government shutdown finally ended (until at least the end of January 2026) after a record 43 days, and much awaited official economic data began filtering through over the course of November. With the next interest rate decision from the Fed due in December, much focus was placed on employment statistics. Short end US treasuries rallied, as the market became more confident that the Fed would indeed cut rates in December – which it ultimately did. The short end of the US yield curve was also coming under pressure on the continued speculation around the new Fed Chair, scheduled to replace Jerome Powell in May 2026. The new Fed Chair is nominated by the President (though has to be confirmed by a Senate committee) and given President Trump's well publicised views that interest rates in the US remain significantly too high, it is likely that the appointee will hold views that are consistent with that of Trump. The market is therefore expecting a more accommodative Fed Chair from next May, with a number of known doves currently being touted for the position, the latest being Kevin Hassett. It is believed that Trump wishes to announce his nominee by the end of the year. Given this, the market is pricing four further cuts from the Fed by the end of next year, with the US two-year yield falling a further 8bps over the month to around 3.5%, whilst the long end of the curve remained anchored at around 4.65%.

In December, the Fed's data dependent mantra was re-emphasised, and the outlook for 2026 (inferred from the Fed Members 'dot-plot') didn't really give a clear picture of what to expect going forwards. Economic fundamentals, at this stage, suggest that further easing may not be necessary, but with this new, Trump appointed, Fed Chair to come in May, the market is anticipating further cuts. In terms of market reaction, treasury yields actually rose a little on the December Fed announcement and the yield curve flattened as markets digested the messaging, though the moves were orderly and relatively muted.

Performance and activity

Performance commentary (continued)

European government bond markets were reasonably benign at the start of the quarter, as the French government managed to avoid a collapse, following a compromise over the proposed 2026 budget. This benign environment continued into November but longer end yields in Germany came under some pressure as the transition of Dutch pension schemes from a defined benefit basis to defined contribution (and subsequent reduced need to hedging of longer dated liabilities) continued, with long end bond yields rising by over 10bps in one month. In general, however, focus was already turned to 2026, with the usual deluge of supply anticipated for the first few months of the year – which saw European bond markets sell off and yield curves steepen.

The ECB's first meeting in the quarter, in October, when inflation was at, or around target, and reasonably robust economic data across eurozone economies, and a de-escalation of global trade tensions, saw no need for further ECB action – with very little policy change expected over the short to medium term, and economic data has, broadly, come in line with expectation. In December, and following previous communications, the market was expecting very little change to the “data dependant”, “good place” messaging, and President Lagarde did not disappoint. Data has been in line with expectations; risks are broadly balanced and small deviations from target will be tolerated and looked through. Virtually nothing is priced in terms of rate moves for 2026 and this feels consistent with where the ECB would like the market to be.

In Japan, the quarter opened with the appointment of Sanae Takaichi as Prime Minister after a period of flux, though market reaction to this was muted (having previously been somewhat fearful of a shift away from monetary policy tightening and increased fiscal spending). The BoJ met at the end of October and elected to keep rates on hold, with two board members dissenting and voting to increase the benchmark interest rate by 25bps to 0.5% (though the same two members also voted to increase rates at the previous meeting in September). Japanese yields were largely unchanged through this, with the market now fully pricing a further hike by March next year, but the market remained in focus as the quarter progressed, as the impact of a potentially expansive fiscal program, coupled with an increasingly hawkish BoJ weighs heavy on the JGB market. Japanese 30-year yields continued their ascent, increasing by over 30bps in November, over fears of a fiscally expansive stance to be taken by Takaichi, calling into question longer term debt sustainability. At the short end of the curve, yields also rose as the markets shifted to price in a December rate hike – which came to fruition.

The BoJ raised rates to 0.75% in December, but the market did not react a great deal to this move per se, instead focusing on the fiscal and bond supply stories going forward. Ten-year yields rose by around 25bps over December, with the majority of this move occurring ahead of the BoJ decision, with further weakness taking place into year-end. Longer dated Japanese

bonds fared a little better, with yields only marginally higher over the month, as markets took some comfort from reduced supply into this area.

Another market that saw large moves was Australia, with shorter-dated yields increasing by around 20bps at the start of the quarter and longer yields increasing by 15bps. This followed strong inflation numbers, all but ruling out any further easing of monetary policy, with the market now anticipating the next move from the RBA to actually be a hike, albeit not until the second half of 2026. This resulted in a weak December for Australian bond markets, as economic data remained robust and with inflation remaining elevated and the jobs market buoyant.

