Royal London Asset Management

Fixed Income Fund Commentary

31 July 2025

Fund Commentary

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The purpose of this report is to provide an update on the Royal London Fixed Income Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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ROYAL LONDON
ASSET MANAGEMENT

Fixed Income

Royal London Corporate Bond Fund

In July, UK government bond yields continued to trade within the same range as the last three months. 10-year US government bond yields increased to levels seen in May. European counterparts also crept higher by the end of July. Credit outperformed government bonds, delivering mostly positive total returns lifted by positive risk sentiment and corporate earnings.

The fund posted positive returns for July. Both credit sector allocation and stock selection contributed to the fund positive performance. Overweight exposure to structured boosted returns over the month, as did our exposure to insurance. On a stock selection basis, our holdings in subordinated bank and insurance debt supported relative outperformance.

Despite macro uncertainty, markets have returned to become driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to offer attractive all-in yields available in the asset class.

Royal London Ethical Bond Fund

In July, UK government bond yields continued to trade within the same range as the last three months. 10-year US government bond yields increased to levels seen in May. European counterparts also crept higher by the end of July. Credit outperformed government bonds, delivering mostly positive total returns lifted by positive risk sentiment and corporate earnings.

The fund posted positive returns for July. Both credit sector allocation and stock selection contributed to the fund positive performance. Overweight exposure to structured boosted returns over the month, as did our exposure to insurance. On a stock selection basis, our holdings in subordinated bank and insurance debt supported relative outperformance.

Despite macro uncertainty, markets have returned to become driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to offer attractive all-in yields available in the asset class.

Royal London Global Bond Opportunities Fund

The fund saw positive returns over the month in sterling terms. We saw positive contributions from across the portfolio, including investment grade, high yield and unrated bonds. In terms of sectors, our exposure to AT1 bank bonds was a notable positive for performance, as were selected holdings in the general industrials sector including the likes of Amedeo Air and Borr.

Credit market returns were generally positive during July. Credit spreads were generally tighter, with modest decreases in US dollar, euro and sterling investment grade markets, with higher risk areas such as corporate hybrids and emerging market bonds seeing greater returns.

Despite considerable uncertainty, markets have returned to become driven more by fundamentals. On an underlying basis, our credit analysis and company meetings have generally remained cautiously positive: companies are not experiencing the same volatility in their earnings that market moves would imply, and as yet, few are guiding to a major impact from tariffs. In the short term, further announcements on tariffs will undoubtedly have an impact on markets, but we believe that markets are becoming less easily spooked after a roller coaster first half of 2025.

Fixed Income

Royal London Global High Yield Bond Fund

For the third month in a row, the high yield market produced a positive return in July. However, the positive return masks the difference in moves experienced in credit spreads versus government yields. Credit spreads tightened to levels not seen since pre-Liberation Day. Government yields, on the other hand, increased. There was no summer lull in the new issuance market, with $33bn issued in US high yield and $67bn issued globally, highlighting a robust primary market. The vast majority of the new issuance is for companies to refinance existing debt.

The fund's outperformance was driven by its telecommunications holdings, while our energy holdings had a very strong month, in line with the market. The fund's bias towards single B rated bonds was beneficial.

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.

Royal London Global Index Linked Fund

Economic data in most jurisdictions remained reasonably robust during July which, combined with tentative agreements on new trade tariffs, saw government bond yields drift higher as the case for further central bank easing of monetary policy receded a little.

The fund produced a negative return over the month, lagging the index. On an underlying portfolio basis, the fund modestly outperformed. Duration positioning was mixed, with our strategic long position negative given rising yields, but tactical positioning offset this. Relative value trades, centred on exploiting the distortions caused by European insurers favouring certain maturities, were positive over the month.

Having moved from peak optimism at the end of 2023, to almost peak pessimism at the end of 2024, markets are still pricing in only two rate cuts for 2025. We continue to expect more rate cuts – particularly in the UK where growth is expected to slow significantly in the second half of the year. Given the potential for increased volatility in August as a result of seasonality, we have reduced risk accordingly.

Fixed Income

Royal London Global Mezzanine ABS Fund

Primary markets in July were in line with expectations, with more CLOs and CMBS and less ABS and RMBS, though the latter featured heavily in secondary BWIC volume. The market's digestion of the European Commission's Solvency II proposal was very positive for senior risk and that paper dominated BWIC volume, which was the busiest since the US tariffs were announced in April and the second busiest of the past 12 months. Australia saw a handful of new issues. These were well subscribed to, despite not being listed and for this reason, we did not participate. We prefer to participate in listed deals, to ensure liquidity.

