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Royal London Short Duration Global High Yield Bond Fund

Quarterly Investment Report

31 December 2025

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 31 December 2025

The purpose of this report is to provide an update on the Royal London Short Duration Global High Yield 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

The investment objective of the Fund is to provide income. The Fund seeks to achieve its investment objective by outperforming its benchmark, SONIA (the "Benchmark") by 2% per annum over rolling three year periods. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track it. For non-Base Currency Classes, an appropriate rate is used as a substitute for the Benchmark for each relevant Class currency.

Fund value

	Total £m
31 December 2025	979.82

Fund analytics

	Fund
Fund launch date	15 February 2013
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration to expected	1.03 years
Redemption yield (FX adjusted) (%)	5.18

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.74	0.98	0.76
1 Year	7.61	4.22	3.39
3 Years (p.a.)	7.65	4.63	3.03
5 Years (p.a.)	4.61	3.05	1.57
10 Years (p.a.)	3.73	1.78	1.95
Since inception (p.a.)	3.98	1.51	2.47

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 15 February 2013.

Performance commentary

The fund outperformed its benchmark in the quarter, recording solid positive absolute returns.

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 saw strong performance across regions in the quarter, with its US holdings being a standout, where the majority of the fund is weighted.

All sectors delivered a positive absolute performance in the quarter, with our leisure, services and telecommunications holdings the strongest.

The fund has repeatedly experienced a lower level of volatility, in previous periods of uncertainty, and the philosophy and investment process that underpins the strategy has not changed.

Performance and activity

Top 10 holdings

	Weighting (%)
FRONTIER COMMUNICATIONS HOLDINGS L 5.875 15 Oct 2027	1.82
EDGEWELL PERSONAL CARE CO 5.5 01 Jun 2028	1.74
KFC HOLDING CO/PIZZA HUT HOLDINGS 4.75 01 Jun 2027	1.69
SIRIUS XM RADIO INC 3.125 01 Sep 2026	1.69
SS&C TECHNOLOGIES INC 5.5 30 Sep 2027	1.68
CINEMARK USA INC 5.25 15 Jul 2028	1.68
IQVIA INC 5 15 Oct 2026	1.65
GRIFFON CORPORATION 5.75 01 Mar 2028	1.65
PRIMO WATER HOLDINGS INC 3.875 31 Oct 2028	1.64
SUNOCO LP 6 15 Apr 2027	1.62
Total	**16.87**

Fund activity

The fund remains exposed to US names, which was increased over the quarter, and saw good performance in the quarter. The fund is overweight BB versus B, as we were happy to buy into a more defensive position amid the heightened volatility – but this was reduced slightly over the quarter.

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.

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.

To start the quarter, the fund was focused on defensive and securities at the end of their lives, the fund only had a fraction of the drawdown of the wider market and was able to outperform the wider high yield market, but a vibrant new issuance market during September, led to a number of the fund's holdings being called during October. Several of these holdings were AA, Clean Harbors, Cirsa and Solenis. We opened a new positions in Multiversity.

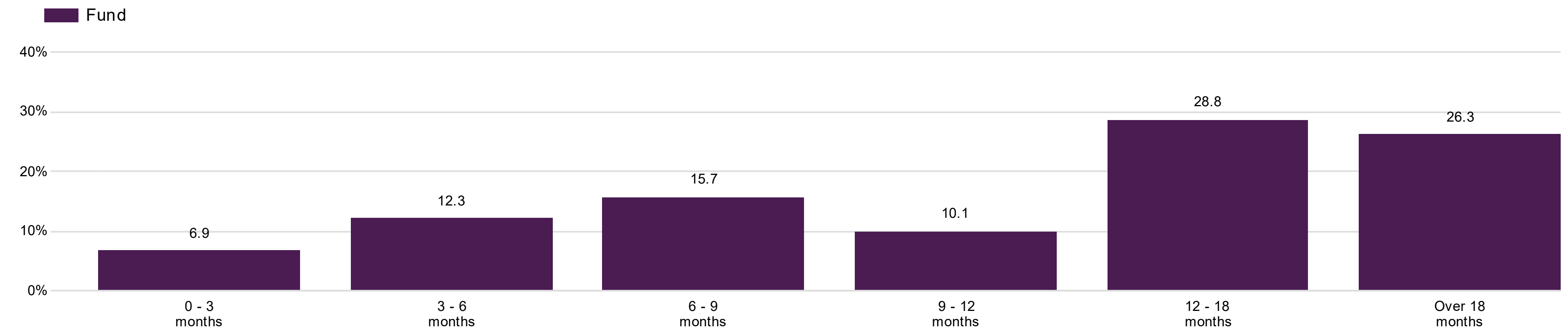
As the quarter progressed, further holdings were called in November, including David Lloyd, Gatwick Airport and Matterhorn Telecom. But further new positions were opened in Ardagh Metal, Clean Harbors, Lamar Media, Cirsa and Olin.

Closing out the year, our holdings in Coty, Mattamy Homes, Post Holdings and United Group were called, while we started positions in Brightstar Lottery, Cros and Turkcell.

