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# **Royal London Short-Term Money Market Fund**

Quarterly Investment Report

**31 March 2025**



# Quarterly Report

## The fund as at 31 March 2025

The purpose of this report is to provide an update on the Royal London Short-Term 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.

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# The fund

## Fund performance objective and benchmark

The Fund's investment objective is to preserve capital and provide an income over rolling 12-month periods by predominantly investing (at least 80% of its assets) in cash and cash equivalents. The Fund's comparator benchmark is the Bank of England Sterling Overnight Interbank Average (SONIA). For the most appropriate comparison, this should be considered on a 'before the deduction of fees' basis. SONIA is the average overnight interest rate UK banks pay for unsecured transactions in sterling. It is considered to be an appropriate benchmark as it is a widely recognised approach to benchmarking short-term money market and fixed income funds.

## Fund value

|               | Total £m |
|---------------|----------|
| 31 March 2025 | 8,011.32 |

## Fund analytics

|                            | Fund                                     |
|----------------------------|--|
| Fund launch date           | 22 July 1999                             |
| Benchmark                  | Sterling Overnight Index Average (SONIA) |
| Duration (days)            | 46.34                                    |
| Number of issuers          | 45                                       |
| Gross redemption yield (%) | 4.53                                     |

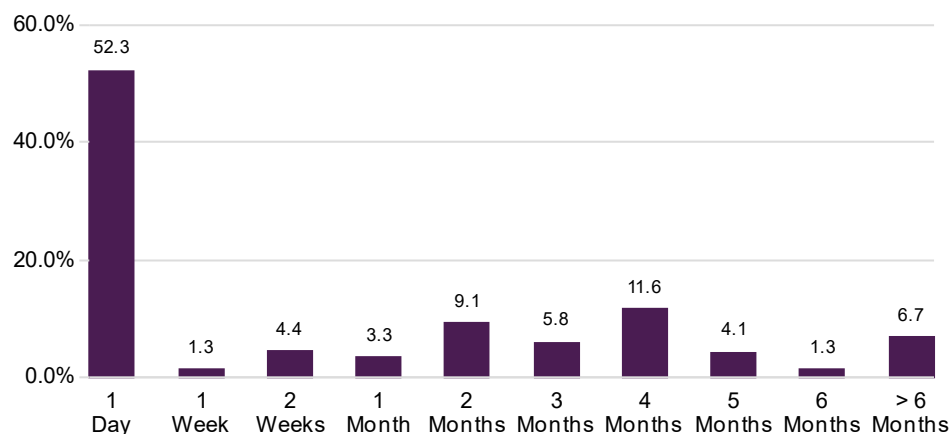
# Performance and activity

## Performance

|                        | Fund (%) | Benchmark (%) | Relative (%) |
|------------------------|----------|---------------|--------------|
| Quarter                | 1.18     | 1.10          | 0.08         |
| 1 Year                 | 5.23     | 4.90          | 0.33         |
| 3 Years (p.a.)         | 4.29     | 4.02          | 0.27         |
| 5 Years (p.a.)         | 2.62     | 2.43          | 0.18         |
| 10 Years (p.a.)        | 1.56     | 1.41          | 0.15         |
| Since inception (p.a.) | 2.10     | 2.35          | (0.25)       |

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 22 July 1999.

## Duration profile



## Performance commentary

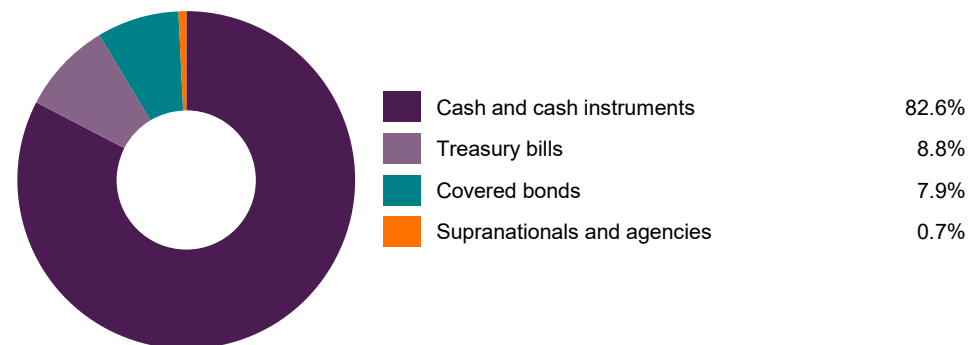
Money market rates fell in line with the Bank of England rate cut in February. Longer maturities have not moved substantially over the period – these were already pricing in modest rates in 2025 at the end of last year, and while the start of the Trump presidency has led to volatility for risk assets and policy expectations, it had little impact on UK economic data and therefore interest rate expectations over the quarter.