July saw spreads grind even tighter and most likely led by US tech and EU credit, taking it to year-to-date tights. CLO AAAs remain in the low to mid 130bps range despite the strong primary flow.

We chose not to participate in the new CMBS issues as we felt the credit and structures were weak versus previous issuance and found better relative value in CLO new issuance. Here we looked to rotate out of senior paper (where there was strong demand) into paper further down the stack.

Royal London Global Senior ABS Fund

Primary markets in July were in line with expectations, with more CLOs and CMBS and less ABS and RMBS, though the latter featured heavily in secondary BWIC volume. The market's digestion of the European Commission's Solvency II proposal was very positive for senior risk and that paper dominated BWIC volume, which was the busiest since the US tariffs were announced in April and the second busiest of the past 12 months. Australia saw a handful of new issues. These were well subscribed to, despite not being listed and for this reason, we did not participate. We prefer to participate in listed deals, to ensure liquidity.

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Fixed Income

Royal London Index Linked Fund

Economic data in most jurisdictions remained reasonably robust during July which, combined with tentative agreements on new trade tariffs, saw government bond yields drift higher as the case for further central bank easing of monetary policy receded a little.

The fund produced a negative return over the month, underperforming the benchmark index. On an underlying portfolio basis, the fund modestly outperformed. Duration positioning was mixed, with our strategic long position negative given rising yields, but tactical positioning offset this. Relative value trades, centred on exploiting the distortions caused by European insurers favouring certain maturities, were positive over the month.

Having moved from peak optimism at the end of 2023, to almost peak pessimism at the end of 2024, markets are still pricing in only two rate cuts for 2025. We continue to expect more rate cuts – particularly in the UK where growth is expected to slow significantly in the second half of the year. Given the potential for increased volatility in August as a result of seasonality, we have reduced risk accordingly.

Royal London Investment Grade Short Dated Credit Fund

In July UK government bond yields continued to trade within the same range as the last three months. In the US 10-year government bond yields increased to levels seen in May while European counterparts also had crept higher by the end of July. Credit outperformed government bonds lifted by positive risk sentiment and corporate earnings.

The fund posted positive net returns for July. Both credit sector allocation and stock selection contributed to the fund positive performance during the month. Overweight exposure to structured boosted returns over the month, as did our exposure to insurance. On a stock selection basis, our holdings in bank, insurance and structured bonds supported relative outperformance.

Despite uncertainty in the macro outlook, markets have returned to become driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to offer attractive all-in yields available in the asset class.

Royal London Short Duration Credit Fund

In July, UK government bond yields continued to trade within the same range as the last three months. In the US, 10-year government bond yields increased to levels seen in May while European counterparts also crept higher by the end of July. Credit outperformed government bonds lifted by positive risk sentiment and corporate earnings.

The fund posted positive net returns for July. Both credit sector allocation and stock selection contributed to the fund positive performance. Overweight exposure to structured boosted returns over the month, as did our exposure to insurance. On a stock selection basis, our holdings in bank, insurance, structured and utilities bonds all supported relative outperformance.

Despite uncertainty in the macro outlook, markets have returned to become driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to offer attractive all-in yields available in the asset class.

Fixed Income

Royal London Short Duration Gilts Fund

Government bond yields rose across the curve in July, with the long end seeing the steepest rise, up about 10 basis points. Shorter maturity gilts, less than five years, saw yields rise by around five basis points. On a relative value basis, the performance of low coupon bonds versus high coupon bonds in shorter maturity gilts was less prevalent than in longer maturity gilts.

The fund has no inflation exposure and ended the month with no cross-market exposure.

UK markets remain priced for two further rate cuts into year-end, with one in August and one in November, while moves in the long end of the curve continue to be dominated by global events as well as concerns around the domestic fiscal picture. The fund remains positioned for further reductions in interest rates from the Bank of England over the next 12 months, beyond what is already priced in to markets.

Royal London Short Duration Global High Yield Bond Fund

For the third month in a row, the high yield market produced a positive return in July. However, the positive return masks the difference in moves experienced in credit spreads versus government yields. Credit spreads tightened to levels not seen since pre-Liberation Day. Government yields, on the other hand, increased. There was no summer lull in the new issuance market, with $33bn issued in US high yield and $67bn issued globally, highlighting a robust primary market. The vast majority of the new issuance is for companies to refinance existing debt.

The fund continued its strong performance in July. All sectors, regions and ratings produced positive returns with the transportation sector outperforming on a relative basis. With the new issue market continuing to be open, the fund continued to spend cash on existing and new positions as bonds were redeemed. New positions were made in Coty, Techem, Transdigm, Solenis and Wesco.

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.

