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Royal London Cautious Managed 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 Cautious Managed 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's investment objective is to achieve a total return over the course of a market cycle, which should be considered as a period of 6-7 years, by predominantly investing in other funds, known as collective investment schemes.The Fund is actively managed. The IA Mixed Investment 0-35% Shares sector and the Fund's custom composite benchmark are considered appropriate benchmarks for performance comparison.

The Fund's composite benchmark is considered a good representation of the breakdown of the Fund's assets:

7% FTSE All-Share Total Return Index,
11% FTSE World Total Return GBP Index
2% MSCI Emerging Markets ESG Leaders Net Return Index (expressed in GBP)
15% FTSE Actuaries UK Conventional Gilts (All Stocks) Total Return (GBP) Index
15% iBoxx Sterling Non-Gilt Total Return (GBP) Index
10% ICE Bank of America Merrill Lynch 1-5 years Sterling Non-Gilt Index
10% FTSE Actuaries UK Conventional Gilts up to 5 Years Total Return (GBP) Index
30% Bank of England Sterling Overnight Index Average (SONIA)

Fund value

	Total £m
31 December 2025	145.73
Fund launch date	10 June 2015
Benchmark	Composite benchmark, please see prospectus for details

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.81	2.39	0.42
1 Year	8.91	8.09	0.82
3 Years (p.a.)	7.69	6.66	1.03
5 Years (p.a.)	3.67	2.62	1.06
10 Years (p.a.)	4.47	3.64	0.83
Since inception (p.a.)	4.24	3.51	0.73

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; Gross performance; Since inception date of the share class is 10 June 2015.

Performance commentary

Equities

Global equities extended gains through the fourth quarter, marking the longest run since 2018 with eight consecutive monthly advances. The quarter began with solid corporate earnings and resilient activity data, supporting risk appetite. Although November introduced a brief period of volatility – driven by hawkish Fedspeak, the absence of US data amid the government shutdown, and concerns around elevated AI-related valuations – markets recovered strongly as the Fed turned more dovish. December delivered a broad-based 'Santa rally', which helped global indices reach new highs. We remain overweight – earnings growth is broadening, monetary policy continues to ease, and the seasonal backdrop is set for further gains.

Bonds

Government bond yields finished the quarter generally higher, albeit with differing monthly dynamics. Gilt yields led the fall in October on softer UK data and easing fiscal concerns. November was mixed, with US yields edging slightly lower on dovish Fed commentary. December, however, brought a more decisive rise in longer-dated yields, led by Japan following the Bank of Japan's (BoJ) rate hike and Germany after hawkish ECB remarks. We held a broadly neutral position in government bonds over the period.

Equity regions

Rest of the world outperformed US equities over Q4 and 2025, led by Asian tech and Japanese stocks, with the latter boosted by yen weakness. We remained overweight Japan, funded from Asia Pacific, which added value over the period. We reduced the underweight to European stocks which stabilised over the period on hopes of a US-brokered ceasefire in Ukraine and expectation of a boost from German fiscal stimulus in 2026.

Equity sectors

Growth sectors experienced bouts of weakness, with 'AI bubble' concerns frequently dominating headlines. Value cyclicals performed well, while traditional defensives lagged. Our preference for growth sectors over defensives detracted some value as IT and communication services gave back some earlier relative gains.

Property

We remain positive on the long-term prospects for property within a diversified multi asset portfolio; we are neutral on a tactical basis. Commercial property continued to rise on a total return basis over the quarter.

