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Royal London Sterling Liquidity Money Market Fund

Quarterly Investment Report

30 June 2025

Quarterly Report

The fund as at 30 June 2025

The purpose of this report is to provide an update on the Royal London Sterling Liquidity Money Market 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.

Contents

The fund

Fund performance objective and benchmark

The investment objective of the fund is to provide a return in line with money market rates or preserve the value of the investment. The fund intends to maintain a stable Net Asset Value per Share of £1.00 for any Distribution Class. The Fund seeks to achieve its investment objective by outperforming its benchmark, the Sterling Overnight Index Average (the "Benchmark"). The Benchmark reflects bank overnight funding rates in Sterling. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track the Benchmark.

Fund value

	Total £m
30 June 2025	6,927.82

Fund analytics

	Fund
Fund launch date	17 April 2018
Benchmark	Sterling Overnight Index Average (SONIA)
Weighted average maturity (days)	45.82
Number of issuers	36
Yield to maturity (%)	4.22

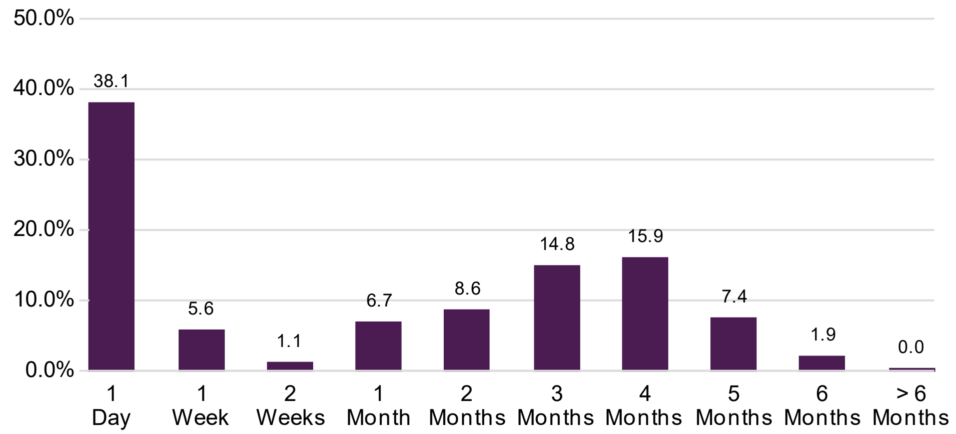
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.12	1.06	0.06
YTD	2.30	2.17	0.12
1 Year	4.94	4.68	0.26
3 Years (p.a.)	4.54	4.31	0.23
5 Years (p.a.)	2.81	2.65	0.16
Since inception (p.a.)	2.65	2.48	0.16

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on Y Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 25 February 2020.

Duration profile



Performance commentary

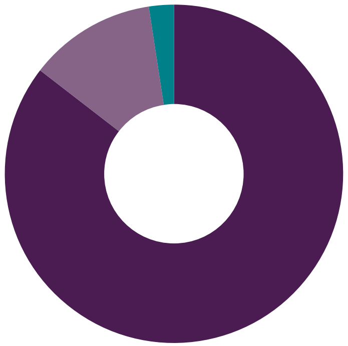
Money market rates fell in line with the Bank of England rate cut in May. Longer maturities also moved lower – one-year rates reflecting expectations of UK base rates falling to 3.50% by next summer. However, even with the rate cut, money markets continued to provide attractive overall returns.

Our money market exposure remained measured, looking to extend selectively as we feel that rates could end up being cut by more than the market is pricing.

Performance was positive over the quarter compared to the SONIA benchmark. At a portfolio level, we had built up a yield premium to the benchmark. Our money market exposure was the main driver of returns, reflecting that this makes up the bulk of the fund's assets, while exposure to repo and treasury bills also contributed to returns.

