For professional clients only, not suitable for retail clients.

Royal London European Sustainable Credit 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 European Sustainable 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to outperform the ICE BofAML Euro Corporate & Pfandbrief Total Return EUR Index (the "Benchmark") by 0.50% per annum over rolling three year periods (gross of fees) by investing in bonds that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Manager's Ethical and Sustainable Investment Policy, as detailed in the "responsible investment" section of the Prospectus. Investors should note that the Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track the Benchmark. For further information on the Fund's index, please refer to the Prospectus.

Fund value

	Total €m
31 March 2025	156.29

Fund analytics

	Fund	Benchmark
Fund launch date	29 July 2021	
Fund base currency	EUR	
Benchmark	ICE BofAML Euro Corporate & Pfandbrief Total Return EUR Index	
Duration (years)	4.56	4.46
Gross redemption yield (%)	3.60	3.31
Number of holdings	232	4,753
Number of issuers	139	1,010

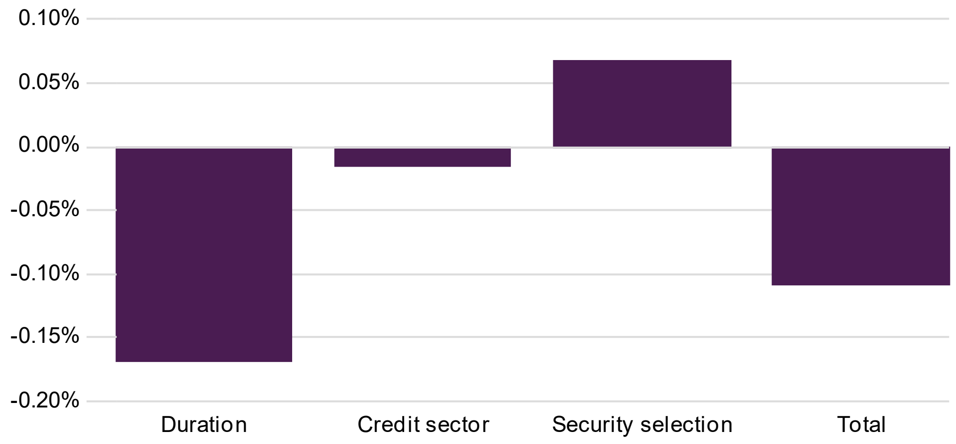
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.01	0.17	(0.16)
1 Year	4.45	4.35	0.09
3 Years (p.a.)	1.40	0.86	0.54
Since inception (p.a.)	(0.74)	(1.22)	0.48

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 EUR. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 29 July 2021.

Attribution over the quarter



Performance commentary

The fund modestly underperformed the index over the quarter (Z Acc, euro share class), producing a flat return against a modest gain for the index. Government bond effects were the main driver of returns in euro investment grade markets over the quarter. Although spreads tightened somewhat, the sharp increase in government bond yields was a far larger negative impact. For the portfolio, spread tightening and carry were helpful, but our modest long duration position was negative for returns. Stock selection in banks, notably through subordinated bonds from the likes of Credit Agricole, Santander and ING, were positive for returns.

All issuers within our sustainable holdings offer a net benefit to society through either their products/services or their operations. 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 themes 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.

Performance and activity

Top 10 holdings

	Weighting (%)
ING DIBA AG 1.25 09 Oct 2033	1.80
HANNOVER RUECK SE 1.375 30 Jun 2042	1.65
HSBC HOLDINGS PLC 6.364 16 Nov 2032	1.58
GEWOBAG WOHNUNGSBAU AG BERLIN 0.125 24 Jun 2027	1.23
ALLIANZ SE 2.121 08 Jul 2050	1.22
NATWEST GROUP PLC 5.763 28 Feb 2034	1.13
LLOYDS BANK PLC 0.125 23 Sep 2029	1.10
EAST JAPAN RAILWAY COMPANY 4.389 05 Sep 2043	1.05
ABN AMRO BANK NV 5.5 21 Sep 2033	1.05
AKELIUS RESIDENTIAL PROPERTY FINAN 1 17 Jan 2028	1.03
Total	**12.84**

Fund activity

We continued to invest in bonds that meet both our demanding financial and sustainable criteria, and which fit into the sustainable themes that we think will endure and offer long-term solutions to the challenges that the world faces. We also aim to construct the fund to ensure that it yields more than the benchmark index. We believe that this positioning will be beneficial in the medium term, given the current valuation of credit markets and attractive opportunities we see.

