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Royal London Multi-Asset Credit 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 Multi-Asset Credit 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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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees). The fund will seek to outperform its benchmark, 3 month GBP London Interbank Offer Rate (LIBOR), by 4-6% per annum over rolling three year periods (gross of fees).

Fund value

	Total £m
31 December 2025	661.35

Asset allocation

	Fund (%)
ABS	6.42
Conventional HY	10.07
IG	7.07
Loans	23.59
RoW	8.93
Secured	33.08
Short Dated HY	10.84

Fund analytics

	Fund
Fund launch date	3 July 2017
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration to worst	1.73 years
Redemption yield (FX adjusted) (%)	6.80

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.43	0.98	0.46
1 Year	7.51	4.22	3.29
3 Years (p.a.)	8.72	4.63	4.09
5 Years (p.a.)	4.31	3.05	1.26
Since inception (p.a.)	4.26	2.08	2.18

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 9 October 2017.

Performance commentary

The high yield market experienced a benign fourth quarter with spreads tightening and yields falling but both small moves. We did see spreads shoot 30bps wider on news of the US-China trade war potentially escalating at the start of the quarter, but this was quickly reversed as these fears lessened. Despite grabbing a lot of headlines earlier in the year, we have yet to see the fallout or negative impact on the high yield market of the tariffs announced by US President Donald Trump. We could still see lagged effects but companies have so far been able to pass on any increase in production without demand taking a hit.

There continues to be an ongoing resilience in the market, with economic data, particularly in the US, generally being better than expected. Spreads continued to grind tighter and remained well supported by healthy technicals, including strong demand and a historically robust new issuance environment.

Default rates stayed exceptionally low, and companies generally managed cost pressures effectively, helping to sustain investor confidence. Overall, the asset class remained anchored by stable fundamentals, allowing it to absorb external uncertainties with limited disruption.

A trend seen throughout the year, which continued in the final quarter, was a regional deviation in values. European bonds lagged, while US bonds have performed strongly, rebounding from the tariff-induced weakness. The fund's performance was driven by its exposure to the US, with its UK and RoW exposure detracting.

By sector, the fund's leisure, services and telecommunications holdings were the strongest performers. By asset, the fund's high yield bonds – particularly our single B holdings – and loan bucket saw good returns in the fourth quarter.

In the fourth quarter. global leveraged loans delivered 1.16% (in GBP terms), while European leveraged loans were up about 85bps. The tone was similar to the third quarter, with loans holding up well driven by strong technical demand from CLOs and loan funds. As a result, the wave of re-pricings continued in the fourth quarter, with the margin paid by loan issuers continuing to compress.

As a result, spreads in European loans tightened across ratings, with split BB/B loans averaging spreads of 365bps and B rated loans of 420bps while nearly two-thirds of loans were trading above par in Europe. Credit fundamentals remained relatively stable as well further supporting the asset class while in the last twelve months the European loan default rate was below 1%. Given the strength in the loan market, purchasing loans in the secondary market was challenging. As a result, most of the focus was on new issues.

Performance and activity

Fund activity

High yield issuance hit record levels as companies looked to lock in favourable market conditions, underscoring the strength of technical demand and investors' appetite for yield. Companies were keen to refinance existing debt and extend maturities, resulting in steady primary-market activity that was easily absorbed. Year-to-date issuance climbed well ahead of 2024 levels, reinforcing the depth of the market and further supporting the asset class's strong total return profile through the end of the year. 2025 marked the highest year of issuance since 2021.

The fund was positioned more pro risk, maintaining an overweight to B rated bonds over BB rated bonds, in the quarter. Over the period we did look to add to our BB names, however. By asset, the fund increased exposure to secured holdings in the period.

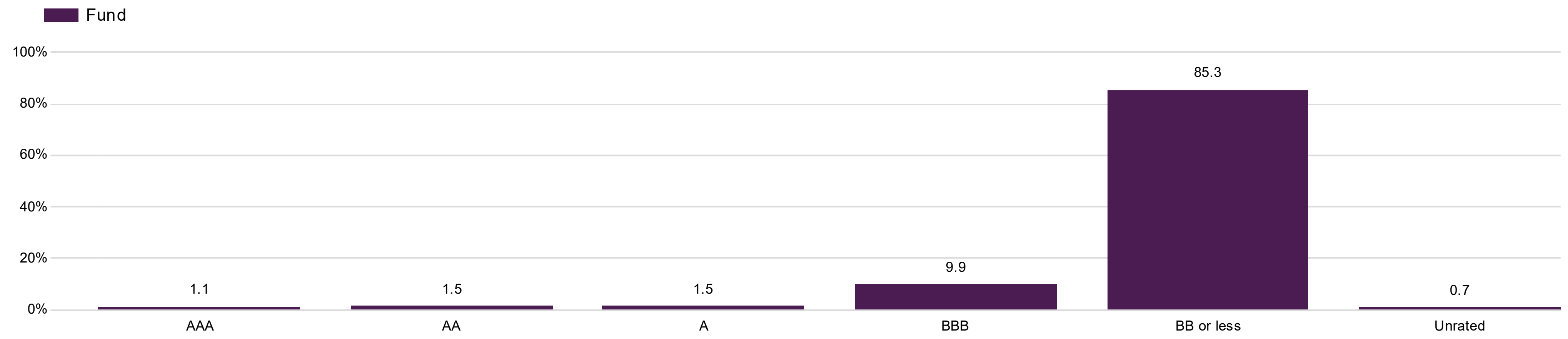
A trend that has continued on from the fourth quarter of last year is duration at low levels in the benchmark, which has been steadily lowering throughout the past year, as it has been fiscally prudent for high yield issuers to keep their bonds outstanding for longer given the low coupons on their post-Covid issuances, and since the new supply used to refinance existing debt is not being issued very far along the curve.

