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Royal London Asset Management

Fixed Income Fund Commentary

31 October 2025

Fund Commentary

31 October 2025

The purpose of this report is to provide an update on the Royal London Fixed Income Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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Fixed Income

Royal London Corporate Bond Fund

Pressure on UK government bond yields continued to ease during October as the market awaits the highly anticipated Autumn Budget. The yield on the 10-year gilt fell around 30bps to 4.41%. Helped by lower gilt yields as well as a further 2bps tightening in credit spreads, the sterling credit market saw positive returns during the month.

The fund posted positive returns for October and outperformed its benchmark. The main drivers of relative positive returns during the month were duration and credit sector allocation, with the fund benefitting from our overweight in the structured sector and underweight in supranational bonds.

Despite the ongoing macro uncertainty, credit markets continue to be driven by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Ethical Bond Fund

Pressure on UK government bond yields continued to ease during October as the market awaits the Autumn Budget. The yield on the 10-year gilt fell around 30 bps to 4.41%. Helped by lower gilt yields as well as a further 2bps tightening in credit spreads, the sterling credit market saw positive returns during the month.

The fund posted positive returns. Although it lagged its benchmark in October, year to date the fund continues to significantly outperform. The main driver of positive returns during the month was credit sector allocation. On a stock selection basis, our holdings in structured bonds detracted from performance.

Despite considerable uncertainty in the macro outlook, markets continue to be driven by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive yields available in the asset class.

Royal London Global Bond Opportunities Fund

The fund saw a positive return over the month. October was a mixed month for macro news, with the ongoing shutdown in the US government and fears over Fed independence, the reappointment of the French Prime Minister, and focus on UK fiscal position ahead of an Autumn budget. Euro and US dollar credit market returns were modest, with little change in credit spreads. UK returns were somewhat higher – albeit driven mostly by falling underlying gilt yields.

Activity during the month was focused on the new issue market, where we continued to find attractive opportunities. Examples in October included perpetual bonds from Dutch financial services provider Achmea, healthcare software provider Nexus and Danish telecoms provider TDC.

Risk markets generally, including global credit markets, have continued to produce attractive returns. In the short term, the ability to absorb heavy issuance will drive spread levels, as companies look to complete 2025 financing needs ahead of the Thanksgiving and Christmas slowdown.

Fixed Income

Royal London Global High Yield Bond Fund

October marked the sixth month in a row that the high yield market experienced a positive return. Credit spreads were a slight detractor as they widened, while government yields tightened to help offset the move in spreads. These moves do not paint the full picture as the market fell almost 60bps by October 13, as concerns over renewed trade wars and the US consumer grew. The market then rallied going into month end as these concerns lessened. Following the record level of issuance in September, the global high yield market only saw \$44bn of new issuance in October which is the lowest amount since April this year.

The fund saw a negative return, behind the benchmark. The underperformance was driven by the fund's automotive and capital goods holdings. The fund's bias towards single B rated bonds was a detractor, relative to the benchmark.

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.

Royal London Global Index Linked Fund

The UK gilt market posted a strong performance over the month, with yields falling across the curve – particularly at the long end – as investors became more confident that the end of November budget was less likely to add to the UK's debt burden, and the fiscal black whole would be more likely to be plugged via tax increases than increased debt issuance.

The fund produced a positive return over the month. Our duration and curve positioning were the main positives for performance: we had a bias towards falling yields and a flatter yield curve. With long-dated bonds leading gains in October, this supported returns.

Yields have been supported by weak economic news but also reduced sales of long-dated gilts – both in terms of new issuance but also the Bank of England's quantitative easing programme. Attention now turns to the Autumn Budget. Given the binary nature of this, we have reduced risk levels in our portfolios.

Fixed Income

Royal London Global Mezzanine ABS Fund

Despite a busy September it ended with a softer tone. This continued through to October, where markets saw a mini-gilt sell-off which in turn saw spreads widen in UK prime paper. However, this was short lived as the new issue market delivered a consistent pipeline of new deals in euros, sterling and Aussie dollars.

The global macro headlines (escalating trade tensions; French sovereign downgrade and claims of fraudulent loans for two of the US regional banks) created small bouts of volatility, particularly seen in CLOs, which saw spreads widen significantly across the capital structure. Overall gross issuance year to date (including NI CLO) is EUR134bn. Secondary supply was elevated with October being the busiest month for BWICs this year. It should be noted that there was no forced selling.