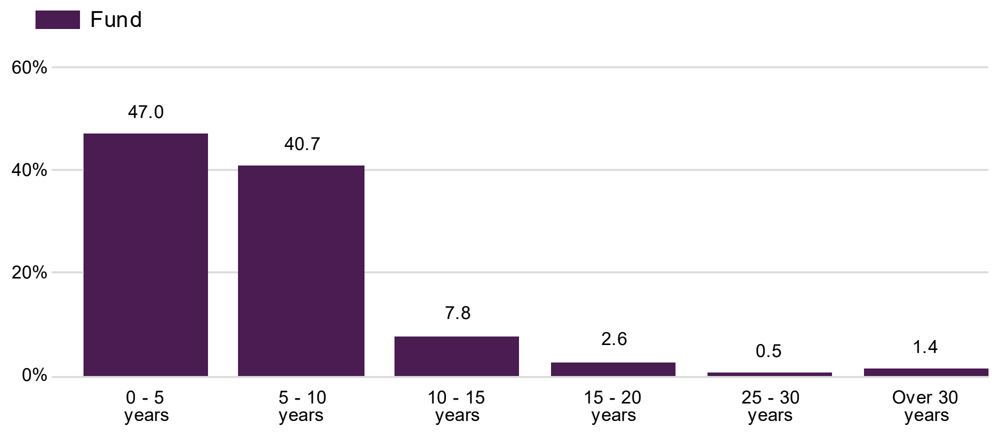
Issuance was somewhat lower than the same period last year – reflecting the greater uncertainty over interest rates, macro outlook and impact of tariffs. However, there were still interesting opportunities available in the primary and secondary markets.

Financials remain a key area given greater activity in this area. Activity was more focused on senior bonds in this area, particularly in the second half of the quarter after spreads in the sector had tightened and as concerns over macro uncertainty increased, adding new issues from favoured names such as Nationwide, BNP Paribas, KBC and ING.

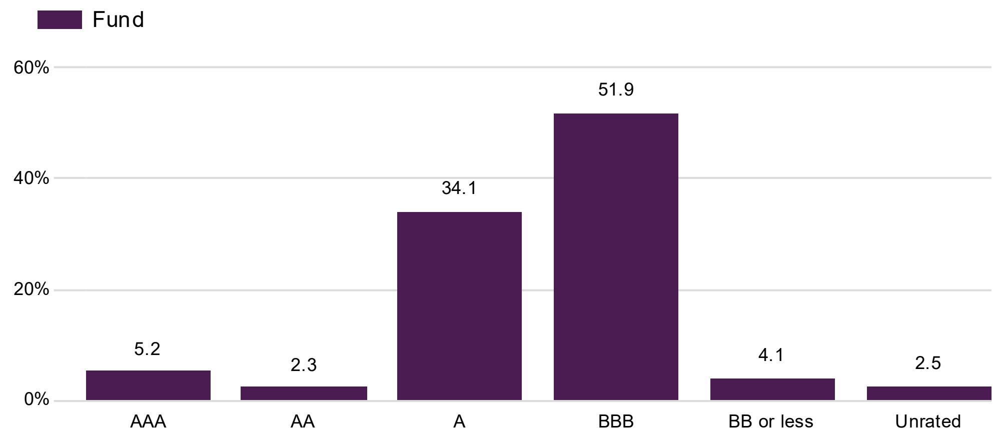
Other activity was across diversified sectors, including a new 2045 bond from regular issuer Motability, who help disabled people and their families lease cars, scooters or wheelchairs. In the general industrials area, we added a new issue from TE Connectivity, formerly Tyco Electronics, who provide advanced connectivity and sensors solutions to a range of areas including renewables. We also added bonds from Ausgrid, an Australian an electricity distribution company serving primarily the Sydney area.