The fund's inflation positioning will have been a small detractor to performance over the quarter.

Performance and activity

Fund activity

The fund started the period around 0.3 years long versus its benchmark and maintained this long exposure over the course of the quarter, tactically trading periods of volatility in global markets. An underweight to the US of around 0.25 years was maintained throughout the quarter, though this was adjusted during periods of weakness, such as the sell-off that accompanied Chinese tariff developments in September, with the underweight restored as markets recovered. We were of the view that too much monetary policy easing in the US had been priced into markets and so were happy to run the underweight. With US yields largely unchanged over the quarter, the US duration underweight will have had minimal impact on fund performance.

The fund did run an overweight exposure to Europe during the fourth quarter, which will have hurt performance as European government bond yields rose. However, much of this will have been mitigated by cross market positioning within Europe. The fund was also largely flat, in duration exposure terms, to Japan, preferring instead to run a curve position. The overweight to Australia (added to on weakness) will have been a detractor to performance over the quarter as Australian yields rose, though some of the increase in exposure was on a cross-market basis versus the US.

Real yields and breakevens underperformed over the quarter, driven by weaker inflation numbers and falling oil prices, which theoretically shouldn't, but in practice do – impact the pricing of inflation linked assets. The fund held positions in 30-year real yield bonds issued by the US and France, where we felt that real yields in excess of 2.5% and 2% respectively are fundamentally cheap. We also entered a position in US 5-year breakevens (buying 5-year inflation-linked treasuries and selling 5-year nominal treasuries) as the implied inflation level (the breakeven) fell to around 2.2%. With the US inflation target of 2% and the impact of the tariffs imposed by the US Administration yet to be fully reflected, in our view, we felt that this represented a good entry level.

Our cross-market positioning, particularly within Europe, was a positive contributor to performance. The fund has continued to run an overweight to peripheral markets, mainly Spain but also Italy to a degree, versus an underweight in Core and Semi-Core Europe. Peripheral yields were largely flat during the fourth quarter, whilst Core and Semi-Core yields rose. We continue to run this overweight, as we feel this tightening can continue as these markets do not face the same headwinds that Core and Semi-Core Europe does; and we believe a benign political backdrop (for now at least), robust economies, downward debt trajectories and the potential for further ratings upgrades are all supportive.

A further positive contributor to cross market performance in Europe was an investment in 30-year debt issued by the European Union directly, under its Next Generation (NGEU) program,

funded by a switch out of 30-year German bonds. This AAA issuer offered a yield of close to 75bps over bunds and was less susceptible to the potential flows in relation to the Dutch pension scheme reforms. The spread continued to tighten and ended the quarter closer to 60bps.

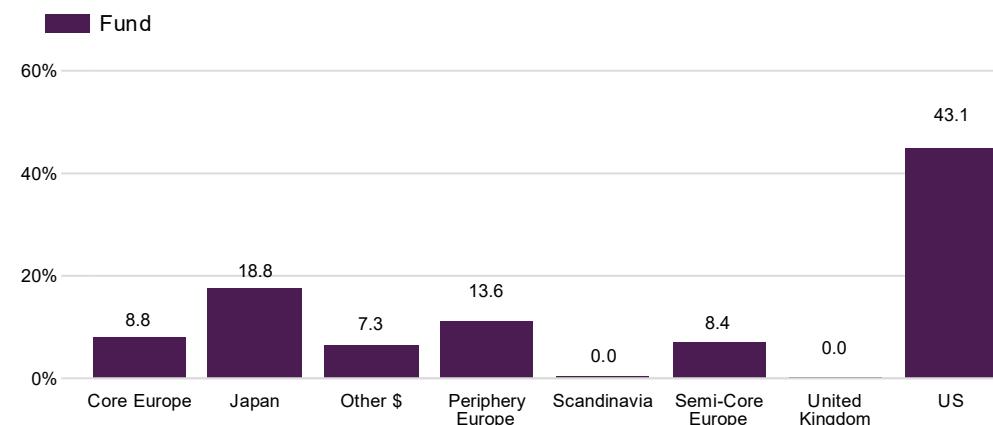
The fund also entered a cross-market trade in Australia versus US, entered as Australia sold off and the US remained steady following strong Australian inflation figures at the tail end of November. This spread was close to its three-year highs and ended the quarter at a similar level, but we continue to like the position as we feel both markets have too much priced in by way of policy easing (in the case of Australia) and policy tightening (for the US).

