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Royal London Multi-Asset Credit 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 Multi-Asset Credit 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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The fund

Fund performance objective and benchmark

The investment objective of the Fund is to generate a total return from a globally diversified portfolio of credit instruments. The Fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees).

Fund value

	Total £m
30 June 2025	772.00

Asset allocation

	Fund (%)
ABS	9.73
Conventional HY	12.56
IG	5.38
Loans	24.73
RoW	3.85
Secured	27.67
Short Dated HY	16.07

Fund analytics

	Fund
Fund launch date	3 July 2017
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration to worst	1.83 years
FX adjusted yield (%)	6.89

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.47	1.06	1.41
YTD	3.75	2.17	1.58
1 Year	8.97	4.68	4.29
3 Years (p.a.)	8.31	4.31	4.00
5 Years (p.a.)	5.26	2.65	2.61
Since inception (p.a.)	4.06	1.96	2.10

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 Z Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 9 October 2017.

Performance commentary

April saw the US government announce a range of tariffs and in most cases the tariffs were significantly higher than the market had been expecting. The general consensus was that the global supply chains of goods would be seriously impacted, resulting in reduced economic activity coupled with higher prices. Markets sold off aggressively and the levels of volatility were some of the highest seen since previous crises such as Covid and the Global Financial Crisis. Potentially as a reaction to these market movements, the US applied a 90-day delay to implementation, prompting a significant recovery in markets.

Markets continued their recovery in May and June as better economic data, coupled with a dialling down of President Trump's tariff rhetoric, resulted in a decline in fears of an economic slowdown. June's rise was punctuated by significant volatility following the hostilities between Israel and Iran. The oil price, which had been weak on tariff worries spiked, although as hostilities de-escalated and a ceasefire was announced, markets quickly recovered and oil prices moderated.

With the tariff proposals from Trump being pared back, Fed Governor Powell noted that the economic impact from tariffs was yet to flow through into economic indicators.

Yield curves have steepened in the quarter, which has been constructive for high yield but the long end of the curve is starting to show signs of increased risk.

Regionally, European bonds have lagged, but US bonds have rebounded strongly from the start of the period.

Despite the heightened volatility seen later in the quarter, the US high yield default rate remains at very low levels. The default rate ended June at 1.1% and was last above 2.0% in April 2024 and has not been above 2.5% since May 2021. At these well contained levels, the volatility in public markets is typically coming from CCC names. The CCC portion of the market is now a relatively small portion of the market.

Performance and activity

Top 10 holdings

	Weighting (%)
TREASURY NOTE 4.625 15 Feb 2035	1.22
HTA GROUP LTD 7.5 04 Jun 2029	1.01
TECHEM VERWALTUNGSGESELLSCHAFT 674 6 30 Jul 2026	0.97
DEUCE FINCO PLC 5.5 15 Jun 2027	0.94
WALGREENS BOOTS ALLIANCE INC 3.6 20 Nov 2025	0.91
GALILEO GLOBAL EDUCATION OPERATION 5.23 10 Jul 2031	0.83
SOFIMA HOLDING SPA 3.75 15 Jan 2028	0.80
RCS AND RDS SA 3.25 05 Feb 2028	0.80
SANI/IKOS FINANCIAL HOLDINGS 1 SAR 7.25 31 Jul 2030	0.79
ZIGGO BV 4.875 15 Jan 2030	0.78
Total	**9.06**

Fund activity

The fund selectively participated in new issues in loans and high yield bonds.

With CLO market issuance strong and spreads tightening in the asset class, the fund did not add to the ABS/CLO baskets but continued to monitor for potential opportunities.

Our loan bucket remains largely fully invested with secured high yield and the short duration high yield buckets also being key components of fund composition during the quarter to provide yield but with defensive characteristics.

Our bias to B rated bonds and loans is focused on the higher quality part of the high yield market, providing us with defensive characteristics and supporting the positive return during the quarter, this was partially offset by exposure to US treasuries, which have been more volatile as a function of the rates outlook, fiscal policies and tariff related volatility.

