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RLPPC UK Long Corporate 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 RLPPC UK Long 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.

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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

To outperform its benchmark by 0.50% per annum net of fees (on a rolling three year basis). The RLPPC UK Long Corporate Bond Fund invests predominantly in long-dated sterling credit bonds, including unrated bonds and sub-investment grade bonds. The fund may also invest in UK government bonds and non-sterling bonds. The Markit iBoxx GBP Non-Gilts Over 15 Years index is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
31 December 2025	188.06

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	95.05	98.62
Conventional gilts	3.53	-
Conventional foreign sovereigns	1.26	1.38
Index linked credit bonds	0.17	-

Fund analytics

	Fund	Benchmark
Fund launch date	30 April 2003	
Fund base currency	GBP	
Benchmark	Markit iBoxx GBP Non-Gilts Over 15 Years Index (Total Return, GBP)	
Duration (years)	12.31	12.60
Redemption yield (%)	6.21	6.02
Number of holdings	123	202
Number of issuers	97	131

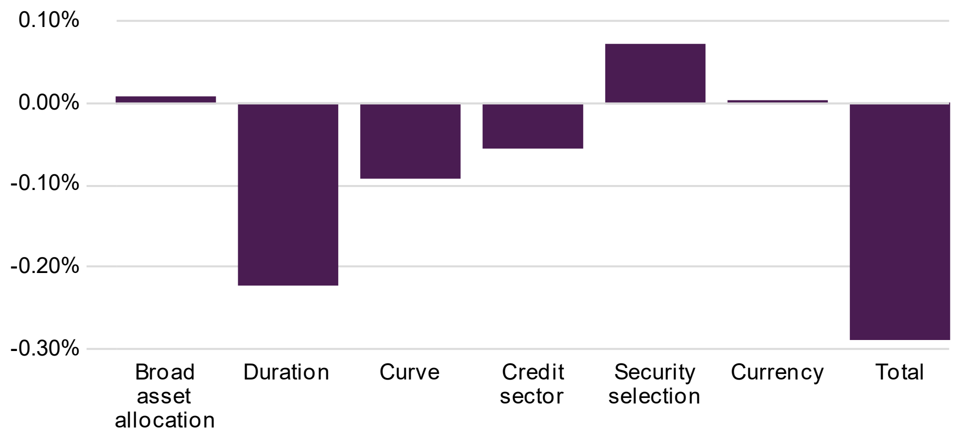
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	4.65	4.90	(0.25)
1 Year	6.80	6.19	0.61
3 Years (p.a.)	4.89	3.51	1.38
5 Years (p.a.)	(5.39)	(7.27)	1.88
10 Years (p.a.)	2.25	1.07	1.18
Since inception (p.a.)	4.79	3.92	0.87

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 A Acc GBP. Source: Royal London Asset Management; Net performance; Since inception date of the share class is 30 April 2003.

Attribution over the quarter



Performance commentary

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

Duration was the main negative 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 been long duration, our credit positioning is more a function of the attractive opportunities wherever they occur on the curve, and in some sectors those were predominantly in shorter duration opportunities versus the bonds in the benchmark sector. As yields fell, these positions were unhelpful from a duration perspective.

Sector positioning and stock selection were broadly neutral over the quarter. Our bias towards insurance bonds was helpful as the sector performed well, while our longstanding underweight in supranational bonds hurt performance as the sector performed strongly. There were notable positive stock selection effects across the portfolio, including in AT1 bonds, where 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 Aviva and M&G.

Performance and activity

Top 10 holdings

	Weighting (%)
ELECTRICITE DE FRANCE SA 6 23 Jan 2114	3.97
UK CONV GILT 0.5 22 Oct 2061	2.72
VODAFONE GROUP PLC 6.375 03 Jul 2050	2.63
M&G PLC 6.34 19 Dec 2063	2.60
M&G PLC 6.25 20 Oct 2068	2.18
HEATHROW FUNDING LTD 4.625 31 Oct 2046	2.09
FFRESH_1 8.369 04 Oct 2058	1.93
HARB_03-08 5.28 31 Mar 2044	1.91
AVIVA PLC 6.875 20 May 2058	1.85
GATWICK FUNDING LTD 2.875 05 Jul 2049	1.85
Total	**23.73**