Fund breakdown

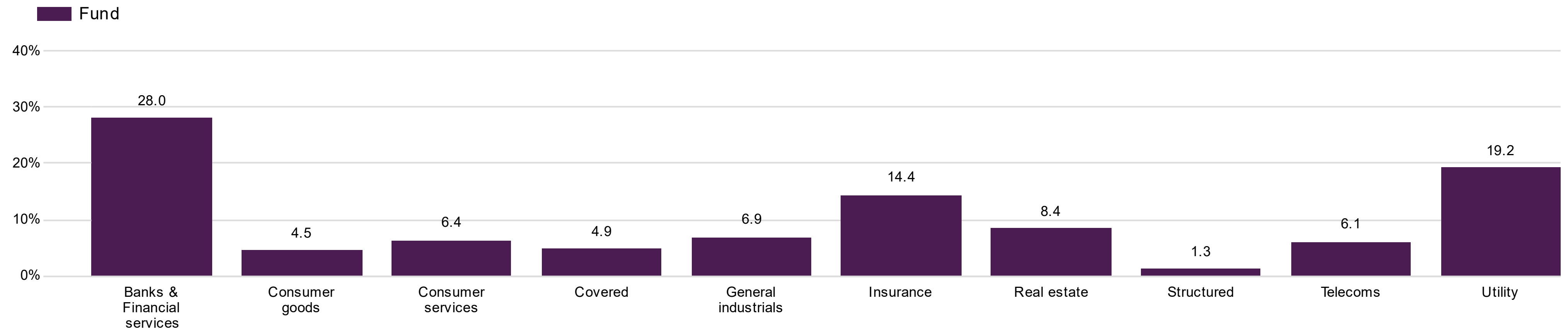
Maturity profile



Credit ratings



Sector breakdown



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society and that breach our Do No Significant Harm principle. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com/uk/individual-investors/policies-and-regulatory/

ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:

www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective	✓	
Additional exclusions	✓	

Additional 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.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Fossil fuels	✓	Tobacco	✓
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	3,681	n/a	n/a
Financed emissions coverage	90.26%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	22.29	53.71	(58.50)
Carbon footprint coverage	90.26%	93.34%	(3.30)
Weighted average carbon intensity (tCO2e/$M sales)	91.28	112.62	(18.94)
Weighted average carbon intensity coverage	95.91%	96.41%	(0.52)

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	81.98	90.43	(9.35)
% of portfolio below 2°C ITR	57.53	48.45	18.75
% of portfolio below 1.5°C ITR	32.62	19.79	64.80

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	15.48	15.88	(2.49)
SBTi Near-Term committed	10.14	5.09	99.14

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	13	31
Number of engagements	16	88

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	**3**
Climate - Transition Risk	3
Governance	**10**
Corporate Governance	5
Remuneration	3
Board	1
Strategy	1
Social & Financial Inclusion	**2**
Just transition	1
Social & Financial inclusion	1
Technology, Innovation & Society	**2**
Cybersecurity	1
Technology & Society	1

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

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.

Fund Engagement

Engagement outcomes

AT&T Inc - Cybersecurity

Purpose:

We attended an ESG investor event hosted by AT&T, an American telecommunications company, to gain insights into its updated business strategy. During the event, we posed questions to better understand the company's approach to managing cybersecurity risks.

Outcome:

The company shows a strong commitment to cybersecurity, collaborating with federal agencies in the USA and securing $650 million in cyber insurance. Governance is overseen by the AT&T Board's Audit Committee, which regularly discusses cybersecurity risks and measures with the Chief Information Security Officer and Chief Technology Officer. AT&T's security policies align with various standards and frameworks and privacy laws like the California Consumer Privacy Act. The company also completes annual third-party audits to ensure compliance with global ISO/IEC 27001 certifications. We were satisfied with AT&T's approach to cybersecurity and will continue to monitor the company's activity.

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. 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.

The result of this was weakness in global equity indices as US tech stocks saw a dramatic sell-off following news of Chinese competitor, DeepSeek. European and UK stocks fared much better, posting positive total returns for the three months. Government bond yields also suffered from heightened volatility. In the UK and Germany, 10-year yields rose considerably, while US treasuries saw a significant increase.

Most major central banks are running with interest rates slightly above neutral. If growth remains positive and inflation remains moderate, then central banks can continue to cut towards neutral. But stickier than expected inflation, substantial policy uncertainty, and rates being closer to neutral suggests that at least some slowing of the pace makes sense beyond just the US.