Turning to the fund's curve positioning, our main curve exposure that we continue to run is Japan, being overweight the 30-year point and underweight short maturities. Whilst long-dated JGBs have weakened as a result of the appointment of the new potentially fiscally expansive Prime Minister, on top of reduced buying from traditional sources, such as Japanese life insurance companies, shorter dated JGBs have also been hit as the BoJ turns hawkish and seeks to further tighten policy to tackle inflation. Concerns over fiscal profligacy also impacted shorter dated JGBs and it is likely that supply will be further skewed away from longs into shorter maturities. Overall, despite bouts of steepening, subsequently retraced, over the quarter, the slope of the Japanese curve broadly ended up where it started, meaning there was a minimal impact on fund performance from this exposure.

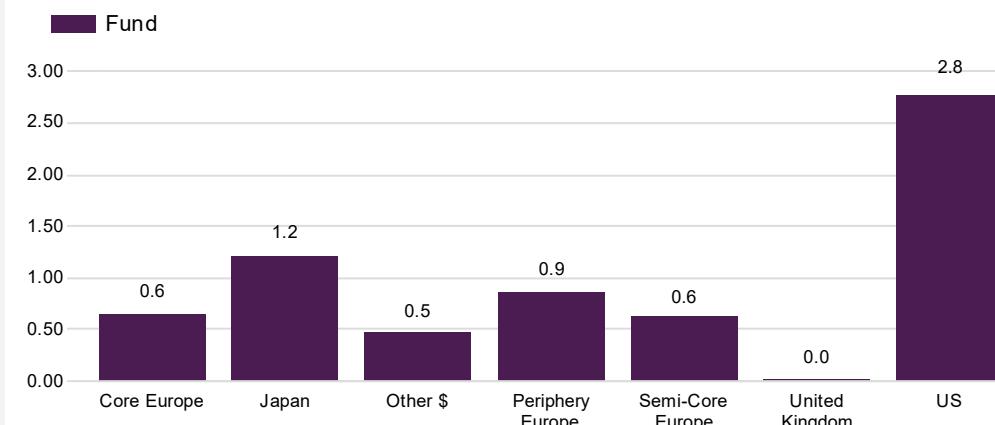
The fund was also running a mild steepening bias to Core and Semi-Core European government bonds, which had a small positive impact. US curve exposure was broadly neutral over the quarter.