Our money market exposure therefore remained measured, looking to extend selectively where yields were attractive, but often finding that extending interest rate risk did not look attractive as it did not provide a compensating increase in yield.

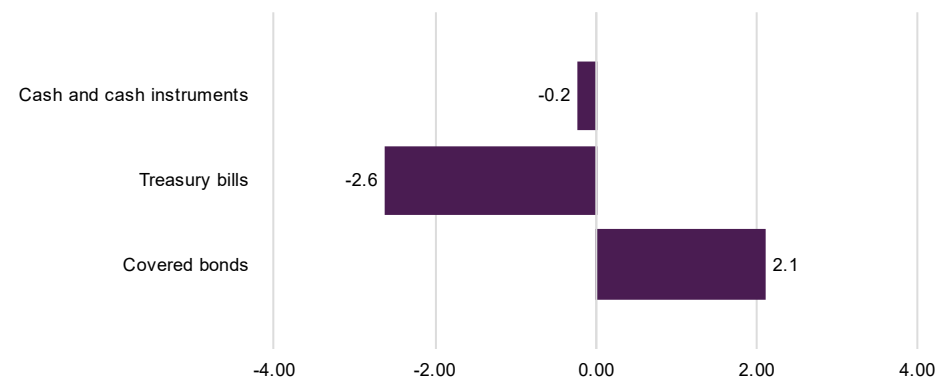
Performance was positive over the quarter compared to the SONIA benchmark. At a portfolio level, we had built up a yield premium to the benchmark. Our money market exposure was the main driver of returns, reflecting that this makes up the bulk of the fund's assets, while exposure to repo and treasury bills also contributed to returns – these being attractive given the yields on offer and the higher level of security and liquidity these provide.

# Performance and activity

## Asset allocation profile



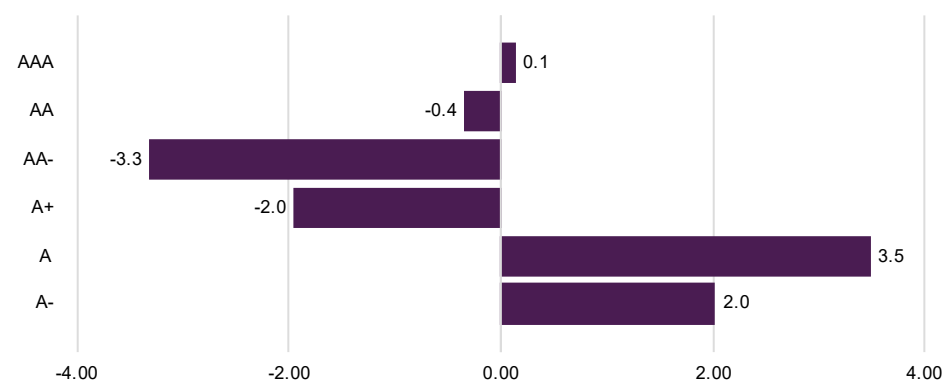
## Change since last quarter (asset allocation) %