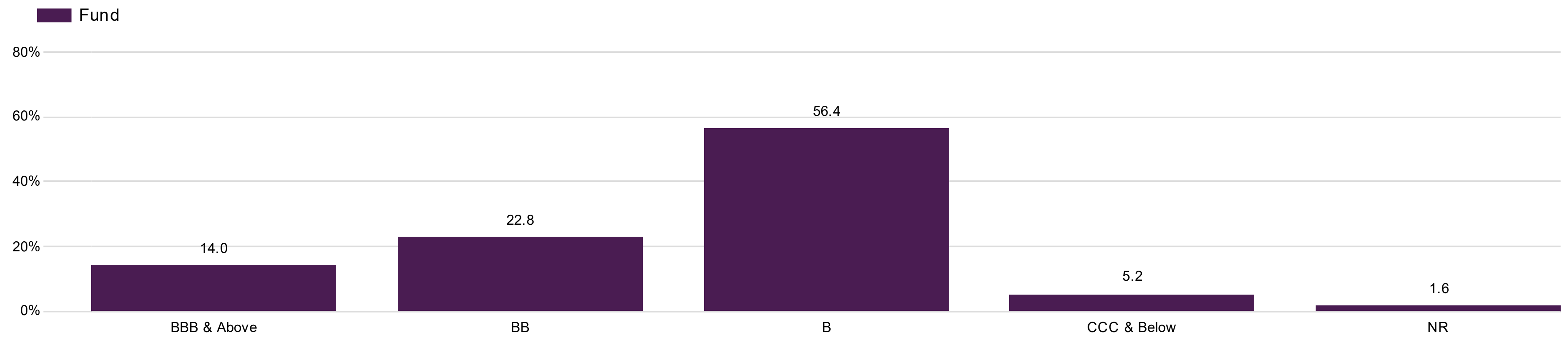
While refinance risk has been pushed out, we remain cautious on the potential of slowing growth and inflationary policies pressuring spreads, but a higher-quality bias in high yield should help to mitigate some of the downside.

Companies that took advantage of the market conditions to refinance loans were able to provide greater capital structure and cash flow certainty going into a period of uncertainty.

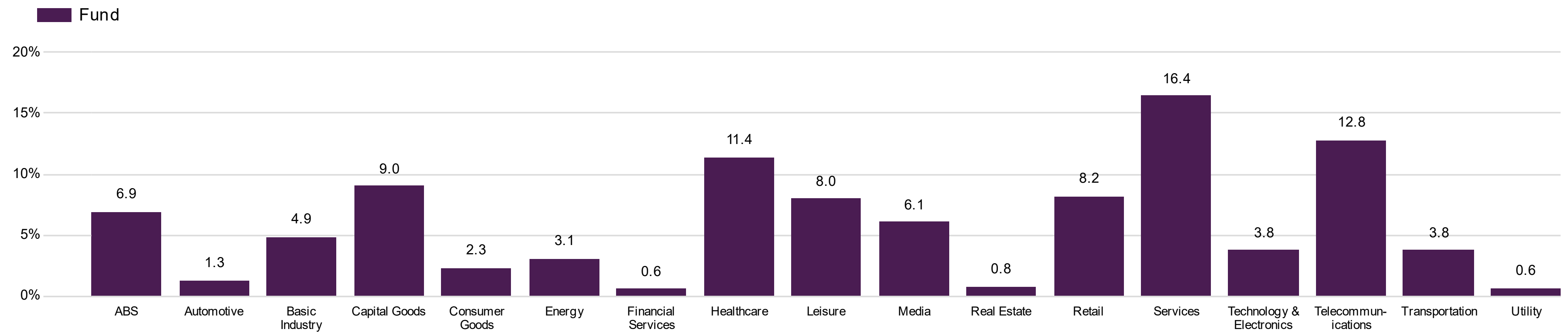
The fund retained its low exposure to cyclicals, such as the automotive sector, to avoid exposure to sectors that are more susceptible to being impacted by geopolitical factors and a material slowdown in the global economy.