Fund activity

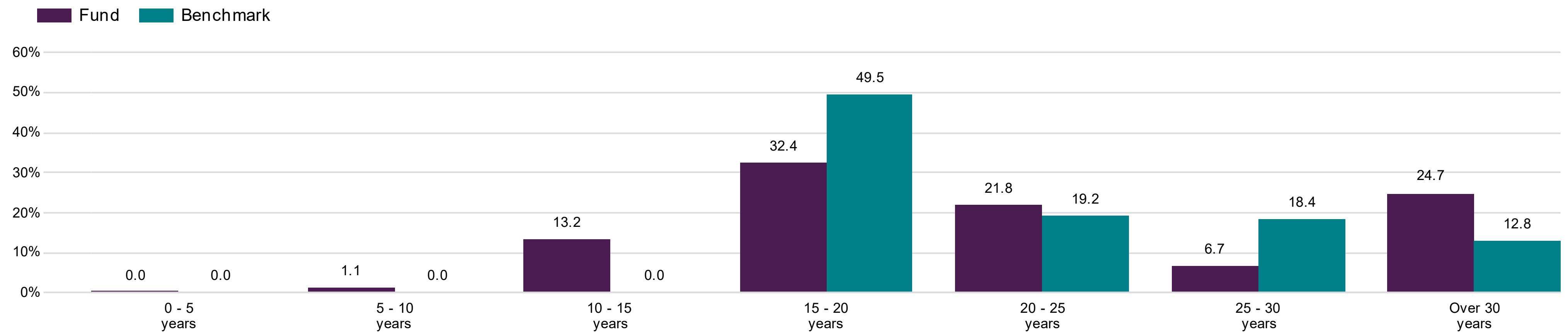
Banks and financials remain the largest part of the index. Our portfolios have a long-standing high level of exposure to the sector as we believed that credit spreads looked very attractive for the risk taken. Following two years of outperformance, the overall valuation picture looks less compelling than it did, leading to lower exposure over time. However, we continue to find attractive opportunities.

Examples over the quarter included a subordinated new issue from international healthcare provider BUPA at a very attractive spread. We also added a tier 2 new issue from Australian & New Zealand Banking where we saw an attractive yield premium to the market.

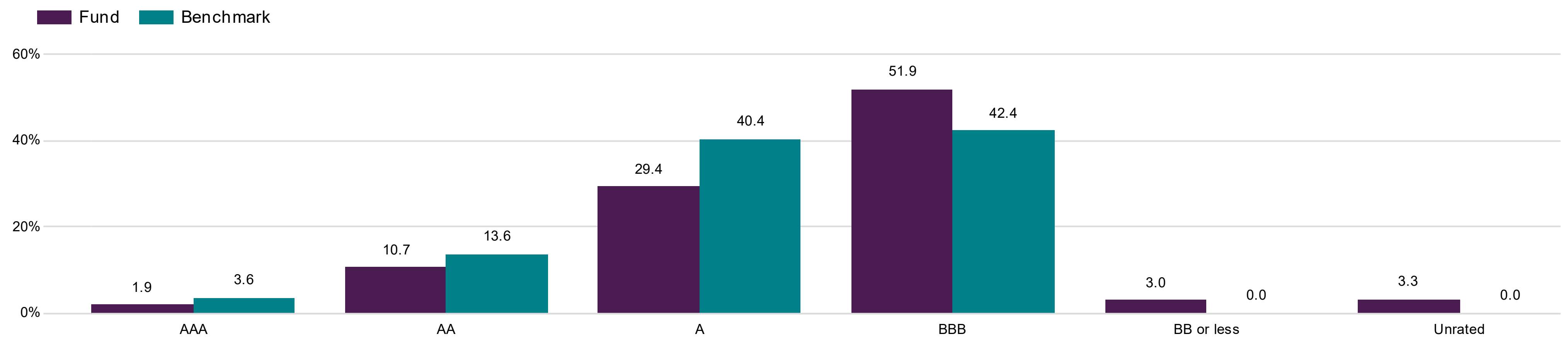
While we retain exposure to financials, secured bonds and social housing, we look for issues in other sectors that add diversification and resilience to our portfolios. During the quarter we added a new issue from National Air Traffic Control Services, the UK's leading provider of air traffic control services.

