



# Royal London Asset Management

## Sustainable Fund Commentary

**31 July 2025**



Funds that have a Sustainability Focus Label investing mainly in assets that focus on sustainability for people or the planet. Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).



# Fund Commentary

31 July 2025

The purpose of this report is to provide an update on the Royal London Sustainable 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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# Sustainable

## Royal London European Sustainable Credit Fund

The fund saw a positive return over the month in euro terms, also beating the benchmark index. Stock selection, across a range of areas helped, including general industrials, insurance and utilities, helped performance over the month. We continued to add to holdings using the new issue market, including senior euro-denominated senior bonds from BBVA and euro bonds from UK utility Severn Trent.

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.

## Royal London Global Sustainable Credit Fund

The fund saw a positive return over the month in US dollar terms, ahead of the benchmark index. Stock selection, notably within banking and insurance sectors, helped performance over the month. We continued to add to holdings using the new issue market, including a new subordinated bond issue from Chesnara, a life and pensions consolidator, and utilities Severn Trent and Yorkshire Water.

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.

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## Royal London Global Sustainable Equity Fund

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data.

The fund underperformed during July. Shimano, a Japanese bicycle components manufacturer, was the primary negative contributor. It lowered guidance due to pressure on margins from lower utilisation rates, negative FX effects and increased labour costs. Fiserv, a US payments company, also released disappointing results which failed to show a re-acceleration in its merchant payments business. Meanwhile, Comfort Systems, a US HVAC installer, beat expectations in its results driven by continued data centre growth.

The fund started new positions in Natwest and Baycurrent. Natwest continues to improve its returns on equity due to healthy loan growth and disciplined balance sheet management. Baycurrent, a Japanese consultancy, is well positioned to capitalise on the growing need for digital transformation in Japan and continues to take market share.

# Sustainable

## Royal London Global Sustainable Equity Fund (IRL)

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data.

The fund underperformed during July. Shimano, a Japanese bicycle components manufacturer, was the primary negative contributor. It lowered profits guidance due to negative currency effects and increased labour costs. Fiserv, a US payments company, also released disappointing results. Meanwhile, Comfort Systems, a US HVAC installer, beat expectations in its results driven by continued data centre growth.

The fund started new positions in Natwest and Baycurrent. Natwest continues to improve its returns on equity due to healthy loan growth and disciplined balance sheet management. Baycurrent, a Japanese consultancy, is well positioned to capitalise on the growing need for digital transformation in Japan and continues to take market share.

## Royal London Sustainable Corporate Bond Trust

In July, UK government bond yields traded within the same range as the last three months. 10-year US government bond yields increased to May levels. European counterparts also crept higher by end-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 positively to performance. Overweight exposures to insurance, social housing, and structured sectors boosted returns, as did our underweight in supranationals. On a stock selection basis, our holdings in bank and insurance bonds supported the 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 Sustainable Diversified Trust

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data.

The Trust delivered positive absolute returns in July and was positioned in the second quartile relative to peers. Key contributors to performance included Standard Chartered, a bank operating across Asia, the Middle East and Africa, which continues to execute well on its strategy to improve returns and has raised profits guidance. Meanwhile, IMCD, a European chemicals company, reported disappointing results due to continued weakness in end markets.

We started new positions in TopBuild and Baycurrent. We believe that TopBuild, a US insulation company, demonstrates an ability to outperform over time despite current weakness in the US housing market. Baycurrent, a Japanese consultancy, is well positioned to capitalise on the growing need for digital transformation in Japan.

# Sustainable

## Royal London Sustainable Growth Fund

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data.

The Trust delivered positive absolute returns in July. Key contributors to performance included Standard Chartered, a bank operating across Asia, the Middle East and Africa. It continues to execute well on its strategy to improve returns and has raised profits guidance. Meanwhile, IMCD, a European chemicals company, reported disappointing results due to continued weakness in end markets.

We started new positions in TopBuild and Baycurrent. We believe that TopBuild, a US insulation company, demonstrates an ability to outperform over time despite current weakness in the US housing market. Baycurrent, a Japanese consultancy, is well positioned to capitalise on the growing need for digital transformation in Japan.

## Royal London Sustainable Leaders Trust

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data. In the UK the FTSE All-Share rose modestly. Energy stocks rose while real estate underperformed.

The Trust underperformed the index during the month. Convatec was the key detractor whose solid results were overshadowed by continued external headwinds, most recently with the launch of a consultation on the pricing for its catheter and ostomy products in the US. The Trust also saw negative attribution from not owning tobacco stocks. The positives included the performance of Diploma which upgraded guidance as it saw accelerating revenue growth driven both by operational outperformance in its industrial end markets and its ability to deliver value accretive acquisitions at scale.

We continue to believe patient optimism, aligned with sensible risk taking, remains a good mentality to find rewards in these uncertain and volatile markets.

## Royal London Sustainable Managed Growth Trust

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

The fund saw positive net returns for July. The fixed income exposure posted larger gains than broad sterling corporate bond markets—mainly due to our overweight exposure to structured and underweight exposure to supranational bonds. Stock selection in insurance bonds proved beneficial. Positive returns from our equity positions in Thermo Fisher and Standard Chartered were also helpful.

Despite uncertainty in the macro outlook, markets are 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.

# Sustainable

## Royal London Sustainable Short Duration Corporate Bond Fund

In July, UK government bond yields traded within the same range as the last three months. 10-year US government bond yields increased to May levels. European counterparts also crept higher by end-July. Credit outperformed government bonds, delivering mostly positive total returns 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 positive performance. Overweight exposure to the structured sector boosted returns, as did underweight to supranationals. In stock selection, our holdings in bank and insurance bonds supported relative outperformance with top contributors Nationwide and African Development Bank.

Despite uncertainty in the macro outlook, markets are 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 Sustainable World Trust

In July, equity markets advanced, supported by strong corporate earnings and resilient economic data.

The Trust delivered positive absolute returns in July. Key contributors to performance included Standard Chartered, a bank operating across Asia, the Middle East and Africa. It continues to execute well on its strategy to improve returns and has raised profits guidance. Meanwhile, IMCD, a European chemicals company, reported disappointing results due to continued weakness in end markets.

We started new positions in TopBuild and Baycurrent. We believe that TopBuild, a US insulation company, demonstrates an ability to outperform over time despite current weakness in the US housing market. Baycurrent, a Japanese consultancy, is well positioned to capitalise on the growing need for digital transformation in Japan.

# Disclaimers

## Important information

For professional clients only, not suitable for retail clients. This is a financial promotion and is not investment advice.

The views expressed are the presenter's own and do not constitute investment advice. Telephone calls may be recorded. For further information please see the privacy policy at [www.rlam.com](http://www.rlam.com).

### **RL Sustainable Leaders Trust, RL Sustainable World Trust, RL Sustainable Diversified Trust, RL Sustainable Managed Growth Trust, RL Sustainable Corporate Bond Trust.**

The Trusts are authorised unit trust schemes. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

### **RL Global Sustainable Equity Fund, RL Sustainable Growth Fund**

The Funds are sub-funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. 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 European Sustainable Credit, RL Global Sustainable Credit Fund, RL Global Sustainable Equity (IRL):**

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. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is Fund Rock 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.

### **RL Sustainable Short Duration Corporate Bond Fund**

The Fund is a sub-fund of Royal London Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128. 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](http://www.rlam.com).

### **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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# Disclaimers

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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.

## 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 stock market and therefore more volatile.

## Credit risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

## Derivative risk

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.

## Efficient portfolio management (EPM) techniques

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

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

## 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.

## 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.

## 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.

## Responsible investment style 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.

## 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.