## Credit rating profile

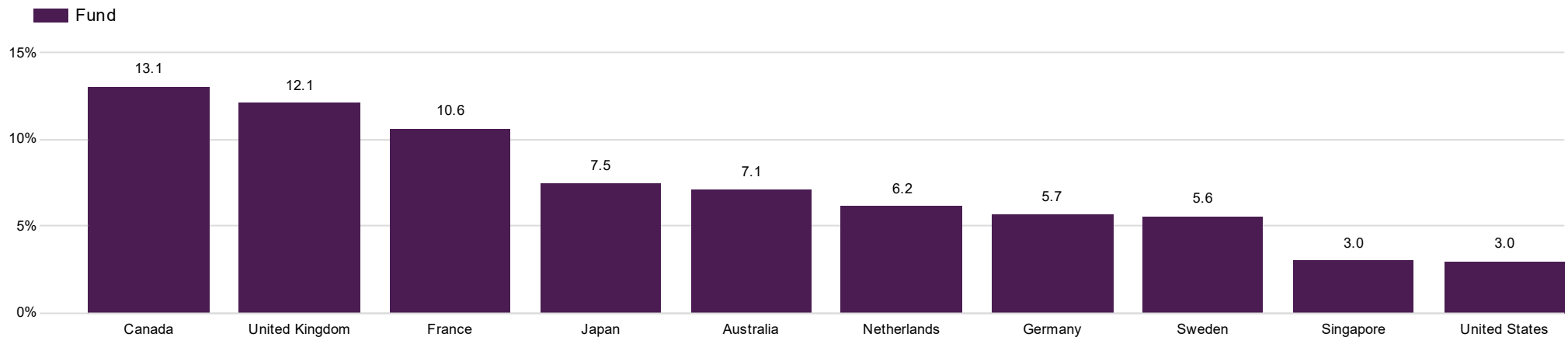


## Change since last quarter (rating) %

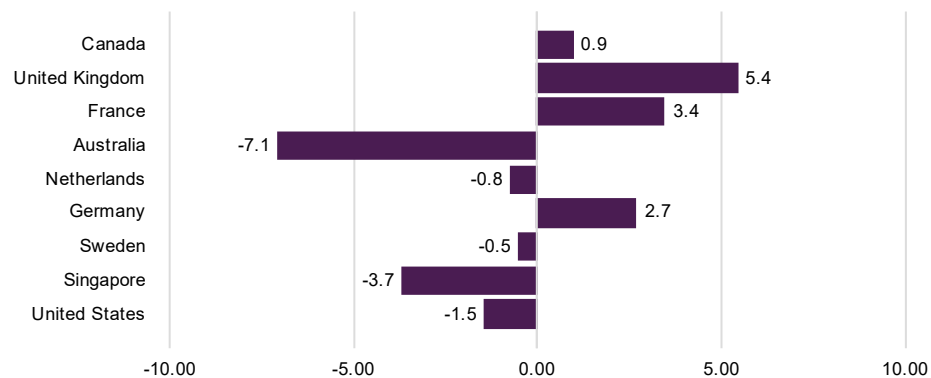


# Performance and activity

## 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. One trend of note over the quarter was a greater emphasis on treasury bills over CDs. At times we found that we could purchase new issue T-bills at similar rates to those on CDs of the same tenor – therefore achieving a better risk / reward outcome as we could remove credit risk without compromising on yield.

We did continue to buy CDs for the fund, generally with a focus on three-month paper in preferred names such as KBC and Credit Agricole. The focus on shorter maturities reflects our view that rates on longer paper generally offered poor value – particularly as the quarter progressed. However, we did add selectively to longer maturities, examples including six-month paper from Bank of Nova Scotia and United Overseas Bank, also switching out of Goldman Sachs one-month paper into six-month paper and maintaining yield on the exposure.

Outside of CDs, we also added incremental value through purchases of one-year covered bonds from Santander, Nationwide, Clydesdale Bank and Canadian Imperial Bank of Commerce, all at healthy premia to SONIA.

# Market commentary

## Market overview

The year kicked off with relative stability, following a turbulent fourth quarter of 2024, with the global economy seeing modest growth and central banks easing monetary policy as inflation remained well below the peak levels of recent years. As the quarter progressed, however, stability gave way to volatility, primarily due to elevated policy uncertainty in the US, with President Donald Trump pivoting away from Europe; the spectre of aggressive tit-for-tat tariffs; and Europe's fiscal regime change, led by Germany looking to alter decades of fiscal policy stability and ramp up spending, principally in relation to defence.

The increasingly uncertain US policy backdrop and related disruptions to global trade seem likely to weigh on growth in the US and beyond. Fiscal stimulus may provide something of a shield in economies like the euro area and China. We anticipate that a few more gradual and careful rate cuts are likely in major economies (except in Japan), but the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

Policy uncertainty resulted in significant weakness in global equity indices. US tech stocks had already experienced a dramatic sell-off following news of an apparently low-cost development of advanced AI by a Chinese competitor, DeepSeek. European and UK stocks fared much better, posting positive total returns for the three months as investors also pivoted away from overweight positions in US equities, in part because of the change in German fiscal policy.