Fund breakdown

Maturity profile

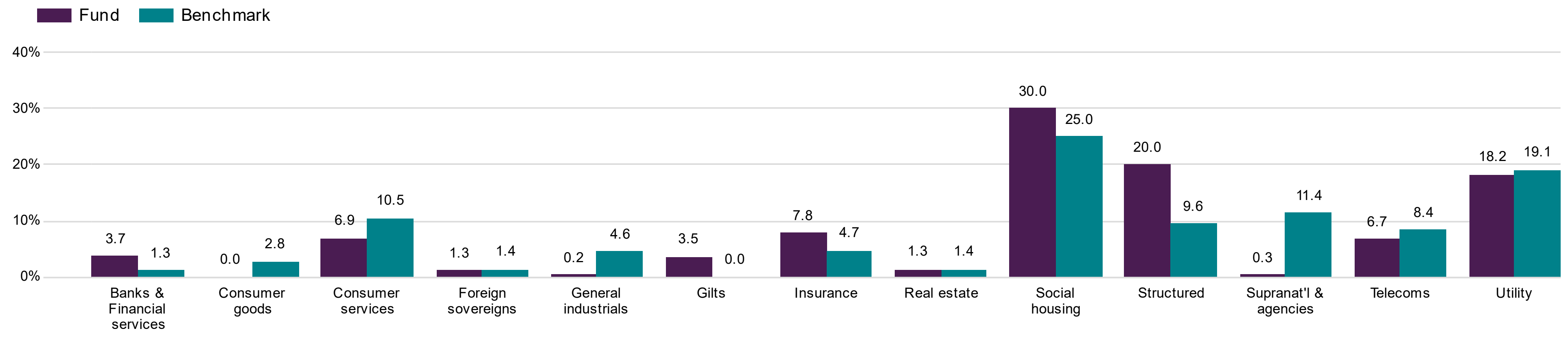


Credit ratings



Fund breakdown

Sector breakdown



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	9	15
Number of engagements	15	39

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.

Total engagements by theme and topic

Biodiversity	1
Climate	9
Climate - Transition Risk	8
Climate - Physical Risk	1
Environment	3
Governance	2
Corporate Governance	2
Social & Financial Inclusion	4
Just transition	3
Social & Financial inclusion	1

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

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.

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.

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.

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Risks and Warnings

General risks

The degree of investment risk depends on the fund you choose.

The prices of units can go down as well as up.

The return from your investment is not guaranteed; therefore, you may get back less or more than shown in the illustrations.

You may not get back the amount that you originally invested.

Past performance is not a guide to future return.

Inflation may, over time, reduce the value of your investments in real terms.

There may be a variation in performance between funds with similar objectives owing to the different assets selected.

Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach.

The use of derivatives in pursuit of a fund's objective may cause its risk profile to change and this may be material.

Fixed interest security 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. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons. The returns from bonds are fixed as at the time of purchase. Therefore the fixed coupon payable and the final redemption proceeds are known at the outset. This means that if a bond is held until its redemption date, the total return that could be expected is unaltered from its purchase date, subject to counterparty default (see 'Credit risk' below). However, over the life of a bond, the yield priced by the market (as opposed to actual fixed coupons payable) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase price and a profit or loss may be incurred.

Credit risk

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. This fund may invest a percentage of it's assets in sub-investment grade bonds. Such bonds have characteristics which may result in higher probability of default than investment grade bonds and therefore higher risk.

Overseas markets risk

Funds investing in overseas securities are exposed to, and can hold, currencies other than Sterling. As a result, overseas investments may be affected by the rise and fall in exchange rates.

Derivatives risk for efficient portfolio management

Derivatives may be used by this Fund for the purpose of efficient portfolio management. This restricts the use of derivatives to the reduction of risk and the reduction of cost. Such transactions must be economically appropriate and the exposure fully covered.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	4.74	4.88	7.14	16.54	(22.98)
Fund (net)	4.65	4.71	6.80	15.43	(24.20)

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
5.23	(5.08)
4.89	(5.39)

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)	7.14	(2.82)	11.93	(31.78)	(3.13)
Fund (net)	6.80	(3.13)	11.57	(31.99)	(3.44)

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 RLPPC UK Long Corporate Bond Fund A Acc 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.

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.

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

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

Pricing

The Fund's price will 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 3-year period

A rolling 3-year period is any period of three 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.