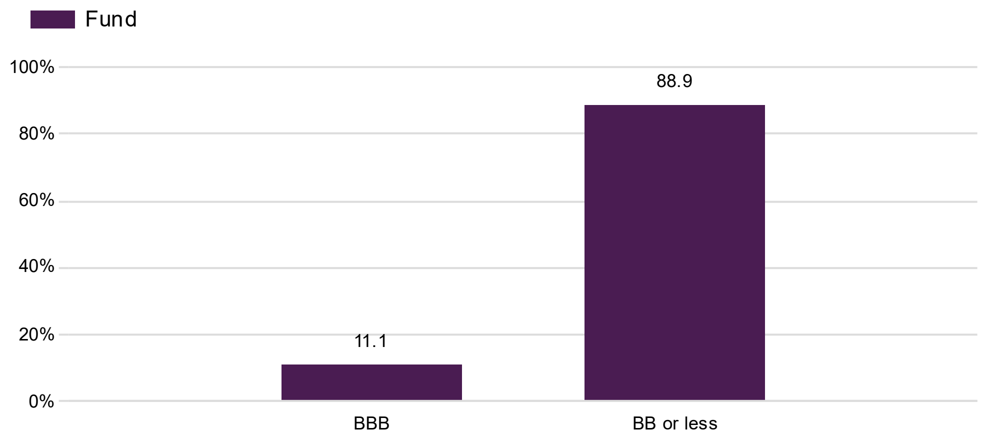
We remain highly focused on market developments and actively monitor the credit risk that we hold.

Fund breakdown

Maturity profile

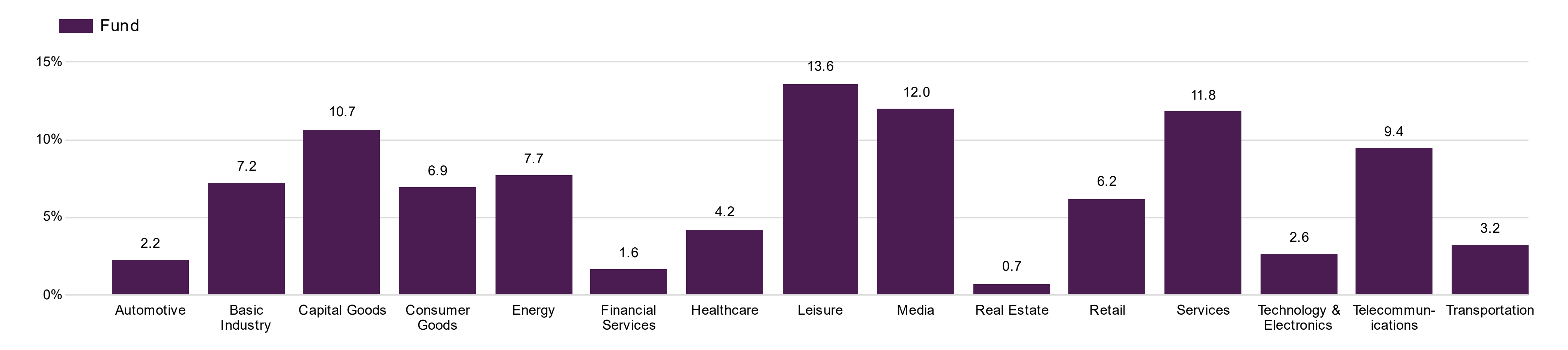


Credit ratings

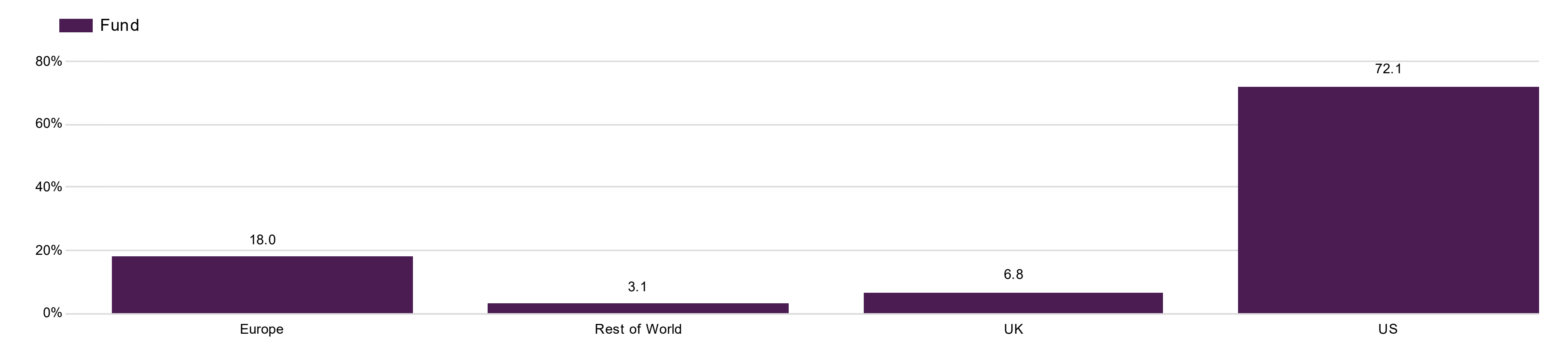


Fund breakdown

Sector 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.

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The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

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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.

The Prospectus and Key Investor Information Document (KIID) are available in English via the relevant Fund Information page on www.rlam.com. A summary of investor rights is also available in English, and can be accessed at www.rlam.com/uk/policies-and-regulatory

RLAM may terminate the arrangements made for marketing of the fund pursuant to Article 93a of Directive 2009/65/EC.

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.

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.

Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

Performance to 31 December 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	1.74	3.33	7.61	24.79	25.32
Fund (net)	1.62	3.08	7.09	23.01	22.35

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	7.65	4.61
Fund (net)	7.14	4.11

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)	7.61	6.37	9.03	(3.02)	3.55
Fund (net)	7.09	5.86	8.50	(3.49)	3.06

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 Short Duration Global High Yield Bond 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.

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. Derivatives are typically used to hedge the relevant share classes.

Derivatives

A financial instrument whose price is dependent upon or derived from one or more underlying asset.

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.

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

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.

Maturity Profile

The maturity profile is based on position redemption dates expected by the manager, which may differ from market interpretation of redemptions

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.

Sector allocation

The global funds sector classifications are based on ICE BofA sector level 3 classifications.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.