In the US, at its final meeting of the quarter, the Federal Reserve, as expected, kept rates on hold with the Fed Funds target range at 4.25-4.50%. With them seeing the US economy as “strong overall”, the Fed feels they are in a good place. Chair Powell noted that they are at a position, where the bank can cut and they can hold (perhaps notably not mentioning a possible hike). Participant forecasts still have two rate cuts in them for 2025. Broader Fed commentary continued to indicate that they are not in a hurry to cut rates. In a very uncertain environment, it makes sense to wait until things are clearer and “we’ll be adapting as we go,” said Powell.

At its final meeting in the quarter, the European Central Bank cut rates 25bps, to 2.50% on the deposit rate, which was very much as expected. The ECB continues to describe the disinflation process as well on track and continues to “follow a data-dependent and meeting-by-meeting approach” without pre-committing to a particular path. They still see the skew of risks to growth as to the downside.

Government bond markets suffered 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%.

Global corporate bonds saw modest positive returns in local currency terms over the quarter. US dollar markets were the strongest performing, although this was largely due to the fall in US treasury yields, with spreads slightly wider over the period. Euro and sterling credit markets saw similar, much more modest gains, driven by different underlying factors: euro markets had the headwind of higher yields, but more than offset this with tighter spreads, while sterling market shrugged off wider spreads helped by the impact of the high carry in the asset class.

Outlook

Amidst global geopolitical and macroeconomic uncertainties affecting global government bond markets, we believe that credit markets still offer attractive sources of value for those prepared to look carefully. In a diversified portfolio, we believe that we can generate good levels of income by taking appropriate levels of risk but ensuring, where possible, mitigation of those risks.

At the margin, we have taken advantage of further spread tightening to reduce risk, primarily through selling financials into structured bonds. We remain overweight in the financials, particularly subordinated bonds, but with a smaller overweight than we had at the start of 2025. We will continue to take a pragmatic view – trimming exposure if spreads reach levels where we feel we can add yield or reduce risk by switching into other bonds – but avoiding a widespread move to reduce exposure to any given sector.

We believe that investment grade all-in yields remain attractive but near term absolute performance is likely to be largely influenced by movements in the yields of underlying government bond markets. Macro uncertainty may mean that economically sensitive or cyclical industrial and consumer sectors struggle, but we believe that there are opportunities right across the credit universe. We retain a focus on high levels of diversification and our view remains that over the medium term, our focus on delivering attractive income will support returns in the medium term and through the present environment of volatile yields and potentially wider spreads.

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.

Disclaimers

Important information

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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 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.

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.

Responsible investment style risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number of securities in which the Fund may invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities.

Performance to 31 March 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	0.01	1.15	4.45	4.26	(2.68)
Fund (net)	(0.07)	0.99	4.11	3.26	(3.82)

Annualised (%)

3 Years (p.a.)	Since Inception (p.a.)
1.40	(0.74)
1.08	(1.05)

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
Fund (gross)	4.45	8.34	(7.87)	-	-
Fund (net)	4.11	8.00	(8.16)	-	-

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 European Sustainable Credit Fund Z Acc EUR share class. Since inception date 29 July 2021.

Glossary

Asset allocation

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

Attribution

Attribution is shown for the most recent quarter. Attribution figures are based on end of business returns for both the fund and the index whereas performance figures are based on midday returns for the fund and end of business for the index. Therefore the performance will not include market moves between midday when the fund is priced, and end of business when the index is calculated. This may result in a different figure being shown for the quarterly performance vs attribution data.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO2e/$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

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.

ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO2e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

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 restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

Armaments: Companies who manufacture armaments or nuclear weapons or associated products.

Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

Nuclear Power: Companies who generate energy from Nuclear Power.

Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

Tobacco: Companies which are growing, processing or selling tobacco products.

Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

Glossary

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, net of relevant fund management costs and gross of tax.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

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.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

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.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

Weighted Average Carbon Intensity (WACI)

In line with our bespoke and targeted approach to credit analysis, we have developed an in-house carbon data tool that addresses coverage and mapping issues with third party systems. The development of this tool has been a critical element of RLAM's ESG integration into our credit process, addressing coverage and mapping issues with third party systems. This enhanced coverage is reflected in the WACI figures provided in this report, with all other metrics instead being based on data from MSCI.

Portfolio's exposure to carbon-intensive companies, expressed in tCO2e / $M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.