Performance and activity

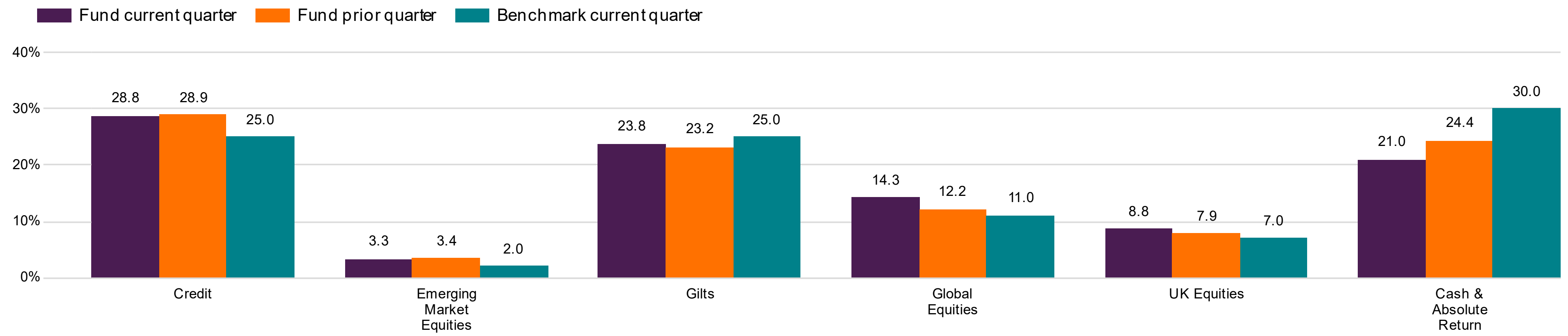
Fund activity

Asset Allocation Overview

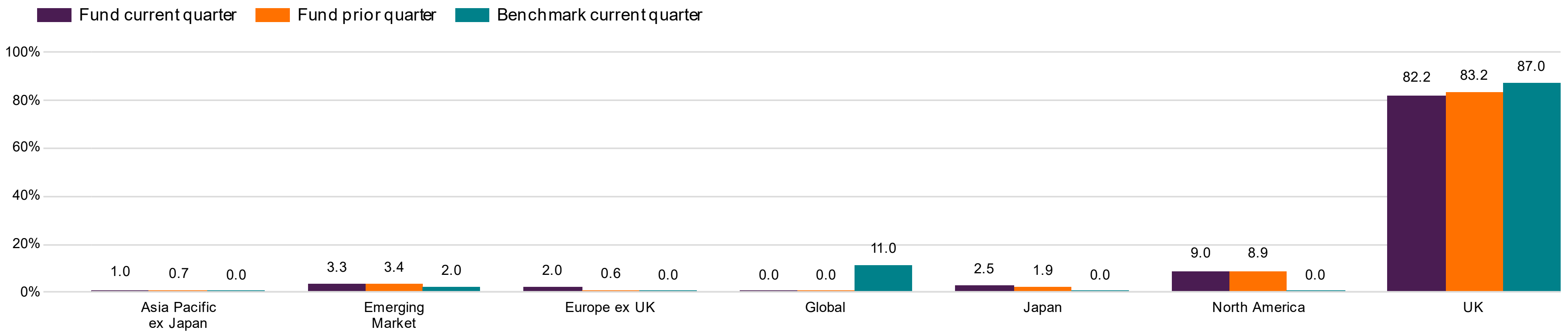
On a tactical level, we remained overweight global equities, with a preference towards Japan as well as growth and cyclical sectors versus defensives. Our Investment Clock has been moving from Reflation towards Recovery, which bodes well for equities. We continue to hold gold as a hedge, which has been adding strong value since we first initiated the position in July 2024. While equity valuations remain elevated, support remains in the short-medium term; earnings growth is broadening, policy continues to loosen in most countries, and the seasonal backdrop is set for the rally to continue into 2026.

Fund breakdown

Asset split



Geographical breakdown



Market commentary

Market Review

Markets were US focused during the fourth quarter (Q4), with rate cuts from the Federal Reserve (Fed) 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.

The European Central Bank (ECB) 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) amid concerns over downside risks including an unemployment rate that has edged to its highest rate since the Covid pandemic.

Most major economies produced 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 from the Fed and BoE. However, the US rate cut in December was accompanied by language suggesting a pause after three cuts in the final four months of 2025.

Asian and emerging markets again performed strongly, despite some profit taking in the fourth quarter, marking the end to an excellent year. Chinese equities were among the strongest gainers over the quarter. Advances in Chinese AI stocks boosted the technology sector, while investors also took confidence from evidence that China has succeeded in diversifying its trade partners to help offset the impact of US tariffs.

Japan was one of the standout markets over 2025 and the fourth quarter, powered by technology stocks. Sentiment was also boosted by election results. The country's new Prime Minister, Sanae Takaichi, is regarded as a supportive to corporate reform and likely to enact growth policies, including an increase in government spending.

In terms of sectors, more defensive areas of the market, such as healthcare rebounded from previous weakness to produce a strong performance. Materials stocks benefited from the key sharp rise in the values of precious metals.

Commodities recorded another positive quarter, supported predominantly by precious metals. Both gold and silver recorded their best year since 1979. Energy markets remained under pressure throughout the quarter though, with Brent crude hitting a new year-to-date low of below $60 a barrel in December as oversupply concerns dominated sentiment.

Outlook

The Investment Clock is moving into Recovery and monetary policy is easing. This is a positive backdrop for stocks and we have been overweight, with a focus on Japan, the emerging markets and US growth sectors.

There are echoes of the late 1990s. The AI boom is raising corporate earnings, but valuations are near levels last seen in the dot com era. Most new innovations get overblown in the short term.

We are tactically bullish while the Fed is cutting rates, but we are sceptical that returns will remain strong, especially if interest rates rise again.

US political and policy worries have been sapping the US dollar and fuelling gold, our most profitable exposure over 2025. We are vigilant in case geopolitical risk leads to lower stock market valuations.

Further Information

Please click on the links below for further information:

Stewardship and Responsible Investment at RLAM

The Investment Clock

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.

Disclaimers

Important information

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Issued in January 2026 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797.

The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

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.

Fund investing in funds risk

The Fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stockmarket conditions and the Fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the Fund itself, may be deferred or suspended.

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 (%) / Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	2.81	5.46	8.91	24.92	19.79	7.69	3.67
Fund (net)	2.63	5.09	8.15	22.34	15.68	6.94	2.95

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)	8.91	6.26	7.94	(7.52)	3.68
Fund (net)	8.15	5.52	7.19	(8.16)	2.96

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 Cautious Managed Fund A Acc GBP share class.

Glossary

Asset allocation

Based on RLAM's holistic approach to fixed income management and fund weights relative to their respective benchmarks. May not reflect tactical exposures.

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.

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.

Geographical breakdown

Breakdown of assets by geographical regions. 'Global' region includes global fixed income and overseas securities exposures, which are sterling hedged and commodity exposures.

Hedging

Reduces risk by protecting an investment with another related investment.

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.

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.