Fund breakdown

Credit ratings

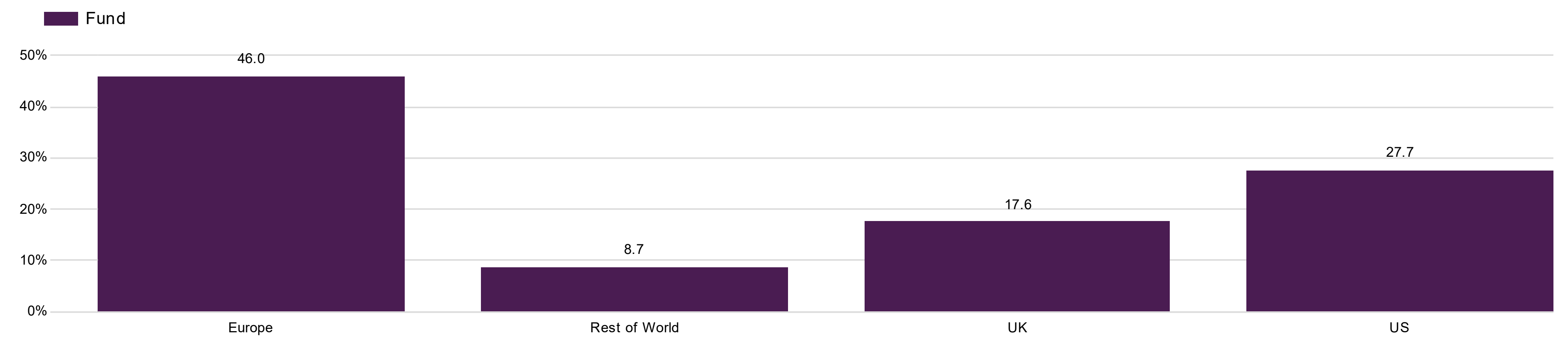


Sector breakdown



Fund breakdown

Regional weights



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.

In the high yield market, the ICE BofAML (BB-B) Global Non-Financial High Yield Index (sterling hedged) benchmark returned 3.09% in the quarter with spreads at 276bps, tightening from 312bps at the start of the quarter. At the end of the period, the index's yield-to-worst stood at 6.3%, drifting lower since the start of the year. In the broader-based high yield index, which includes CCC rated bonds, spreads widened to 330bps from 372bps, with a yield-to-worst of 7.4%.

After primary markets took a pause for breath after Liberation Day, seeing only $21.8bn of issuance in April across global high yield markets, issuance was reopened. May and June saw high levels of issuance with record levels seen in European high yield with €26.0 billion issued in June. The market also happened to see the busiest single day ever for euro high yield issuance, with €7bn priced across 10 tranches. Over the quarter, $134bn was issued in global high yield markets, which brings the year-to-date issuance to $250bn, just $14bn short of the total for the same period last year.

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%.

Contrary to the expectations of many when set against the events of the quarter, the sterling investment grade credit market (iBoxx non-gilt index) returned 2.78%, with the average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) tightening over the period. The narrowing of spreads from 0.95% to 0.87% (iBoxx) more or less reversed the widening seen in the first quarter. This has brought spreads back towards the tightest levels since the GFC, as demand continues to be underpinned by the attractive all-in yield and the absence of defaults. Most sectors saw positive returns, with stronger returns from utilities and insurance. As spreads declined, supranationals lagged the returns of other sectors.

The tariff announcements and resulting policy uncertainty saw equity market volatility leap to levels matching those seen during the Covid-19 sell-off. As a consequence, the S&P 500 index recorded its fifth-worst 2-day decline since World War II and even moved into bear market territory over the month (down 20% from its highs). However, since mid-April, stocks have been climbing the wall of worry and rising steadily higher, supported by a 90-day pause to reciprocal tariffs and a US-China trade deal that eased fears of a trade embargo between the world's two largest economies.

