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# Royal London Cautious Managed 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 Cautious Managed 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 achieve a total return over the course of a market cycle, which should be considered as a period of 6-7 years, by predominantly investing in other funds, known as collective investment schemes (CIS). The IA Mixed Investment 0-35% Shares sector and the Fund's custom composite benchmark are considered appropriate benchmarks for performance comparison.

7% FTSE All-Share Total Return Index,  
11% FTSE World Total Return GBP Index  
2% MSCI Emerging Markets ESG Leaders Net Return Index (expressed in GBP)  
15% FTSE Actuaries UK Conventional Gilts (All Stocks) Total Return (GBP) Index  
15% iBoxx Sterling Non-Gilt Total Return (GBP) Index  
10% ICE Bank of America Merrill Lynch 1-5 years Sterling Non-Gilt Index  
10% FTSE Actuaries UK Conventional Gilts up to 5 Years Total Return (GBP) Index  
30% Bank of England Sterling Overnight Index Average (SONIA)

## Fund value

|                  | Total £m   |
|------------------|--|
| 31 March 2025    | 150.45   |
| Fund launch date | 10 June 2015   |
| Benchmark        | Composite benchmark, please see prospectus for details |

# Performance and activity

## Performance

|                        | Fund (%) | Benchmark (%) | Relative (%) |
|------------------------|----------|---------------|--------------|
| Quarter                | 0.55     | 0.65          | (0.10)       |
| 1 Year                 | 4.51     | 4.12          | 0.40         |
| 3 Years (p.a.)         | 3.05     | 2.17          | 0.89         |
| 5 Years (p.a.)         | 3.96     | 2.58          | 1.38         |
| Since inception (p.a.) | 3.72     | 3.03          | 0.69         |

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 A Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 10 June 2015.

## Performance commentary

Tactical asset allocation strategies build on the core portfolio and operate within a separate risk budget. We take an active approach to tactical asset allocation with a view to adding value irrespective of market direction and continue to see opportunities in relative value trades within and between the broad range of asset classes at our disposal.

### Equities

Global equities started the period with continued strength but ended up underperforming other asset classes over the quarter amid heightened volatility. Having benefitted from the initial equity market strength, we took profits over the second half and reduced our equity overweight towards neutral, driven by rising volatility and the deteriorating soft data in the US. Our positioning in global equities added value over the period.

### Bonds

Bond yields were mixed over the quarter. UK yields ended broadly unchanged, while yields in the US fell as forward-looking data started to soften amid rising policy uncertainty. Meanwhile, the larger-than-expected fiscal support announcement in the euro area saw German 10-year bund yields record the largest weekly rise since the 1990 reunification period. We remained underweight government bonds, with our Investment Clock moving into the overheat quadrant – historically the phase where bond yields rise on inflationary pressures. Choppiness and regional divergence saw us lose some value from our positioning.

### Equity regions

US equities led the losses at the regional level, with the Magnificent 7 index entering bear market territory, as lofty valuations were questioned amid fears of slowing growth and rising competition from China's AI model DeepSeek. European stocks rallied on hopes of positive developments around fiscal spending. Having been overweight US and underweight Europe in late 2024, we turned neutral earlier in the year as earnings expectations started to turn, and benefitted from the underperformance of the US market against rest of the world.

### Equity sectors

Growth stocks that had been leading the way higher last year came under pressure in the first quarter. We started the year overweight growth and cyclical sectors against an underweight in defensives, flagging the resilient macro backdrop as our Investment Clock remained in the recovery quadrant. However, as data started to turn and equity market volatility rose, we started to move towards a more defensive positioning. We lost some value in the initial tech-led sell-off, and then as the market recovered briefly in the middle of March.