The desk participated in many of the new issues across all markets adding different parts of the capital structure where value was seen, despite the oversubscription levels. We also added short AAA CLO paper in the secondary market.

Royal London Global Senior ABS Fund

Despite a busy September it ended with a softer tone. This continued through to October, where markets saw a mini-gilt sell-off which in turn saw spreads widen in UK prime paper. However, this was short lived as the new issue market delivered a consistent pipeline of new deals in euros, sterling and Aussie dollars.

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The desk participated in many of the new issues across all markets adding different parts of the capital structure where value was seen, despite the oversubscription levels. We also added short AAA CLO paper in the secondary market.

Fixed Income

Royal London Index Linked Fund

The UK gilt market posted a strong performance over the month, with yields falling across the curve – particularly at the long end – as investors became more confident that the end of November budget was less likely to add to the UK's debt burden, and the fiscal black hole would be more likely to be plugged via tax increases than increased debt issuance.

The fund produced a positive return over the month. Our duration and curve positioning were the main positives for performance: we had a bias towards falling yields and a flatter yield curve. With long-dated bonds leading gains in October, this supported returns.

Yields have been supported by weak economic news but also reduced sales of long-dated gilts – both in terms of new issuance but also the Bank of England's quantitative easing programme. Attention now turns to the Autumn Budget. Given the binary nature of this, we have reduced risk levels in our portfolios.

Royal London Investment Grade Short Dated Credit Fund

Pressure on UK government bond yields continued to ease during October as the market awaits the highly anticipated Autumn Budget. The yield on the 10-year gilt fell around 30bps to 4.41%. Helped by lower gilt yields as well as a further 2bps tightening in credit spreads, the sterling credit market saw positive returns during the month.

The fund posted positive returns for October and outperformed its benchmark. The main driver of relative positive returns during the month was credit sector allocation. On a stock selection basis, our holdings in structured and consumer services bonds detracted from performance.

Despite the ongoing macro uncertainty, credit markets continue to be driven by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Short Duration Credit Fund

Pressure on UK government bond yields continued to ease during October as the market awaits the highly anticipated Autumn Budget. The yield on the 10-year gilt fell around 30bps to 4.41%. Helped by lower gilt yields as well as a further 2bps tightening in credit spreads, the sterling credit market saw positive returns during the month.

The fund posted positive returns for October and outperformed its benchmark. The main driver of relative positive returns during the month was credit sector allocation. On a stock selection basis, our holdings in structured and consumer services bonds detracted from performance.

Despite the ongoing macro uncertainty, credit markets continue to be driven by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Fixed Income

Royal London Short Duration Gilts Fund

Gilts performed well in October, supported by both macroeconomic and market-specific factors. Softer economic data, including downside surprise to inflation and a weak labour market report, combined with speculation around fiscal measures in the upcoming Autumn Budget, provided a favourable backdrop for gilts.

The fund's strategic long duration position added to performance in October. We tactically reduce the fund duration gradually over the month, taking profits from 5-year gilts as the market rallied. The fund has no inflation exposure and ended the month with no cross-market exposure.

Looking ahead, we expect continued weak economic data, as well as fiscal clarity from the upcoming Budget, to support additional easing from the Bank of England. We therefore expect the Bank of England to cut rates by 0.25% in December, with further rate cuts to come throughout 2026.

Royal London Short Duration Global High Yield Bond Fund

October marked the sixth month in a row that the high yield market experienced a positive return. Credit spreads were a slight detractor as they widened, while government yields tightened to help offset the move in spreads. These moves do not paint the full picture as the market fell almost 60bps by October 13, as concerns over renewed trade wars and the US consumer grew. The market then rallied going into month end as these concerns lessened. Following the record level of issuance in September, the global high yield market only saw \$44bn of new issuance in October which is the lowest amount since April this year.

The fund continued its strong performance. By focusing on defensive and securities at the end of their lives, the fund only had a fraction of the drawdown of the wider market and was able to outperform the wider high yield market.

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.

Royal London Short Duration Global Index Linked Fund

The UK gilt market posted a strong performance over the month, with yields falling across the curve – particularly at the long end – as investors became more confident that the end of November budget was less likely to add to the UK's debt burden, and the fiscal black hole would be more likely to be plugged via tax increases than increased debt issuance.