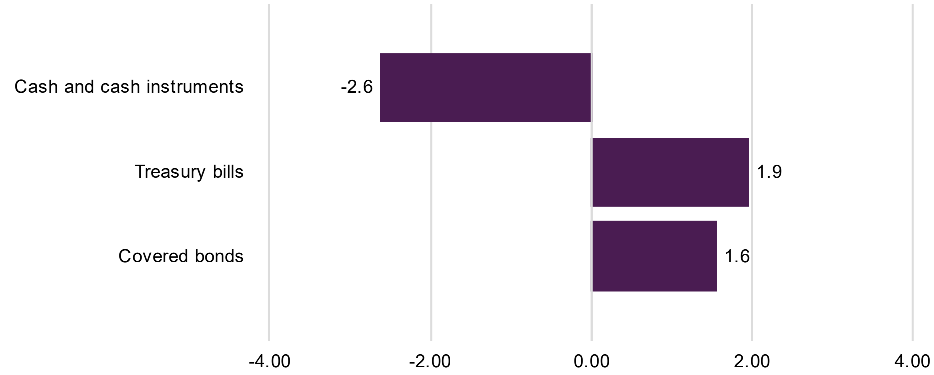
Performance and activity

Asset allocation profile

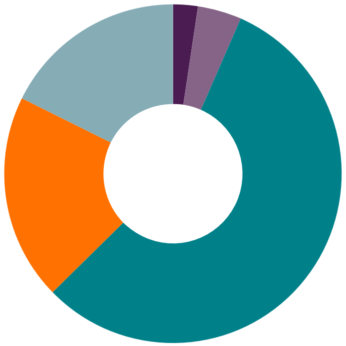


Cash and cash instruments	85.5%
Treasury bills	12.2%
Covered bonds	2.4%

Change since last quarter (asset allocation) %

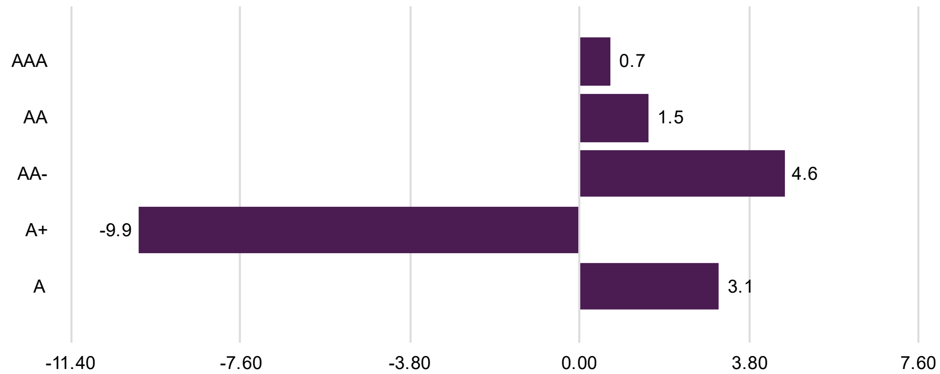


Credit rating profile



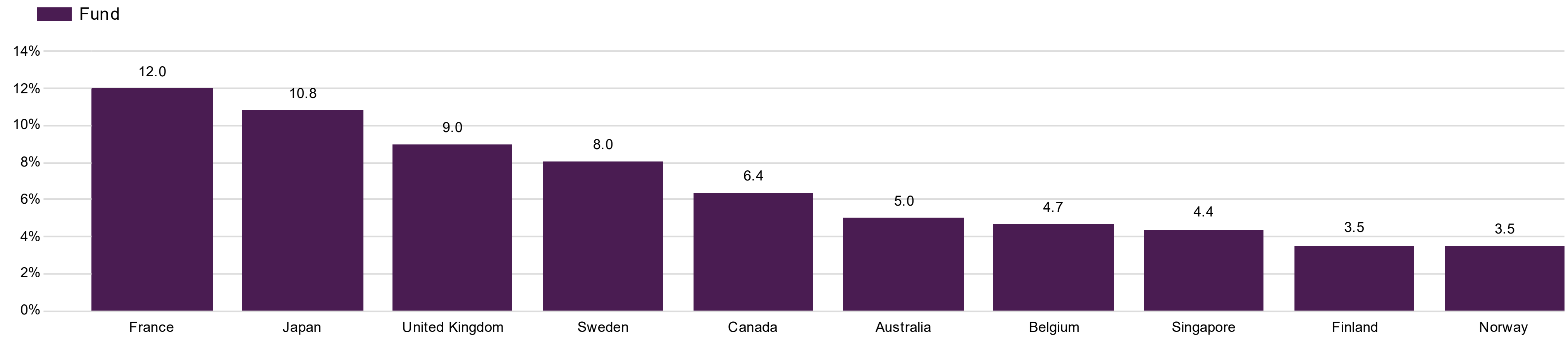
AAA	2.4%
AA	4.2%
AA-	56.1%
A+	19.7%
A	17.7%

