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Royal London Short-Term Money Market Fund

Quarterly Investment Report

30 September 2025



Quarterly Report

The fund as at 30 September 2025

The purpose of this report is to provide an update on the Royal London Short-Term Money Market Fund. The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

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The fund

Fund performance objective and benchmark

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

Fund value

	Total £m
30 September 2025	9,808.20

Fund analytics

	Fund
Fund launch date	22 July 1999
Benchmark	Sterling Overnight Index Average (SONIA)
Weighted average maturity (days)	45.66
Number of issuers	50
Yield to maturity (%)	4.11

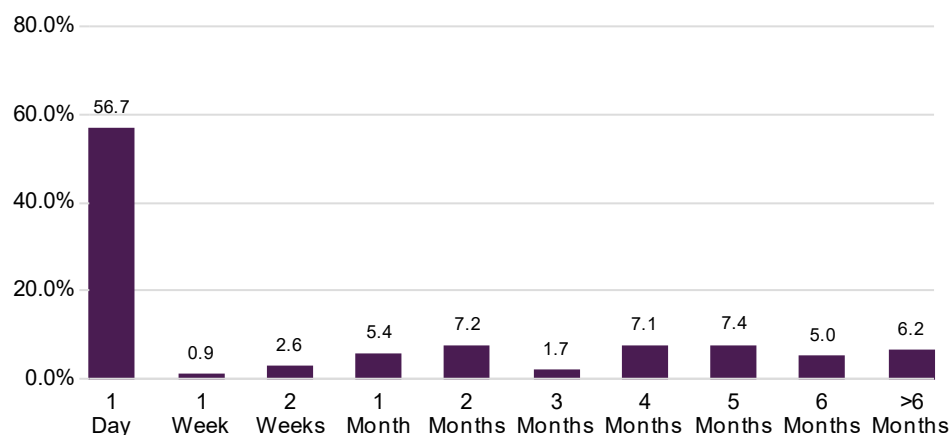
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.09	1.01	0.07
YTD	3.44	3.21	0.24
1 Year	4.73	4.43	0.30
3 Years (p.a.)	4.84	4.52	0.31
5 Years (p.a.)	3.04	2.85	0.19
10 Years (p.a.)	1.77	1.60	0.18
Since inception (p.a.)	2.15	2.39	(0.24)

Past performance is not a guarantee or reliable indicator of future returns. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on Y Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 22 July 1999.

Duration profile



Performance commentary

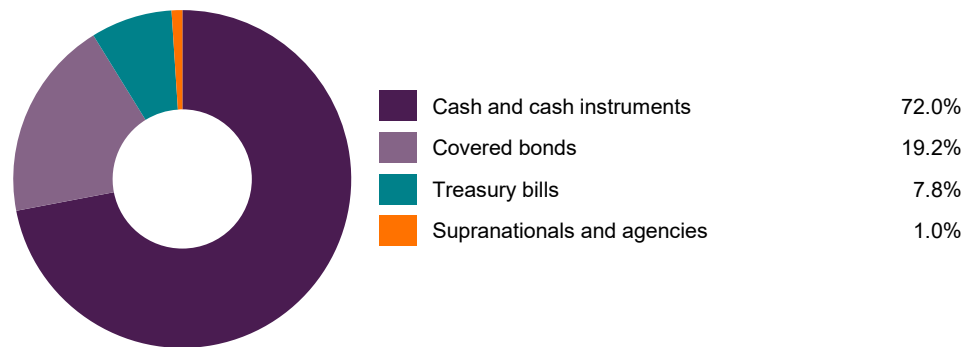
Money market rates fell in line with the Bank of England rate cut in August. Longer maturities initially drifted lower on expectations of UK base rates continuing to fall, before edging higher as forecasts become more subdued. Money market returns, using SONIA as a proxy, remained attractive.

Our money market exposure remained measured, looking to extend selectively, notably later in the period where we felt that the market was overly pessimistic about potential rate cuts.