In March, as expected, the Bank of England's Monetary Policy Committee voted to keep rates on hold at 4.50%, with an 8-1 vote in favour of keeping rates steady. The Bank continues to see a "gradual and careful approach to the further withdrawal of monetary policy restraint" as appropriate. The BoE has noted that not much in the domestic picture has changed for them. On inflation, although this has been a touch stronger than expected, they see domestic and wage pressures as moderating (but remaining elevated) and they still expect inflation to fall back after an expected rise in CPI in coming months.

Chancellor Rachel Reeves delivered her Spring Statement towards the end of the quarter, with the main headline being the country will need to spend less to meet fiscal rules. The Office of Budget Responsibility revised down their growth forecasts for this year by 1.0% (to 1.0%). They revised up their forecasts for bond yields. Neither of those things were good news for their forecasts for public finances. The Debt Management Office announced that this coming fiscal year will see a net financing requirement of £304bn of which £299bn will be gilt sales.

Government bond markets also saw heightened volatility over the quarter, amid ongoing political noise across Europe and the US. In the US, 10-year treasury yields fell to 4.21% from 4.57%,

while German 10-year bunds yields rose to 2.70% from 2.36%. Benchmark 10-year gilt yields increased to 4.68% from 4.57%.

The Bank of England rate cut in February was the focus for money market rates over the quarter. Having started the year at 4.70%, SONIA fell to 4.45% after the cut. Two-year gilts, often seen as a proxy for market expectations of BoE rates, started at 4.38%, fell through February ahead of and after the rate cut, and were then traded sideways for the rest of the quarter in a narrow range just under 4.25%, ending at 4.21%.

## Outlook

While risk assets saw increased volatility over the quarter, sterling money markets were relatively calm. The single cut by the BoE was what the market had priced in, and the outlook hasn't changed materially either, with a further 2-3 rate cuts priced in for the rest of 2025. This is line with our own expectations, although at the margin, we perhaps expect the Bank to be slightly more active in cutting rates than the market does – while inflation is still higher than the Bank would like, we believe that the softening services inflation element will give the Bank room to continue cutting rates. The Spring Statement at the end of the quarter was widely covered in the news, but delivered little that was unexpected, with growth forecasts cut and the gilt remit confirming that long-dated issuance would be lower, reflecting the changes in gilt ownership in recent years (see the update from Craig Inches in the Our Views section our website [www.rlam.co.uk](http://www.rlam.co.uk) ).

In a falling rate environment, liquidity funds traditionally look to extend maturity to lock in higher rates for longer. However, the money market curve already reflects further action from the BoE. Our focus is therefore more on finding relative value opportunities and ensuring that we have the appropriate balance across our portfolios in terms of security, yield and diversification. In general terms, we won't chase yield at the expense of ramping up risk unless we feel that markets are mis-judging the overall environment. That is not the case right now.

Although rates 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) is elevated.



## 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 April 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 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.

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).

The "SONIA" mark is used under licence from the Bank of England (the benchmark administrator of SONIA), and the use of such mark does not imply or express any approval or endorsement by the Bank of England. "Bank of England" and "SONIA" are registered trademarks of the Bank of England.

# 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.

## 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.

## 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.

## 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.

# Performance to 31 March 2025

## Cumulative (%)

|                     | 3 Month | 6 Month | 1 Year | 3 Years | 5 Years | 3 Years (p.a.) | 5 Years (p.a.) |
|---------------------|---------|---------|--------|---------|---------|----------------|----------------|
| <b>Fund (gross)</b> | 1.18    | 2.44    | 5.23   | 13.45   | 13.79   | 4.29           | 2.62           |
| <b>Fund (net)</b>   | 1.16    | 2.39    | 5.13   | 13.11   | 13.23   | 4.19           | 2.51           |

## Annualised (%)

## Year on year performance (%)

|                     | 31/03/2024 - 31/03/2025 | 31/03/2023 - 31/03/2024 | 31/03/2022 - 31/03/2023 | 31/03/2021 - 31/03/2022 | 31/03/2020 - 31/03/2021 |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Fund (gross)</b> | 5.23                    | 5.31                    | 2.37                    | 0.13                    | 0.17                    |
| <b>Fund (net)</b>   | 5.13                    | 5.20                    | 2.27                    | 0.03                    | 0.07                    |

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 31 March 2025. All figures are mid-price to mid-price for the Royal London Short-Term Money Market Fund Y Inc GBP share class.

# Glossary

## Asset allocation

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

## 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 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.

## 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.