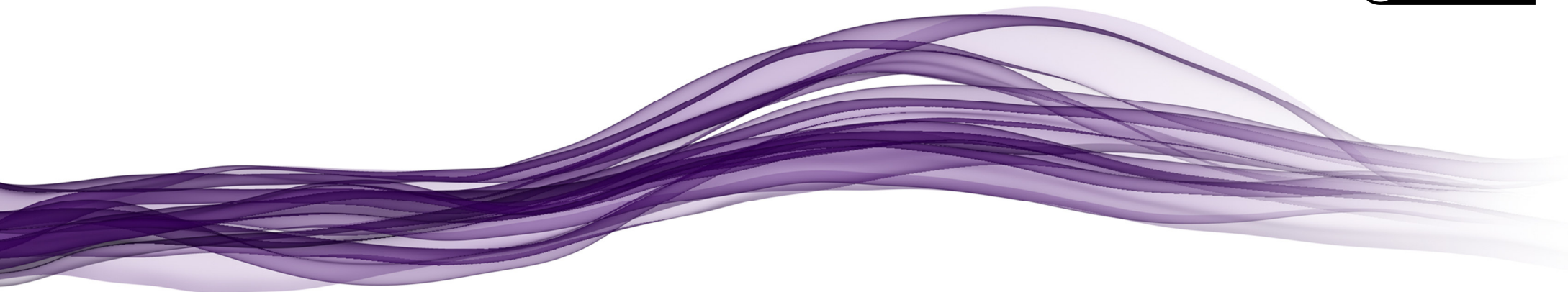


**For professional clients only, not suitable for retail clients.**

This fund uses the Sustainability Focus label which is for funds that invest mainly in assets that focus on sustainability for people or the planet.



# **Royal London Sustainable Short Duration Corporate Bond 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 Sustainable Short Duration Corporate Bond 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 Fund's financial objective is to achieve a total return and outperform, after the deduction of charges, the ICE Bank of America Merrill Lynch Sterling Non-Gilt (1-5 Years) Total Return (GBP Unhedged) over rolling 5-year periods.

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard".

## Fund value

	Total £m
30 June 2025	145.67

## Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	100.00	99.14
Conventional foreign sovereigns	-	0.86

## Fund analytics

	Fund	Benchmark
Fund launch date	23 November 2022	
Fund base currency	GBP	
Benchmark	ICE Bank of America Merrill Lynch Sterling Non-Gilt (1-5 Years) Total Return (GBP Unhedged) Index	
Duration (years)	3.40	2.56
Gross redemption yield (%)	5.93	4.60
Number of holdings	223	600
Number of issuers	142	298

Past performance is not a guide to future performance. Please refer to the glossary for a description of the yield used.

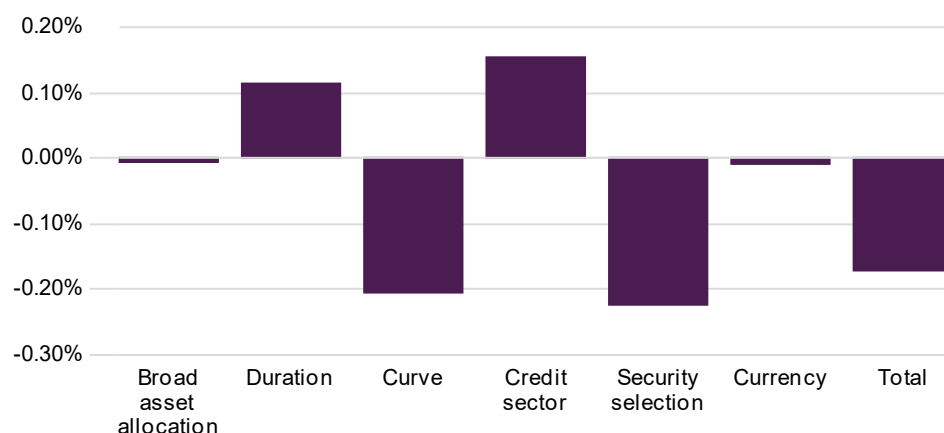
# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.15	2.14	0.01
YTD	4.02	3.56	0.46
1 Year	7.48	6.40	1.08
Since inception (p.a.)	7.04	5.43	1.61

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 Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 23 November 2022.

## Attribution over the quarter



## Performance commentary

The fund's sustainability objective is to invest in companies that make a positive contribution to one or more of the Sustainability Themes – clean, healthy, safe, and inclusive. As well as reducing risk, we seek out opportunities that are under-researched, e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets. Key contribution factors in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

The second quarter saw positive returns from sterling credit investment grade markets (Iboxx). Against this, fund performed in line with the index. Following a volatile first half of 2025, performance remains comfortably ahead of the index.