The fund produced a positive return over the month. Our duration and curve positioning were the main positives for performance: we had a bias towards falling yields and a flatter yield curve. Although gains were led by long-dated bonds in October, short-dated bonds still saw gains.

Yields have been supported by weak economic news but also reduced sales of long-dated gilts – both in terms of new issuance but also the Bank of England's quantitative easing programme. Attention now turns to the Autumn Budget. Given the binary nature of this, we have reduced risk levels in our portfolios.

Fixed Income

Royal London Short Term Fixed Income Enhanced Fund

There was no Bank of England meeting in October, following successive meetings in August and September, meaning that the UK Base Rate remained unchanged at 4.0%. Economic data was mixed in the UK, with inflation undershooting, GDP showing small growth, and a mixed labour market report showing rising unemployment rate, but signs of stabilisation too.

With no changes in UK interest rates, SONIA remained unchanged at 3.97% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, dipped to 3.77%, falling out of the trading range seen in the past couple months.

During the month, the fund looked to add paper beyond year end when liquidity is usually somewhat lower and locking in yields above 4.0%, buying CDs from Macquarie, DNB and National Australia Bank. The fund also participated in a covered bond new three-year issue from DBS Bank, at attractive premia to SONIA.

Royal London Short Term Fixed Income Fund

There was no Bank of England meeting in October, following successive meetings in August and September, meaning that the UK Base Rate remained unchanged at 4.0%. Economic data was mixed in the UK, with inflation undershooting, GDP showing small growth, and a mixed labour market report showing rising unemployment rate, but signs of stabilisation too.

With no changes in UK interest rates, SONIA remained unchanged at 3.97% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, dipped to 3.77%, falling out of the trading range seen in the past couple months.

During the month, the fund looked to add paper beyond year end when liquidity is usually somewhat lower and locking in yields above 4.0%, buying CDs from DNB, National Westminster and Macquarie Bank. The fund also participated in a covered bond new three-year issue from DBS Bank, at attractive premia to SONIA.

Royal London Short-Term Money Market Fund

There was no Bank of England meeting in October, following successive meetings in August and September, meaning that the UK Base Rate remained unchanged at 4.0%. Economic data was mixed in the UK, with inflation undershooting, GDP showing small growth, and a mixed labour market report showing rising unemployment rate, but signs of stabilisation too.

With no changes in UK interest rates, SONIA remained unchanged at 3.97% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, dipped to 3.77%, falling out of the trading range seen in the past couple months.

During the month, the fund looked to add paper beyond year end when liquidity is usually somewhat lower and locking in yields above 4.0%, buying CDs from KBC, Credit Agricole and National Australia Bank. Similarly, we added six-month treasury bills, these yielding in excess of SONIA at more than 4%, with no credit risk.

Fixed Income

Royal London Sterling Liquidity Money Market Fund

There was no Bank of England meeting in October, following successive meetings in August and September, meaning that the UK Base Rate remained unchanged at 4.0%. Economic data was mixed in the UK, with inflation undershooting, GDP showing small growth, and a mixed labour market report showing rising unemployment rate, but signs of stabilisation too.

With no changes in UK interest rates, SONIA remained unchanged at 3.97% over the month. Two-year gilts, often seen as a proxy for market expectations of BoE rates, dipped to 3.77%, falling out of the trading range seen in the past couple months.

During the month, the fund looked to add paper beyond year end when liquidity is usually somewhat lower and locking in yields above 4.0%, buying CDs from ING, Credit Agricole and National Australia Bank. Similarly, we added six-month treasury bills, these yielding in excess of SONIA at more than 4%, with no credit risk.

Royal London Sterling Credit Fund

Pressure on UK government bond yields continued to ease during October as the market awaits the highly anticipated Autumn Budget. The yield on the 10-year gilt fell around 30bps to 4.41%. Helped by lower gilt yields as well as a further 2bps tightening in credit spreads, the sterling credit market saw positive returns during the month.

The fund posted positive returns for October and outperformed its benchmark. The main driver of relative positive returns during the month was credit sector allocation. On a stock selection basis, our holdings in structured and consumer services bonds detracted from performance.

Despite the ongoing macro uncertainty, credit markets continue to be driven by current fundamentals. In a diversified portfolio with an emphasis on security, we believe that our sterling credit strategies continue to benefit from attractive all-in yields available in the asset class.