Fund breakdown

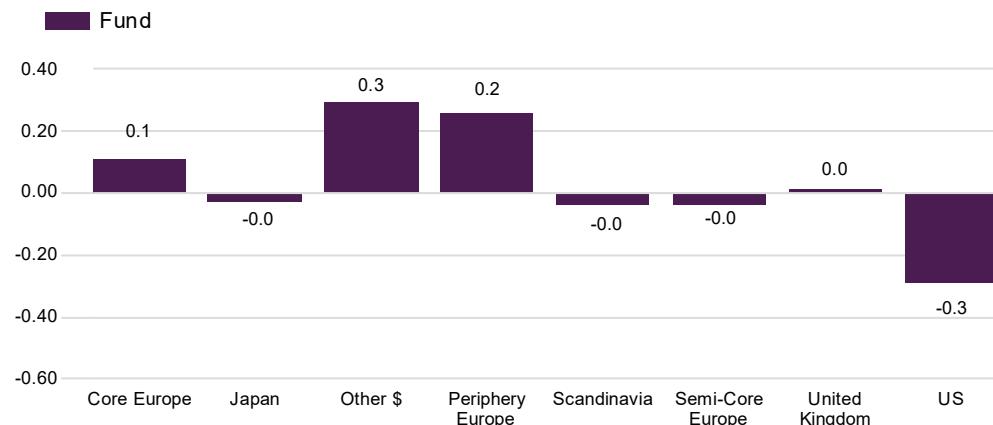
Geographic split by % weight



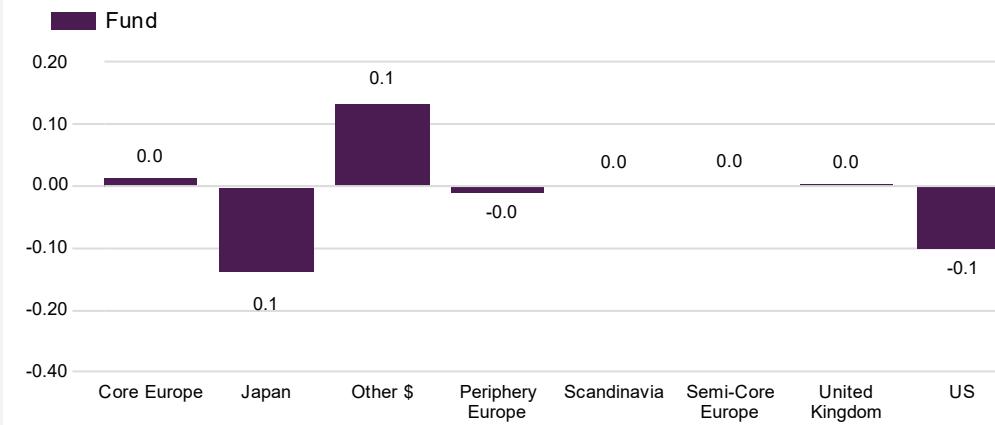
Geographic split by duration



Duration position relative to benchmark

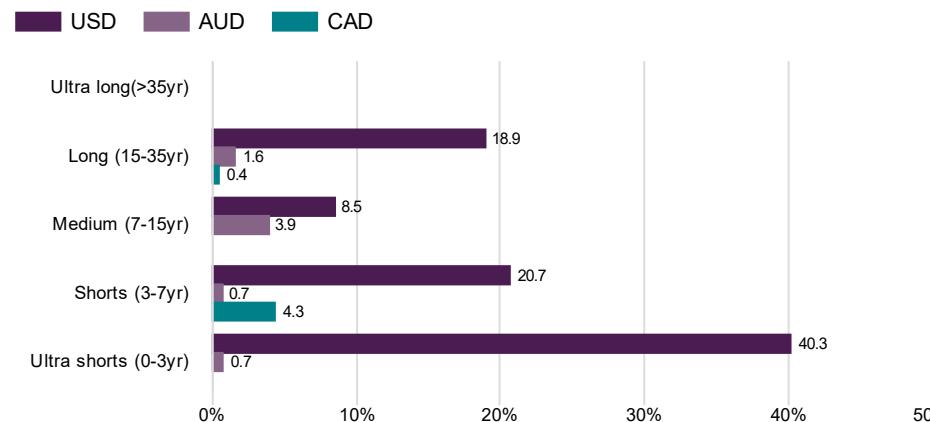


Relative duration quarter on quarter

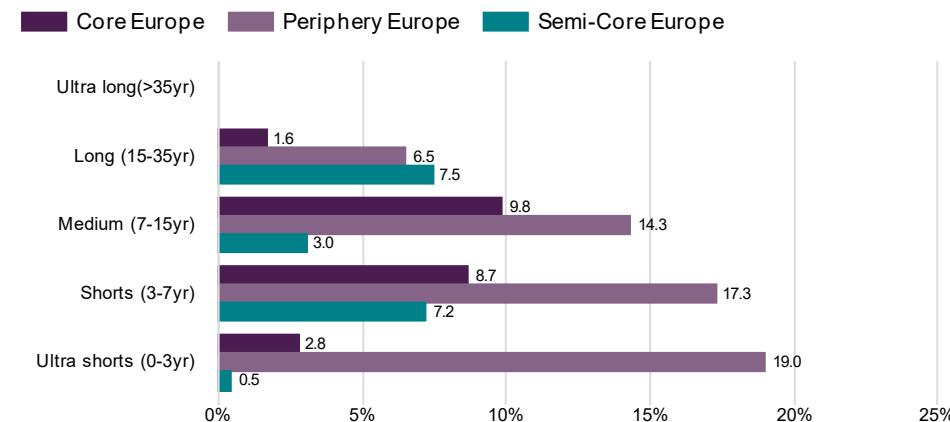


Fund breakdown

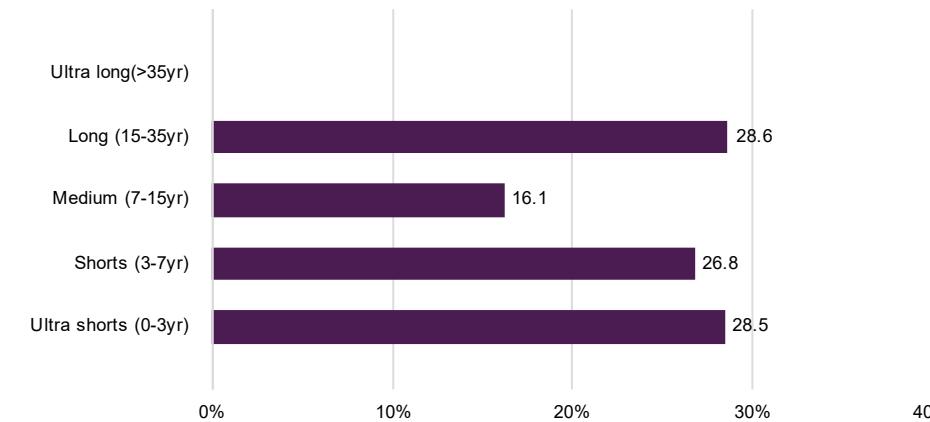
Dollar bloc



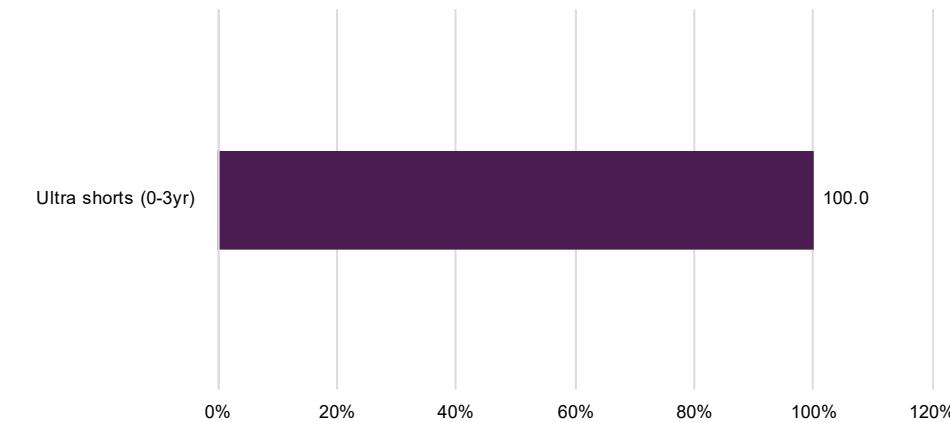