Duration and curve positioning were broadly neutral for the fund. The fund's slightly longer duration position benefitted from the move lower in yields, although this was offset by curve positioning, with the bias in short-dated bonds hurting returns relative to the benchmark. Sector selection was the largest positive for the portfolio.

Sector selection was the largest positive for the portfolio. Our bias towards structured bonds was helpful as the sector performed strongly, as was our longstanding underweight in supranational bonds. The lower perceived risk of the supranational sector contributed to it lagging the wider market.

Stock selection effects were negative and the largest effect on performance over the quarter. We saw positive effects from holdings in the insurance sector, with exposure to long-dated bonds from Legal & General supporting returns. However, these positive impacts were offset by the negative impact of holdings in the structured sector. Many bonds in this area saw positive returns, but in a market of falling yields and tighter spreads, these often lag the broad market. Our holding in global transport operator Mobico was also a drag on performance. Here the bonds traded weaker on the lower-than-expected proceeds from sale of its US school bus business and subsequent downgrades from Moody's towards the end of the quarter. We continue to see these latter two names as reasonable risk reward opportunities within the context of our diversified portfolios, and continue to closely monitor the issuers.

# Performance and activity

## Top 10 holdings

	Weighting (%)
HSBC BANK FUNDING STERLING LP 5.844 31 Dec 2079	2.26
SGSHR_21-1X 4.2172 17 Nov 2051	1.69
LEGAL & GENERAL GROUP PLC 5.5 27 Jun 2064	1.65
BAZALGETTE FINANCE PLC 2.375 29 Nov 2027	1.53
CO-OPERATIVE BANK FINANCE PLC 6 06 Apr 2027	1.36
NATWEST GROUP PLC 2.105 28 Nov 2031	1.35
CO-OPERATIVE BANK FINANCE PLC 9.5 24 May 2028	1.30
ASSICURAZIONI GENERALI SPA 6.269 31 Dec 2079	1.29
PRINCIPALITY BUILDING SOCIETY 8.625 12 Jul 2028	1.23
NATIONWIDE BUILDING SOCIETY 5.769 31 Dec 2079	1.22
<b>Total</b>	<b>14.89</b>

## Fund activity

New issue activity was lower than usual during the quarter. This was primarily due to companies being reluctant to come to market during a period of higher volatility. This reluctance was exacerbated by overall yields that are higher than they were a year or so ago, and the expectation that rates are coming down further over the remainder of this year. In addition, many companies were active in locking in funding when rates were more favourable. As a result, this gives them more flexibility as to when they come to market. However, secondary market liquidity was plentiful, and volatility meant that we could find attractive opportunities to add to portfolios.

Financials are a major part of credit indices. AT1 bonds are deeply subordinated and are designed to absorb losses should a bank have difficulties. Our exposure to these bonds is limited to those institutions where our credit analysis shows a strong capital position and business model, as well as offering an attractive yield to reflect the risks of the instrument. Examples where we identified high quality offerings over the quarter included new issues from Nationwide.

Elsewhere, we added a new tier 2 issue from Credit Agricole. These bonds have performed well since issue in May. In the secondary market, we added euro-denominated tier 2 bonds from CNP Assurances, part of La Banque Postal operating across Europe and in Brazil, presented the opportunity to add bonds available at a material premium to market spread levels.

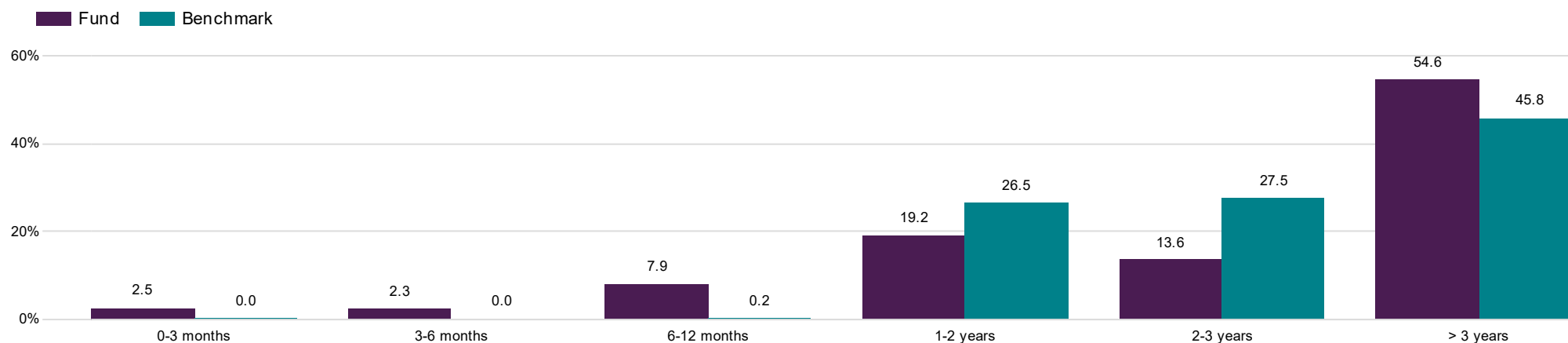
We also added tier 1 bonds from HSBC. As well as an attractive yield, these legacy bonds have potential for an early repayment at a premium.