Economic overview

In the US, inflation releases over the quarter showed little impact from tariffs with the PCE deflator at 2.3% year-on-year by the May release (2.3% in March) and CPI at 2.4% year-on-year (2.4% in March). Although a jump in prices was visible in a few components, this was offset by movements elsewhere and economists expected stronger tariff impacts over the summer (with tariff reversals and inventory building helping to delay pass-through of tariffs to consumer prices). The final jobs report in the quarter didn't see much change in direction. Non-farm payrolls rose more than expected at 139K in May which was not far from the average pace of the previous 12 months (149K). The data continued to suggest that the US labour market is not rapidly

Market commentary

deteriorating. The unemployment rate remained 4.2% (in line with consensus). US first quarter GDP fell -0.5% quarter-on-quarter annualised after rising 2.4% in the fourth quarter 2024. This mostly reflected a surge in goods imports as importers tried to get ahead of tariffs.

The US Federal Reserve, as expected, kept monetary policy unchanged in the quarter, with the target rate remaining 4.25-4.50%. At the June meeting, new FOMC participant forecasts showed them still pencilling in two rate cuts this year, but with the forecasts showing fewer cuts than before in 2026 and 2027. However, against a backdrop of elevated uncertainty, Fed Chair Powell emphasised that no-one holds these rate path forecasts with a great deal of conviction. Fiscal policy progressed, with Trump's 'Big Beautiful Bill' (which includes an extension of the first Trump administration's tax cuts and is expected to keep the deficit at relatively high levels) passed the House.

The European Central Bank cut rates 25bps at both policy meetings in the second quarter. They continued to describe themselves as taking a "data-dependent", "meeting-by-meeting" approach and to send a message that they are not pre-committed to a particular path. However, throughout the June press conference, President Lagarde repeatedly peppered references to them being in a good position/well positioned/in a good place after the June rate cut. At the end of the quarter, markets were pricing an on hold decision in July but one further rate cut later in the year.

First quarter EU GDP (released in the second quarter) showed 0.6% quarter-on-quarter growth, strong by euro area standards. The unemployment rate remained at low levels by euro area standards over the quarter too. However, economists expected the pace of GDP growth to slow over the rest of the year. Inflation by the May release (out in June) was sitting below the ECB's target at 1.9% year-on-year and with core inflation only a little above target at 2.3%, continuing to drift gradually lower.

In Germany, Friedrich Merz was confirmed as the new German Chancellor by the Bundestag, though (unusually) at the second attempt. The Bundestag voted through reforms to Germany's debt brake, which will allow for more defence spending and a €500bn infrastructure fund.

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.

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 and 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.

Powell has made clear that any fallout from Trump's tariffs have yet to feed through into economic indicators but it is something that will hold focus into the second half of the year. The uncertainty created by Trump's tariff – and broader policy – agenda has been substantial. Uncertainty itself can be negative for growth, leading to investment decisions being delayed for example. Further threats and changes on tariffs have had a more muted impact than the initial shock but continued macro uncertainty about tariffs, including what impact these would have on global growth and inflation has created a difficult backdrop for monetary policymakers.

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 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.

For more information on the Fund or the risks of investing, please refer to the Prospectus 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.

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.

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

This 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.

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

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. 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.

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.

Risks and Warnings

Leverage risk
The Fund employs leverage with the aim of increasing the Fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the Fund's losses can be magnified significantly.

Performance to 30 June 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	2.47	3.75	8.97	27.09	29.21
Fund (net)	2.45	3.71	8.90	26.83	28.76

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
8.31	5.26
8.24	5.18

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)	8.97	9.11	6.89	(9.20)	11.97
Fund (net)	8.90	9.03	6.82	(9.27)	11.89

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 Multi-Asset Credit Fund Z Inc GBP share class.

Glossary

Asset allocation

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

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

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.

FX adjusted yield

FX adjusted yield is the gross rate of return to the expected maturity adjusted for hedging and excludes the impact of cash.

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.

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.

Performance

Performance is calculated using the signed off NAV per share. 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 the return.

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.

Top 10 holdings

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