Euro bloc



Japan

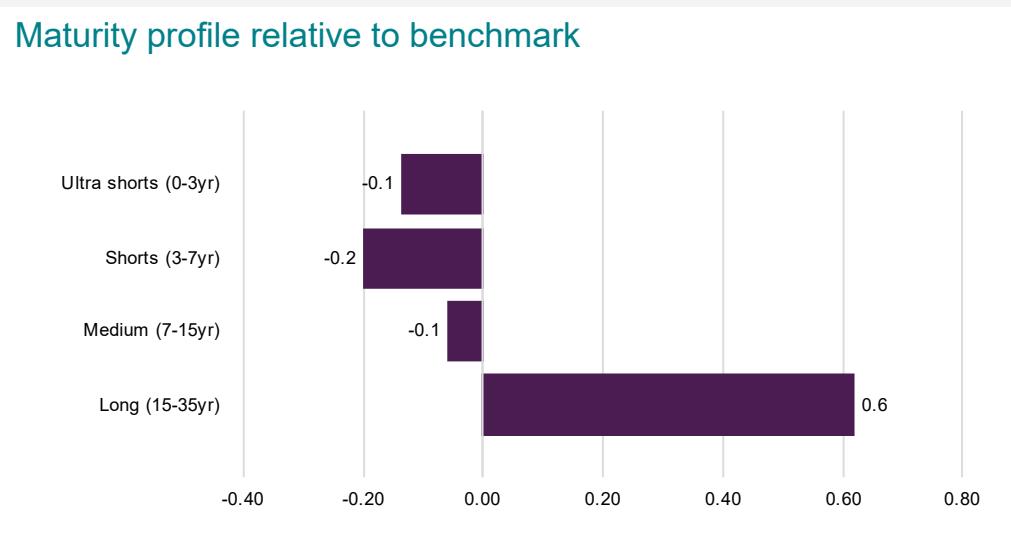


UK



Fund breakdown

Maturity profile relative to benchmark



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 including an unemployment rate that has edged 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. Global credit has benefited from falling interest rates and the strong corporate backdrop leading to tighter credit spreads.