Change since last quarter (rating) %

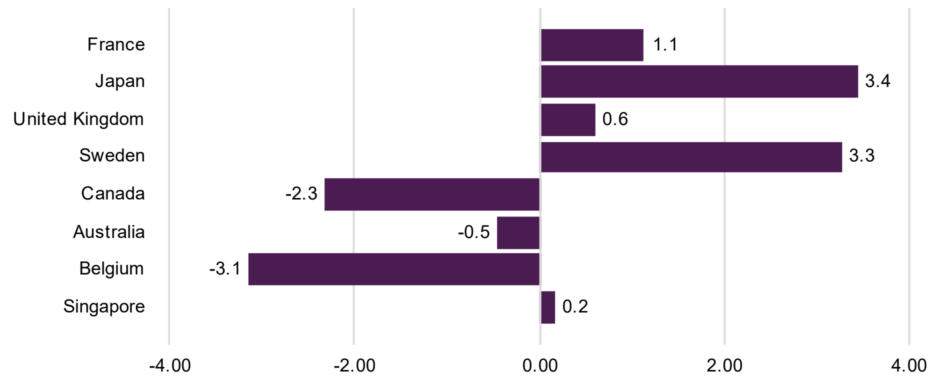


Performance and activity

Top ten geographic allocation (ex gilts) %



Change since last quarter (geographic) %



Performance and activity

Fund activity

We still focus on short paper – reflecting the fund's objective. Core activity focused on three-month CDs, but we did look to add longer dated paper as we were comfortable with the rates available in the six-month to one-year space. As a result, we increased the weighted average life of the fund over the period, reversing the trend seen in the first quarter when the lack of attractive paper meant longer-dated purchases were relatively rare. We added nine-month paper from Bank of Nova Scotia at attractive levels, as well as six-month paper from National Westminster Bank and Santander.

Outside of CDs, we were more active in covered bonds than usual. Proposed regulatory changes in treatment of non-UK issuers meant that the spread on these widened somewhat, giving us opportunities in the secondary market to add to preferred names over the quarter. These were generally with a maturity of less than one year, with examples including Santander and Nationwide at a premium of around 30bps over SONIA.

Market commentary

Market overview

The second quarter of 2025 continued the extraordinary series of events that impacted the first quarter. The quarter began with geopolitical news and US policy contributing to a huge spike in volatility across many markets. Somewhat surprisingly, over the quarter the major equity and credit markets shook off this weak start to grind into positive territory for the period as a whole.

The quarter started with ‘Liberation day’, when the US announced a broad range of materially higher tariffs that it would be imposing on almost all countries it traded with. However, these were rapidly postponed for 90 days, partly due to the adverse global reaction to the announcement. The rest of the period saw further updates on tariffs, including the emergence of new bilateral trade agreements with the US, but the confirmation of a new regime of US trade tariffs generally had a more muted impact than the initial shock. Geopolitical factors also added to uncertainty, as Israel and the US launched air strikes on Iran leading to concerns of renewed regional warfare in the Middle East and entry of the US into another ‘forever war’.

Macro uncertainty about tariffs and the progress of President Trump’s ‘Big beautiful bill’, whether these would be implemented, and if so, what impact these would have on global growth and inflation created a difficult backdrop for monetary policymakers in central banks. Faced with the large number of policy unknowns the Federal Reserve therefore left its main policy rate unchanged, while the European Central Bank remained on its modest rate cutting cycle, trimming rates at its April and June meetings. The Bank of England cut rates at its May meeting, leaving these unchanged in June.