# Performance and activity

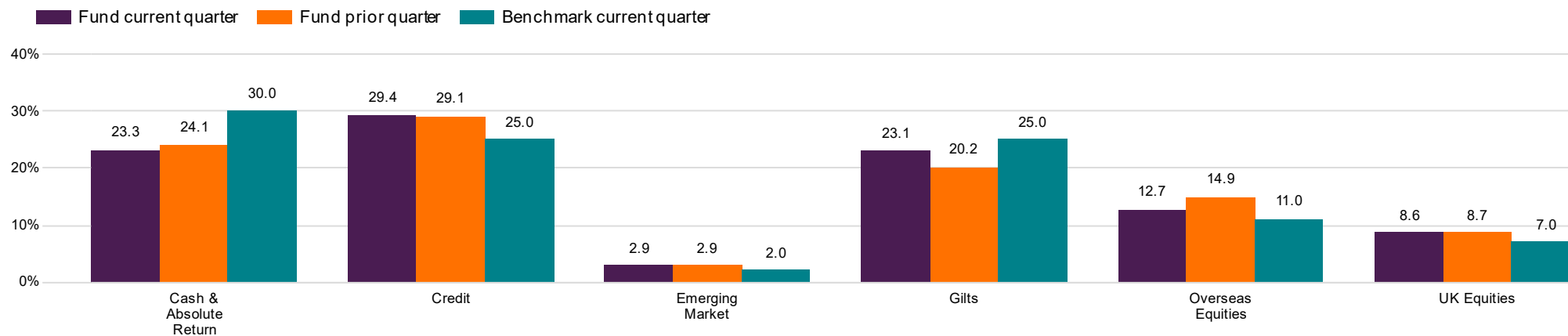
## Fund activity

### Asset allocation overview

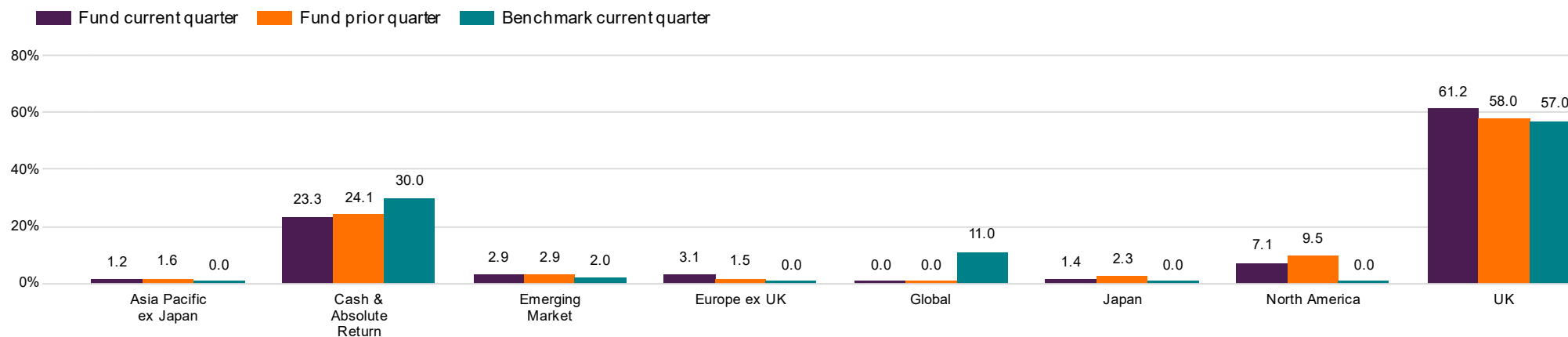
On a tactical level, we have trimmed our equity overweight position closer to neutral, with a preference towards Europe and away from the US. Our Investment Clock has moved into overheat, which historically has seen commodities outperform bonds. While US hard data remains resilient, forward-looking indicators are starting to flash warning signs, with business and consumer confidence being challenged by policy uncertainty – we continue to closely monitor the damage from tariffs, both for the US and globally.

# Fund breakdown

## Asset split



## Geographical breakdown



# Market commentary

## Outlook

The geopolitical outlook is uncertain, with Trump back in power and wars continuing in Eastern Europe and the Middle East. The macro backdrop remains supportive for now, but the US-led post-election boom looks to be reversing. Risk of tariffs and other policy changes have started to weigh on business and consumer confidence. We have taken profits on global equities and moved underweight US equities; we prefer Europe where company earnings have been stronger and fiscal policy is likely to support growth.

We believe the pandemic ushered in a new regime of 'spikeflation' characterised by periodic price level shocks and shorter boom-bust cycles. A global trade war reminiscent of the 1930s could raise the cost of imports for the world over and challenge the low inflation consensus. Commodities, as always, are a useful hedge.

## 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).

# 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.

## 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.

## Fund investing in funds risk

The Fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stockmarket conditions and the Fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the Fund itself, may be deferred or suspended.

## 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.

# 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> | 0.55    | 1.41    | 4.51   | 9.46    | 21.47   | 3.05           | 3.96           |
| <b>Fund (net)</b>   | 0.37    | 1.05    | 3.79   | 7.19    | 17.31   | 2.34           | 3.24           |

## 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> | 4.51                    | 8.60                    | (3.56)                  | 1.10                    | 9.76                    |
| <b>Fund (net)</b>   | 3.79                    | 7.84                    | (4.23)                  | 0.40                    | 9.00                    |

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 Cautious Managed Fund A Acc GBP share class.

# Glossary

## Asset allocation

Based on RLAM's holistic approach to fixed income management and fund weights relative to their respective benchmarks. May not reflect tactical exposures.

## 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.

## Geographical breakdown

Breakdown of assets by geographical regions. 'Global' region includes global fixed income and overseas securities exposures, which are sterling hedged and commodity exposures.

## 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.