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# Royal London Asset Management

## Sustainable Fund Commentary

**31 October 2025**



Funds that have a Sustainability Focus Label investing mainly in assets that focus on sustainability for people or the planet. Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).



# Fund Commentary

**31 October 2025**

The purpose of this report is to provide an update on the Royal London Sustainable 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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# Sustainable

## Royal London European Sustainable Credit 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.

We continued to add to holdings using the new issue market, particularly in financials, including AXA and BPCE at attractive yields, as well as a new euro issue from Finnish electricity network operator Elenia.

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.

## Royal London Global Sustainable Credit Fund

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We continued to add to holdings using the new issue market, particularly in financials, including AXA, Lloyds and Citigroup at attractive yields, as well as a new euro issue from Finnish electricity network operator Elenia.

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.

## Royal London Global Sustainable Equity Fund

Equity markets continued their good run in October. Equity markets benefitted from a strong earnings season particularly from technology companies. Financials were the weakest sector, as the bond market priced terminal interest rates lower.

The fund outperformed the index during October. Top contributors to the fund included Comfort Systems, an installer of HVAC, which remains a primary beneficiary of the data centre build-out in the US. Standard Chartered, an Asian focused bank, also reported good results with strong performance in financial markets and wealth. Texas Instruments, a semiconductor manufacturer, was the key detractor, as utilisation in its factories has been weak driven by poor end market demand and increased competition.

While the fund remains well positioned to take advantage of long term structural trends in the market such as technology innovation we take a balanced approach to ensure the fund is set up to perform in different market environments.

# Sustainable

## Royal London Global Sustainable Equity Fund (IRL)

Equity markets continued their good run in October. Equity markets benefitted from a strong earnings season particularly from technology companies. Financials were the weakest sector, as the bond market priced terminal interest rates lower.

The fund outperformed the index during October. Top contributors to the fund included Comfort Systems, an installer of HVAC, which remains a primary beneficiary of the data centre build-out in the US. Standard Chartered, an Asian focused bank, also reported good results with strong performance in financial markets and wealth. Texas Instruments, a semiconductor manufacturer, was the key detractor, as utilisation in its factories has been weak driven by poor end market demand and increased competition.

While the fund remains well positioned to take advantage of long term structural trends in the market such as technology innovation we take a balanced approach to ensure the fund is set up to perform in different market environments.

## Royal London Sustainable Corporate Bond Trust

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, namely 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 Sustainable Diversified Trust

Equity markets continued their good run in October and benefitted from a robust earnings season, particularly from technology companies. Financials were the weakest sector, as the bond market priced terminal interest rates lower. The sterling credit market produced positive returns, supported by a decline in gilt yields.

The Trust delivered a positive absolute return over the month. Contributors included Standard Chartered, an Asian focused bank, which reported good results with strong performance in financial markets and wealth. Meanwhile Thermo Fisher, a US life sciences tool and services business, benefited from improved activity in its biopharma end markets. Detractors included Linde, an industrial gas provider, which suffered from a weak outlook.

While the Trust remains well positioned to take advantage of long-term structural trends, such as technology innovation, we take a balanced approach to ensure the Trust is set up to perform in different market environments.

# Sustainable

## Royal London Sustainable Growth Fund

Equity markets continued their good run in October and benefitted from a robust earnings season particularly from technology companies. Financials were the weakest sector, as the bond market priced terminal interest rates lower. The sterling credit market gained produced positive returns in October, supported by a decline in gilt yields.

The Trust delivered a positive absolute return. Top contributors to the fund included Comfort Systems, which remains a primary beneficiary of the data centre build-out in the US and reported record backlog figures. Alphabet benefitted from investors re-assessing the disruption risks to its business model from chatbot LLMs. Detractors included Linde, an industrial gas provider, which suffered from a weak outlook.

While the fund remains well positioned to take advantage of long-term structural trends in markets such as technology innovation we take a balanced approach to ensure the fund is set up to perform in different market environments.

## Royal London Sustainable Leaders Trust

UK equities delivered another strong month of performance in October with the FTSE All-Share Index pushing on to a new all-time high and outperforming other developed markets. A combination of soft inflation and unemployment data led to hopes of more interest rate cuts from the Bank of England. This provided a reprieve for interest rate and domestically sensitive companies such as utilities and REITS.

The Trust outperformed the index during the month and was positioned in the first quartile. The top contributors included Rentokil, a pest control company, which reported positive results with momentum in its North American business. Standard Chartered, an Asian focused bank, also reported good results with income guidance upgraded on strong performance in financial markets and wealth.

We started a new position in BBVA, a Spanish bank with a significant Central and South American presence. It offers exposure to fast growing economies at a reasonable valuation.

## Royal London Sustainable Managed Growth Trust

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 net returns for October. The fixed income exposure saw positive returns but marginally underperformed compared to the broad sterling corporate bond markets – mainly due to our stock selection in structured, consumer services and bank bonds. In equities, we recorded positive returns and our holdings in Broadcom and Thermo Fisher boosted 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.

# Sustainable

## Royal London Sustainable Short Duration 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.

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 Sustainable World Trust

Equity markets continued their good run in October with the MSCI ACWI up 4.8% in sterling terms. Equity markets benefitted from a robust earnings season particularly from technology companies. Financials were the weakest sector, as the bond market priced terminal interest rates lower. The sterling credit market was supported by a rise in gilt prices.

The Trust delivered positive absolute return. Top contributors to the fund included Comfort Systems, which remains a primary beneficiary of the data centre build-out in the US and reported record backlog figures. Meanwhile Alphabet benefitted from investors re-assessing the disruption risks to its business model from chatbot LLMs. Detractors included Linde, an Industrial Gas provider, which suffered from weak outlook in its industrial end markets.

The Trust initiated a position in Prudential, an Asian life insurer with attractive valuation, which is benefitting from increased demand.

# Disclaimers

## Important information

For professional investors only, not suitable for retail clients. This marketing communication is a financial promotion and is not investment advice.

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice. Telephone calls may be recorded. For further information please see the privacy policy at [www.rlam.com](http://www.rlam.com).

### **RL Sustainable Leaders Trust, RL Sustainable World Trust, RL Sustainable Diversified Trust, RL Sustainable Managed Growth Trust, RL Sustainable Corporate Bond Trust.**

The Trusts are authorised unit trust schemes. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

### **RL Global Sustainable Equity Fund, RL Sustainable Growth Fund**

The Funds are sub-funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. 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 European Sustainable Credit, RL Global Sustainable Credit Fund, RL Global Sustainable Equity (IRL):**

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 Fund Rock 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. 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.

### **RL Sustainable Short Duration Corporate Bond Fund**

The Fund is a sub-fund of Royal London Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on [www.rlam.com](http://www.rlam.com).

### **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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# 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.

## 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 stock market and therefore more volatile.

## 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.

## Efficient portfolio management (EPM) techniques

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.

## Liquidity risk

In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

## Counterparty risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

## 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.

## 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 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.

## 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.