Royal London Short Duration Global Index Linked Fund

Economic data in most jurisdictions remained reasonably robust during July which, combined with tentative agreements on new trade tariffs, saw government bond yields drift higher as the case for further central bank easing of monetary policy receded a little.

The fund produced a positive return over the month, broadly in line with the index. Our long duration stance was the main positive for returns, with yields at shorter maturities falling, helped by increased focus on central bank rate cuts. Our Japanese curve position, also favouring shorter bonds, also helped returns.

Having moved from peak optimism at the end of 2023, to almost peak pessimism at the end of 2024, markets are still pricing in only two rate cuts for 2025. We continue to expect more rate cuts – particularly in the UK where growth is expected to slow significantly in the second half of the year. Given the potential for increased volatility in August as a result of seasonality, we have reduced risk accordingly.

Fixed Income

Royal London Short Term Fixed Income Enhanced Fund

There was no Bank of England meeting in July, meaning that the UK Base Rate remained unchanged at 4.25%. Economic data in recent weeks continued to suggest that UK growth is positive yet somewhat anaemic, while pay inflation is also easing, which should provide a backdrop for more ‘careful, gradual’ rate cuts in the second half of the year.

With no change in base rates, SONIA was level at 4.22% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, remained near the bottom of its recent trading range, rising marginally from 3.82% to 3.89%.

Activity was relatively low in July. The fund added a three-year covered bond new issue from Canadian Imperial Bank of Commerce, as well as a senior bond from Virgin Money due to be called in the autumn but offering an attractive short-term yield. Other activity was around trading short-dated gilts to benefit from market volatility.

Royal London Short Term Fixed Income Fund

There was no Bank of England meeting in July, meaning that the UK Base Rate remained unchanged at 4.25%. Economic data in recent weeks continued to suggest that UK growth is positive yet somewhat anaemic, while pay inflation is also easing, which should provide a backdrop for more ‘careful, gradual’ rate cuts in the second half of the year.

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Activity was relatively low in July. The fund added two new issues from Canadian Imperial Bank of Commerce, a three-year covered bond as well as a one-year senior floating rate bond, both at attractive premia to SONIA. In traditional money market securities, we added one-year paper from Toronto Dominion and a six-month CD from ING.

Royal London Short-Term Money Market Fund

There was no Bank of England meeting in July, meaning that the UK Base Rate remained unchanged at 4.25%. Economic data in recent weeks continued to suggest that UK growth is positive yet somewhat anaemic, while pay inflation is also easing, which should provide a backdrop for more ‘careful, gradual’ rate cuts in the second half of the year.

With no change in base rates, SONIA was level at 4.22% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, remained near the bottom of its recent trading range, rising marginally from 3.82% to 3.89%.

Activity was somewhat lower than in recent months, reflecting lighter volumes over the summer, although we added selectively to longer dated paper where pricing was attractive, including National Westminster paper maturing in early 2026, as well as six-month treasury bills. Finally, we added short-dated covered bonds from Nationwide and Clydesdale Bank in the secondary market with less than a year to maturity.

Fixed Income

Royal London Sterling Liquidity Money Market Fund

There was no Bank of England meeting in July, meaning that the UK Base Rate remained unchanged at 4.25%. Economic data in recent weeks continued to suggest that UK growth is positive yet somewhat anaemic, while pay inflation is also easing, which should provide a backdrop for more ‘careful, gradual’ rate cuts in the second half of the year.

With no change in base rates, SONIA was level at 4.22% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, remained near the bottom of its recent trading range, rising marginally from 3.82% to 3.89%.The fund retains a bias towards three-month paper, adding the likes of Santander, BNP Paribas and Sumitomo Mitsui.

Activity was somewhat lower than in recent months, reflecting lighter volumes over the summer, although we added selectively to longer dated paper where pricing was attractive, including National Westminster paper maturing in early 2026, as well as six-month treasury bills.

Royal London Sterling Credit Fund

In July, UK government bond yields continued to trade within the same range as the last three months. Meanwhile, 10-year government bond yields in the US increased to levels seen in May while European counterparts also had crept higher by the end of July. Credit outperformed government bonds lifted by positive risk sentiment and corporate earnings.

The fund posted positive returns for July. Both credit sector allocation and stock selection contributed to the fund positive performance. Overweight exposure to structured boosted returns over the month, as did our exposure to insurance. On a stock selection basis, our holdings in bank, insurance and structured bonds all supported relative outperformance.

Despite uncertainty in the macro outlook, markets have returned to become driven more by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to offer attractive all-in yields available in the asset class.