European CLOs had a very strong year with several new issues including new managers coming to the market. CLO spreads, however, were relatively flat year-on-year – after widening earlier in 2025 then gradually tightening over the course of the year due to the Tariff volatility seen towards the end of the first quarter and the beginning of the second quarter. AAAs, the largest tranche of the CLO market, hovered in the 130bps area.

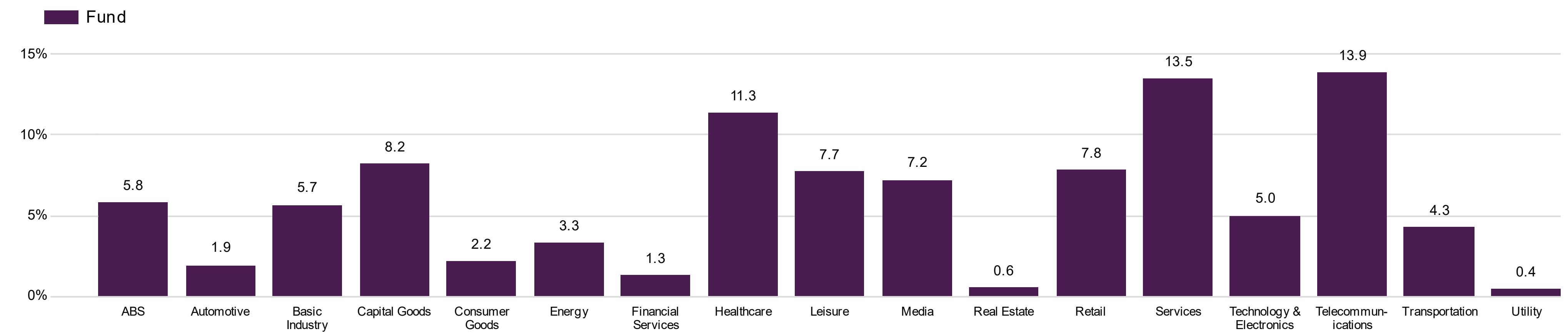
Fourth quarter activity was primarily driven by resets and refinancings of older vintage CLOs. New issues were also active and the pipeline remains robust with over 150 warehouses open. The key focus for CLOs was idiosyncratic names and avoiding credit losses in underperforming sectors such as building materials and chemicals.

Fund breakdown

Credit ratings

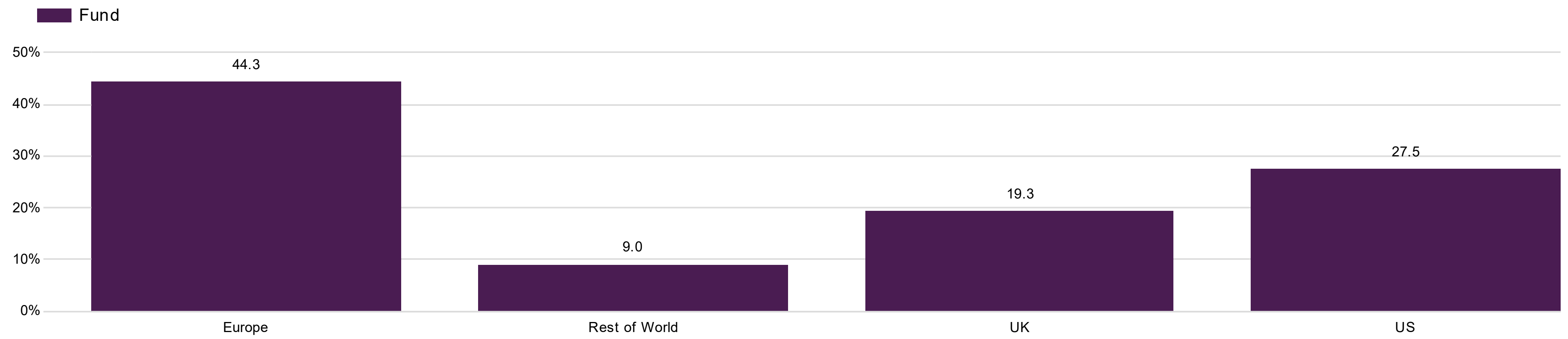


Sector breakdown



Fund breakdown

Regional weights



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.

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.