Royal London Sterling Extra Yield Bond Fund

The fund recorded positive returns in October with positive contributions from across the portfolio, including investment grade, high yield and unrated bonds. In terms of sectors, the fund's holdings in consumer goods and general industrial bonds were the notable performers – with Brooge Petroleum and Floatel driving returns.

The fund took part in new euro issues from aluminium tube packaging firm Alltub and Norwegian seafood producer Hofseth, with both deals offering attractive spread levels of over 500bps. The fund also took part in a new US dollar short-dated bond from renewable energy infrastructure firm Kinetics Energies, offering a yield above 9%.

Despite uncertainty in the macro outlook, markets continue to be driven by reaction to newsflow. In a diversified portfolio, with a focus on income generation, the fund is well positioned to continue to deliver attractive returns to investors over the medium term.

Fixed Income

Royal London UK Government Bond Fund

Gilts performed well in October, supported by both macroeconomic and market-specific factors. Softer economic data, including downside surprise to inflation and a weak labour market report, combined with speculation around fiscal measures in the upcoming Autumn Budget, provided a favourable backdrop for gilts.

The fund's strategic long duration position contributed positively to performance, particularly our overweight position in 30-year gilts, which was the best performing part of the curve. During the month, we reduced fund duration by taking profits on our 30-year Australian government bond long position, and selling some of our exposure in UK index linked bonds. The fund remains underweight in the belly of the curve, retaining a bias to 7-year and 30-year gilts. We continue to hold long-dated Japanese government bonds.

Looking ahead, we expect continued weak economic data, as well as fiscal clarity from the upcoming Budget, to support additional easing from the Bank of England. We therefore expect the Bank of England to cut rates in December, with further cuts to come in 2026.

Disclaimers

Important information

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RL Corporate Bond Fund, RL Investment Grade Short Dated Credit Fund, RL Sterling Credit Fund, RL Global Index Linked Fund, RL UK Government Bond fund, RL Index Linked, RL Short Duration Global Index Linked Fund and RL Short Duration Gilts Fund, RL Short Term Fixed Income Fund, RL Short Term Fixed Income Enhanced Fund, RL Short Term Money Market Fund:

The Funds are sub-funds 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.

RL Ethical Bond Fund, RL Short Duration Credit Fund

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RL Global Bond Opportunities Fund, RL Sterling Extra Yield Bond Fund, RL Global High Yield Bond Fund, RL Short Duration Global High Yield Bond Fund, RL Sterling Liquidity Money Market Fund:

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RL Global Mezzanine ABS Fund, RL Global Senior ABS Fund:

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.

Notice for UK Investors:

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

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The Prospectus and Key Investor Information Document (KIID) are available in English. A summary of investor rights is also available in English. RLAM may terminate the arrangements made for marketing of the fund pursuant to Article 93a of Directive 2009/65/EC.

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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.

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Risk 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.

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.

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.

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

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

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.

Derivative risk

The 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.

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.

Exchange rate risk

Changes in currency exchange rates may affect the value of your investment.

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.

Government and public securities risk

The Fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

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.

Sub-investment grade investment risk

Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Unrated bond risk

Non-rated bonds may have the characteristics of either investment or sub-investment grade bonds. Market activity in unrated securities and instruments may be low for a considerable period of time and this may impact on liquidity.

Risk and Warnings

Stable NAV risk

The Fund is not the same as a bank deposit account. It is designed such that it will seek, for the Distribution Classes, to maintain the Net Asset Value per Share at a fixed value by distributing income from the Fund as it arises. However, whilst the Fund's investments are reasonably believed by the Investment Manager to be of high quality, there is always a risk that an underlying issuer could default or otherwise fall in value, resulting in the Fund being unable to maintain the Net Asset Value per Share at a fixed value and therefore a loss of capital will occur. The risk of loss is to be borne by the investor. There is no representation or warranty that the Fund will be able to maintain a stable Net Asset Value per Share.

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 risk

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.

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.

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.

Leverage 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.

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.

Sterling Liquidity Money Market Fund

The Fund has been authorised as a Low Volatility Net Asset Value (LVNAF) MMF and is a short-term money market fund in accordance with MMF Regulation which seeks to maintain a stable NAV under the condition that the stable NAV does not deviate from the Net Asset Value per share by more than 20 basis points. In case of a deviation of more than 20 basis points between the stable NAV and the Net Asset Value per share, the following redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.