Royal London Sterling Extra Yield Bond Fund

The fund saw positive returns over the month, continuing a strong year to date performance. Credit market returns were generally positive during July. Credit spreads were generally tighter, with modest decreases in US dollar, euro and sterling investment grade markets, with higher risk areas such as corporate hybrids and emerging market bonds seeing greater returns.

Performance was driven by the fund’s general industrial holdings, with Amedeo Air, Jacktel and DOF all seeing positive returns. The fund’s bank bonds also performed well, with Santander and Metro Bank contributing strongly. Every sector saw a positive return in the month.

The fund was active in primary markets in a month of notably slow sterling primary issuance. The fund added subordinated debt from financials UBS and Chesnara, while also taking part in a new issue from Southern Water at attractive spread levels.

Fixed Income

Royal London UK Government Bond Fund

Government bond yields rose across the curve in July, with the long end seeing the steepest rise, up about 10 basis points. A trend seen in the month was low-coupon gilts underperforming high-coupon gilts. UK markets remain priced for two further rate cuts into year-end, with one in August and one in November, while moves in the long end of the curve continue to be dominated by global events as well as concerns around the domestic fiscal picture.

The fund extended its duration position, ending the month about a year long, but tactically traded the position, increasing exposure to 30-year Japan government bonds, 30-year Australian government bonds and 30-year gilts as yields around the world rose.

The fund’s 5/10s steepening bias added value, although an overweight in longer-dated low coupon gilts versus high coupon gilts detracted value. The fund’s holding of index linked gilts are held outright on a real yield basis, with the real yield on the fund’s linker 37s largely unchanged on the month, outperforming equivalent maturity gilts.

Disclaimers

Important information

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RL Corporate Bond Fund, RL Investment Grade Short Dated Credit Fund, RL Sterling Credit Fund, RL Global Index Linked Fund, RL UK Government Bond fund, RL Index Linked, RL Short Duration Global Index Linked Fund and RL Short Duration Gilts Fund, RL Short Term Fixed Income Fund, RL Short Term Fixed Income Enhanced Fund, RL Short Term Money Market Fund:

The Funds are sub-funds 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.

RL Ethical Bond Fund, RL Short Duration Credit Fund

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RL Global Bond Opportunities Fund, RL Sterling Extra Yield Bond Fund, RL Global High Yield Bond Fund, RL Short Duration Global High Yield Bond Fund, RL Sterling Liquidity Money Market Fund:

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RL Global Mezzanine ABS Fund, RL Global Senior ABS Fund:

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.

Notice for UK Investors:

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.

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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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Risk 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.

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.

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.

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

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.

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.

Derivative risk

The 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.

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.

Exchange rate risk

Changes in currency exchange rates may affect the value of your investment.

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.

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.

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. 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.

Sub-investment grade investment risk

Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Unrated bond risk

Non-rated bonds may have the characteristics of either investment or sub-investment grade bonds. Market activity in unrated securities and instruments may be low for a considerable period of time and this may impact on liquidity.

Risk and Warnings

Stable NAV risk

The Fund is not the same as a bank deposit account. It is designed such that it will seek, for the Distribution Classes, to maintain the Net Asset Value per Share at a fixed value by distributing income from the Fund as it arises. However, whilst the Fund's investments are reasonably believed by the Investment Manager to be of high quality, there is always a risk that an underlying issuer could default or otherwise fall in value, resulting in the Fund being unable to maintain the Net Asset Value per Share at a fixed value and therefore a loss of capital will occur. The risk of loss is to be borne by the investor. There is no representation or warranty that the Fund will be able to maintain a stable Net Asset Value per Share.

Inflation risk

Where the income yield is lower than the rate of inflation, the real value of your investment will reduce over time.

Money market fund risk

A Money Market Fund is not a guaranteed investment, and is different from an investment in deposits. The principal invested in the Fund is capable of fluctuation and the risk of loss of the principal is to be borne by the investor. The Fund does not rely on external support for guaranteeing the liquidity of the Fund or stabilising the NAV per share.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

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.

Leverage 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.

Short Term Money Market Fund

The Fund has been authorised as a Variable Net Asset Value (VNAV) MMF and is a short term money market fund in accordance with MMF Regulation. The NAV is calculated using mark to market prices where possible otherwise mark to model prices are used. The redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.

Sterling Liquidity Money Market Fund

The Fund has been authorised as a Low Volatility Net Asset Value (LVNAF) MMF and is a short-term money market fund in accordance with MMF Regulation which seeks to maintain a stable NAV under the condition that the stable NAV does not deviate from the Net Asset Value per share by more than 20 basis points. In case of a deviation of more than 20 basis points between the stable NAV and the Net Asset Value per share, the following redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.