There was significant divergence in the path of global government bond yields in the last quarter of 2025. US Treasury yields ended the quarter broadly unchanged from where they began, whilst UK gilt yields fell by between 20 and 30 basis points and German bund yields rose by around 15-to-20 bps, whereas peripheral European yields were largely unchanged. The largest moves on a global basis were seen in Japan and Australia, both up by between 25 and 40 bps.

The UK moves were largely as a result of the market becoming more confident of adherence to fiscal rules by the UK Government and reduced supply of longer dated bonds, hence they were more comfortable with the outlook for UK debt. In the US, interest rates were cut twice during the quarter (following a cut at the end of September), though the December cut was accompanied by a reassertion that the Federal Reserve was in wholly “data dependent” mode, and there was no predetermined path to future rate moves. Much of the move in the Fed Funds rate had been anticipated by markets, so these decisions had little significant impact on bond yields, and the absence of official economic data for much of the quarter (due to the government shut down) served to suppress volatility in US Treasuries, which mainly operated in a 20bps range over the quarter.

The rise in Core European yields, specifically at the longer end of the curve was largely driven by the market impact fears over the transition of Dutch Pension schemes, from a Defined Benefit basis to a Defined Contribution basis. The market worried that this transition (due to start in January 2026) could lead to the unwinding of hedges of long liabilities, ultimately resulting in the selling of longer dated Core European government bonds, and reduced demand at this point in the curve going forward. This, coupled with the recognition of increased debt issuance by Germany in particular (to finance its defence and infrastructure programs) saw Core European yields increase and yield curves steepen. French politics were in focus at the start of the quarter, as negotiations over the 2026 budget stalled. Compromises meant that the government survived, and fresh elections were avoided, but the path to debt consolidation remains as tricky as ever. Notwithstanding this, the market took comfort from this “muddle through” approach and the spread of France over Germany ended the quarter around 10bps tighter. Peripheral spreads also had a strong quarter, moving still tighter as the southern European economies outperformed their northern counterparts, resulting in a more favourable funding outlook.

Japan was once again a focus for global markets over the quarter. October saw the appointment of a new Prime Minister, with an expectation of fiscally expansive policies, something which the market took fright at. This saw long end Japanese yields increase still further, though some comfort was taken from moves by the Japanese Ministry of Finance to address supply issues at longer dated maturities. However, 30-year Japanese yields ended the quarter close to their highest ever levels, up by around 40bps from the end of September. Australian yields also saw significant increases over the quarter, as economic data came in strong, and the market moved to pricing in the next move from the Reserve Bank of Australia to be a rate hike, possibly as early as the first quarter of 2026.

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.

Market commentary

Outlook

The fourth quarter was a period which saw global politics continue to exert influences on government bond markets. Central Banks are now at different stages in their monetary policy cycles; the ECB appears to be remains in a good place, comfortable with the degree of its monetary accommodation, with inflation forecast to remain around its 2% target, though ECB President Christine Lagarde once again repeated the mantra of data dependence, though it is likely, subject to economic data remaining on track, that European interest rates will remain on hold for 2026. Focus instead will shift towards debt supply and the impact on the euro area growth picture from the increase in government spending, from Germany in particular.

In Japan, whilst the next move in policy from the BoJ is likely to be a hike, but the timing of this move has been brought into question by political developments as the government has more influence on central bank policy setting than is the case elsewhere. The pace of further monetary policy tightening is likely to be slower than seen elsewhere, with the market pricing less than two more hikes in 2026.

In the US, where the central bank should be independent, we are seeing sustained political pressure exerted from President Trump to ease policy faster. Given the rate cuts to date, robust economic data and signalling from Fed members, the market has started to price out some of the policy easing and it is not impossible to build a case for no further cuts from the Fed this year. A lot depends on the political influence exerted on the new Fed Chair later in the spring.

This all adds up to continued uncertainty and has resulted in an environment of sustained volatility. We are still of the view that being long of duration is the correct call but are happy to keep trading tactically to take advantage of these volatile market conditions.

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.rlams.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.

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.

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	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	0.43	1.28	4.01	12.42	(0.20)	3.98	(0.04)
Fund (net)	0.35	1.12	3.70	11.42	(1.69)	3.67	(0.34)

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)	4.01	2.08	5.89	(10.17)	(1.18)
Fund (net)	3.70	1.77	5.57	(10.43)	(1.48)

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 International Government Bond Fund M 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.

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.

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.