Government bond markets were not immune to the heightened volatility. A sign of the extraordinary nature of events was the rise in US treasury yields, and the value of the US dollar falling as uncertainty mounted. For many, this combination of rising yields and falling currency is normally reserved for emerging markets, not for the world’s largest economy. As the US President stepped back from some of the more extreme policies and tariffs, government bond yields edged lower. In a quarter of remarkable turmoil, the US, 10-year treasury yields ended almost unchanged, rising just 1bp from 4.21% and ending at 4.22%. Having jumped in the first quarter on the back of the extraordinary easing in German fiscal policy, 10-year bunds yields fell over the period from 2.70% to 2.60%. Benchmark 10-year gilt yields fell from 4.68% to 4.48%, having bounced within the year-to-date range of c4.5-4.8%.

The Bank of England rate cut in May was the focus for money market rates over the quarter. Having started the period at 4.46%, SONIA fell to 4.21% after the cut. Two-year gilts, often seen as a proxy for market expectations of BoE rates, started at 4.21%, fell early in the period to around 4% and then traded in a relatively tight range for the rest of the period, ending at 3.82%.

Outlook

It is notable that after three months that created a lot of news headlines and uncertainty, markets largely appeared to shrug off ‘noise’. Despite considerable uncertainty in the outlook, markets have returned to become driven more by current 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 and US fiscal policy will undoubtedly have an impact on markets, but we believe that markets are becoming less easily spooked after a roller coaster first few months of the new administration.

Although money market rates and bond yields fell over the quarter as a whole, we believe that the yields across our range of liquidity and short-dated funds remain attractive – particularly in an environment where uncertainty (whether measured in business surveys or looking at market volatility measures) remains elevated. We believe that will remain the case. While short-dated yields could fall due to lower interest rates, consensus is that these moves will be limited.

We expect the Bank of England to retain its current data-driven approach. As at the end of June, the market is pricing in two cuts of 25bps, in in August and November respectively – these both being months when the Bank publishes its quarterly Monetary Policy Report which provides updated economic analysis and inflation projections. Recent economic data within the UK has continued to support the narrative that base rates remain too high and should be reduced further from here over time. Economic growth remains anaemic at best, and there is evidence of a weaker labour market. We therefore think that at the margin, the market is now too cautious in its expectations over the next 12 months and will continue to look for opportunities to lock in attractive rates where possible.

For a wider view on prospects for the rest of 2025, and how Royal London Asset Management approaches volatile markets, read the thoughts of Piers Hillier, Chief Investment Officer, Mike Fox, Head of Equities, Trevor Greetham, Head of Multi Asset, and Will Nicoll, Head of Fixed Income in our mid-year outlook 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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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 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.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

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.

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.

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 risks

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.

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.

Performance to 30 June 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	1.12	2.30	4.94	14.27	14.85
Fund (net)	1.10	2.25	4.83	13.93	14.28

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
4.54	2.81
4.44	2.70

Year on year performance (%)

	30/06/2024 - 30/06/2025	30/06/2023 - 30/06/2024	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021
Fund (gross)	4.94	5.45	3.27	0.40	0.11
Fund (net)	4.83	5.35	3.16	0.30	0.01

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 30 June 2025. All figures are mid-price to mid-price for the Royal London Sterling Liquidity Money Market Fund Y Inc GBP share class.

Glossary

Asset allocation

Breakdown of the assets by asset classes. Based on RLAM asset classification scheme.

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Money market instruments

Investments that pay interest, have a short duration and are designed to maintain a stable value.

Number of issuers

Number of unique issuers of all assets held by the Fund, excluding cash, currency and derivatives.

Performance

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

Weighted average maturity

The average length of time to maturity of all underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid.

Yield to maturity

A bond's yield to maturity is the total expected return if it is held until its maturity date.