In utilities, we added the UK's first 'blue bond' issue from Bazalgette – a familiar name in our portfolios that is funding the Thames Tideway project. Blue bonds are a type of labelled bonds – tagged Blue to denote that these should benefit the seas or marine environments. Despite their environmental credentials, the attraction of these bonds lies in the underlying credit fundamentals and security backing the loan rather than simply the label attached to the bonds. Also within utilities added to our position in Northumbrian Water to add spread and yield.

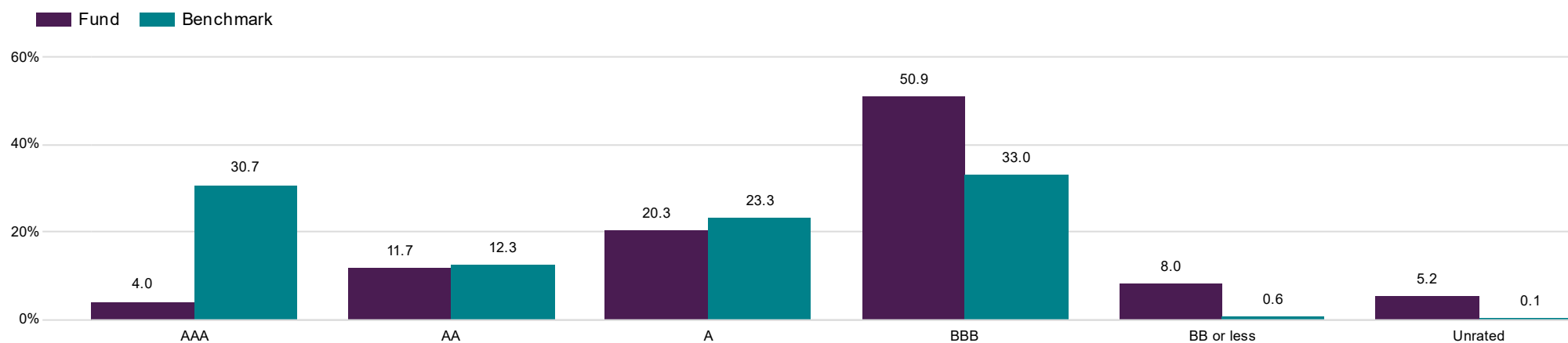
The portfolio remains underweight in supranational bonds, based on our view that although the risk-adjusted spread on these bonds is unattractive compared to other parts of the market. However, we will invest where we feel that this risk-adjusted spread is attractive. During the quarter we added PRS Finance, who finance the Housing Guarantee Scheme for the private rented sector and offers an attractive credit spread for government guaranteed debt.

# Fund breakdown

## Maturity profile

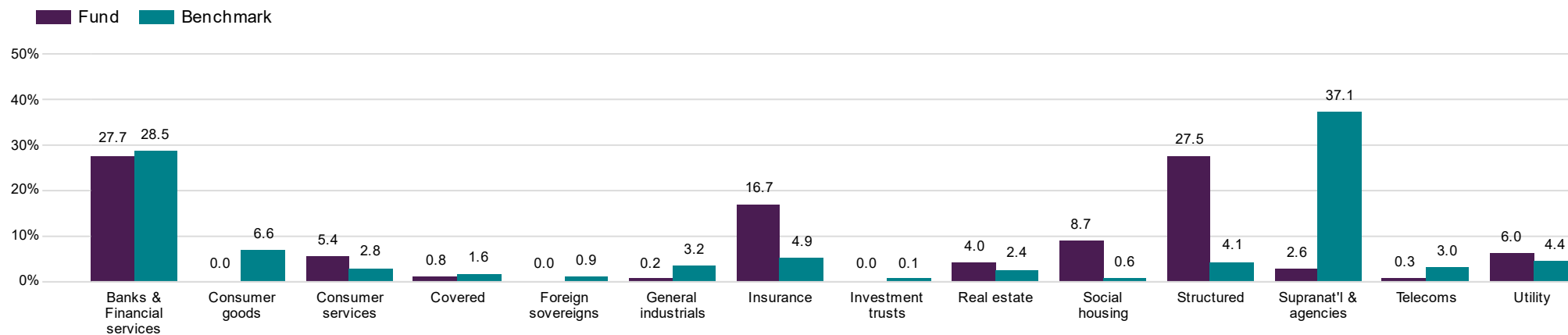


## Credit ratings



# Fund breakdown

## Sector breakdown



# Characteristics and climate








## Sustainability approach

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard". The Sustainability Standard requires 50% of a company or issuer's revenues to be derived from product or services aligned to one or more of the four Sustainability themes.