In the high yield market, the ICE BofAML (BB-B) Global Non-Financial High Yield Index (sterling hedged) benchmark returned 1.42% in the fourth quarter with spreads ending the three-month period at 245bps, tightening from 252bps at the start of the quarter. At the end of the period, the index's yield-to-worst stood at 5.86%, drifting lower over the quarter. In the broader-based high yield index, which includes CCC rated bonds, spreads were largely unchanged at 299bps.

Economic overview

Business surveys look consistent with most major economies seeing growth in the fourth quarter, continuing to show some resilience in the face of this year's higher US tariff rates and global trade tensions. Despite inflation generally remaining above central bank targets, there were further rate cuts in Q4 from the US Federal Reserve and Bank of England. The US economy was disrupted in Q4 by the US government shutdown. In the UK, some activity may have been held back in light of uncertainty around the later than usual Budget.

In the US, third quarter GDP was a stronger than expected 4.3% quarter-on-quarter annualised. The government shutdown starting at the end of September ended up being the longest in history, not ending until mid-November. That disrupted the economy but also the flow of economic data. Much of the data for the quarter was not released until December and was difficult to interpret given the impact of the shutdown itself and its effect on data collection. Payrolls and unemployment data continued to point to a soft labour market with November payroll gains at only 64K and the unemployment rate at 4.6% (4.4% in September and 4.1% in June). Inflation remained above target, but CPI fell from 3.0% year-on-year in September to 2.7% on the November data, significantly weaker than expected.

The US Federal Reserve cut rates 25bps at both its October and December meetings, driven by worries around the labour market. The December participant projections indicated a median expectation of one cut in 2026 and another in 2027, but language in the statement has been associated in the past with a pause. Worries about Federal Reserve independence ticked along with President Trump saying that the next Fed Chair should consult him on interest rates and saying that he would like to see interest rates at 1% or maybe lower.

In the euro area, the European Central Bank kept rates steady at both of its meetings in the fourth quarter. The ECB continued to take a "data-dependent", "meeting-by-meeting" approach. President Lagarde continued to note that rates are "in a good place," though amended this to say that did not mean "static". Euro area GDP held up well in the third quarter, growing 0.3% quarter-on-quarter. Headline inflation rose to 2.2% year-on-year in September but then fell back a touch to 2.1%. Core inflation lingered at higher levels though and services inflation rose a bit.

Market commentary

Outlook

High yield fundamentals are well supported and that has resulted in a very moderate default climate up to now. Current US high yield default rates are very low, as are global high yield defaults. Strong returns have been driven by the absence of shocks in the market, with any clouds on the horizon to come from external factors.

A factor we are keeping an eye on is the politicisation of monetary policy in the US, and how any resulting knock on the influence or institutional reputation of the Federal Reserve could impact issuance. Trump continues to try an exert political influence and looks set to push for Powell's replacement to be supportive of White House views. A diminished Fed or weakened Governor could see a dramatic shift in future interest rate expectations. The resultant volatility from such a shift could lead to increased volatility in high yield markets.

An evolving story is the potentially inflated valuations, particularly when it came to artificial intelligence (AI). We have seen equity valuations skyrocket this year, particularly for technology companies focused on AI. This, when combined with increasing concentration within market indices, leaves equity markets particularly exposed should expectations around the impact of AI become less optimistic. With heightened focus on quarterly earnings of these companies, sentiment could change quickly. AI's progress could be stunted by a number of factors such as power, data or commodity supply chains, which would also lead to valuation downgrades for firms that anticipate high levels of infrastructure. Risks remain elevated due to geopolitical tensions, fragmentation of trade and elevated pressures on sovereign debt markets.

While global geopolitical and macroeconomic uncertainties are affecting global government bond markets in different ways, and despite where credit markets have reached in spreads, global high yield markets still offer attractive sources of value for those prepared to look carefully.

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.

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The Fund is a sub-fund of Royal London Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations, and has been established as an umbrella fund with segregated liability between Funds.

It is not 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.

For more information on the Fund or the risks of investing, please refer to the Prospectus available via the relevant Fund Information page on www.rlam.com.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

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.

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.

Leverage risk

The Fund employs leverage with the aim of increasing the Fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the Fund's losses can be magnified significantly.

Performance to 31 December 2025

Cumulative (%) / Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	1.43	3.62	7.51	28.53	23.48	8.72	4.31
Fund (net)	1.41	3.59	7.43	28.26	23.05	8.64	4.23

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)	7.51	8.03	10.67	(8.64)	5.16
Fund (net)	7.43	7.95	10.59	(8.70)	5.08

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 Multi-Asset Credit Fund Z Inc GBP share class.

Glossary

ABS
Asset Allocation - Asset Backed Securities (ABS) include Asset Backed Bonds and Collateralised Loan Obligation (CLOs).

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

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

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.

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.

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.

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 excluding cash, in each case calculated to the point in time at which each is expected to redeem, equates to its current price, gross of relevant fund management costs and gross of tax. For funds that are sold in various hedged currency share classes, yield is adjusted to reflect the impact of FX hedging and excludes the impact of cash.

RoW
Regional Breakdown - Rest of World (RoW) includes all non-North America, non-Europe and non-UK holdings, which includes emerging market debt as shown in asset class positioning.