Overall, at least 70% of the Fund is invested in sustainable companies or issuers. Up to 30% may be held in non-sustainable companies or issuers that do not conflict with the sustainability objective for any of the four sustainability themes of the Fund.

## Fund exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

 Pornography production	✓	 Nuclear-power generation	✓
 Non-health animal testing	✓	 Tobacco manufacturing	✓
 Armament manufacturing	✓		
 Fossil fuel extraction	✓		
 Gambling establishments	✓		

## Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	1,858	n/a	n/a
Financed emissions coverage	54.79%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	9.46	10.84	(12.77)
Carbon footprint coverage	54.79%	88.93%	(38.39)
Weighted average carbon intensity (tCO2e/\$M sales)	24.65	34.16	(27.84)
Weighted average carbon intensity coverage	95.39%	94.41%	1.04

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

## Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	49.44	60.60	(18.41)
% of portfolio below 2°C ITR	33.34	34.94	(4.59)
% of portfolio below 1.5°C ITR	18.42	15.09	22.11

## SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	5.24	6.25	(16.08)
SBTi Near-Term committed	6.70	3.69	81.73
SBTi Near-Term targets set	7.53	12.84	(41.37)



# Fund Engagement

## Engagement definition

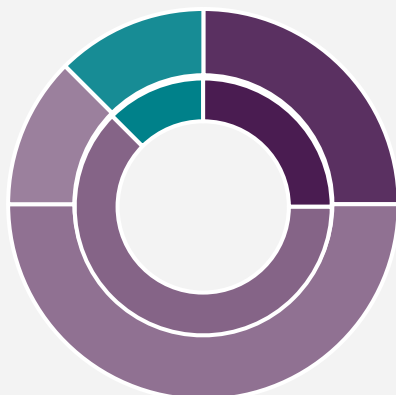
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

## Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	5	25
Number of engagements	7	59

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

## Total engagements by theme and topic



Climate	2
Climate - Transition Risk	2
Governance	5
Corporate Governance	4
Strategy	1
Social & Financial Inclusion	1
Just transition	1

## Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

# Fund Engagement

## Engagement outcomes

### Natwest Group Plc - Net zero

#### Purpose:

We met with NatWest's Climate team and Investor Relations to discuss the bank's latest climate-related disclosures and transition strategy. The engagement aimed to understand how NatWest, a UK based banking group, is implementing its sustainability ambitions and responding to external policy and sector-specific challenges.

#### Outcome:

The meeting clarified NatWest's current climate strategy and highlighted areas of progress and ongoing challenge. The bank reaffirmed its commitment to aligning sustainability with customer needs and embedding it into day-to-day decision-making. It plans to review its climate ambition and sectoral financed emissions targets in 2025, using the UK's 7th Carbon Budget as a reference point. While NatWest has taken steps to support residential decarbonisation-such as green mortgages, EPC targets, and its Home Energy Hub-it acknowledged barriers like skills shortages and low retrofit uptake. The bank is also reviewing its oil and gas risk acceptance criteria and welcomed feedback on the sector. We will continue to monitor NatWest's disclosures and progress.

# Market commentary

## Further Information

Please click on the links below for further information:



### 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](http://www.rlam.com), including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

# Disclaimers

## Important information

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

Telephone calls and written communications may be recorded and monitored. For further information please see the Privacy Policy at [www.rlam.com](http://www.rlam.com).

Issued in July 2025 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Bond Funds 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).

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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.

## 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.

## 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.

## 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.

## 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.

## 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.

# Performance to 30 June 2025

## Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception		
<b>Fund (gross)</b>	2.15	4.02	7.48	-	19.36	-	7.04
<b>Fund (net)</b>	2.07	3.86	7.15	-	18.40	-	6.70

## Annualised (%)

## 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
<b>Fund (gross)</b>	7.48	10.51	-	-	-
<b>Fund (net)</b>	7.15	10.17	-	-	-

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 Sustainable Short Duration Corporate Bond Fund Z Acc GBP share class. Since inception date 23 November 2022.

# 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.

## 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.

## Gross redemption yield

Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, gross of relevant fund management costs and gross of tax.

## Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

## 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.

## Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

## Top 10 holdings

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