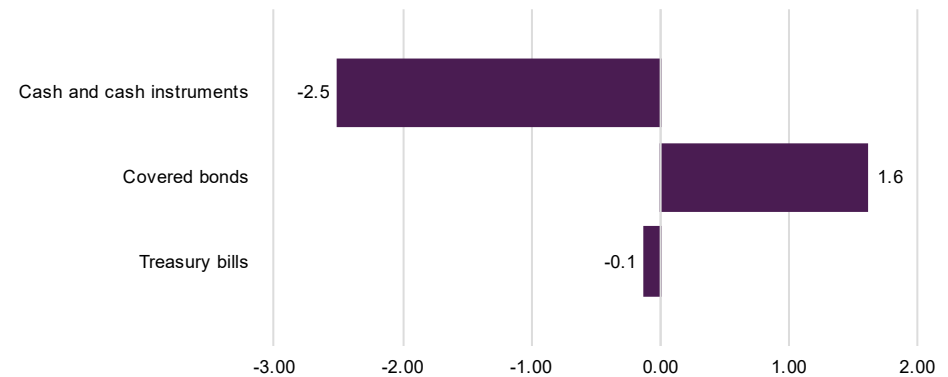
Performance was positive over the quarter compared to the SONIA benchmark. At a portfolio level, we had built up a yield premium to the benchmark. Our money market exposure was the main driver of returns, reflecting that this makes up the bulk of the fund's assets, while exposure to repo and treasury bills also contributed to returns, as did the limited exposure to covered bonds with these performing well as fears over changes in regulatory treatment receded.

Performance and activity

Asset allocation profile



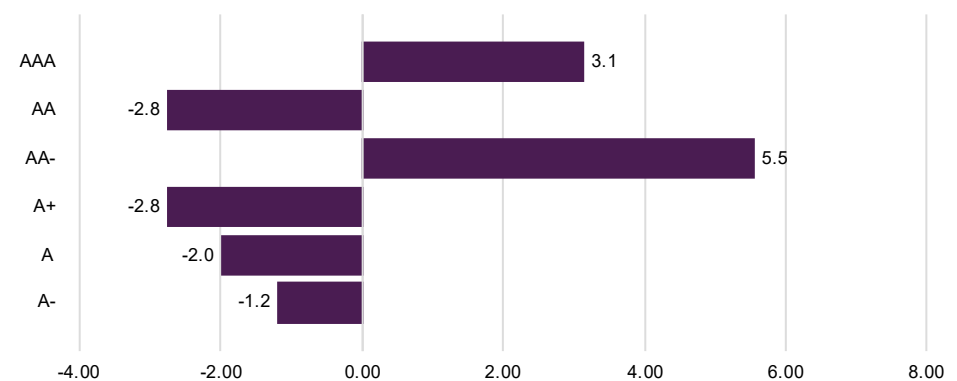
Change since last quarter (asset allocation) %



Credit rating profile

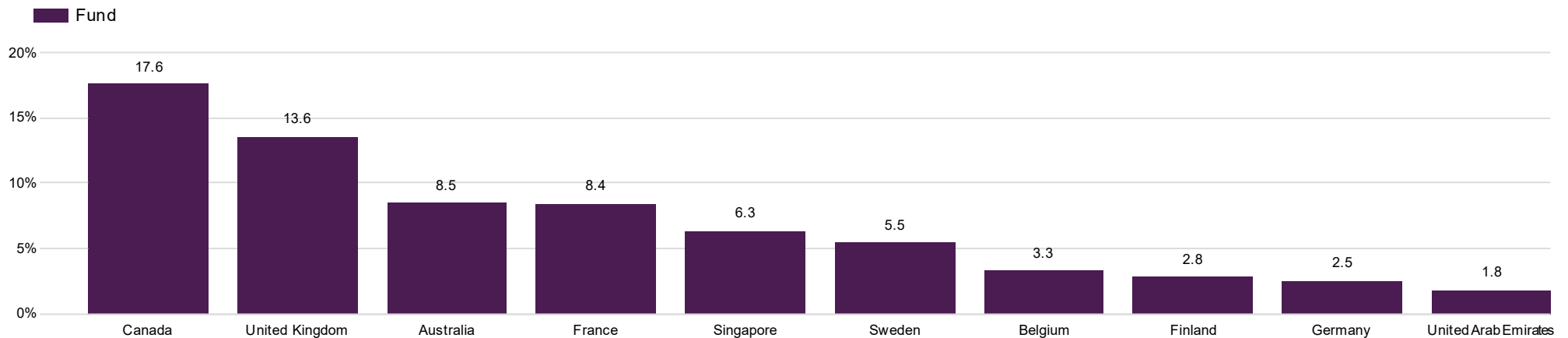


Change since last quarter (rating) %

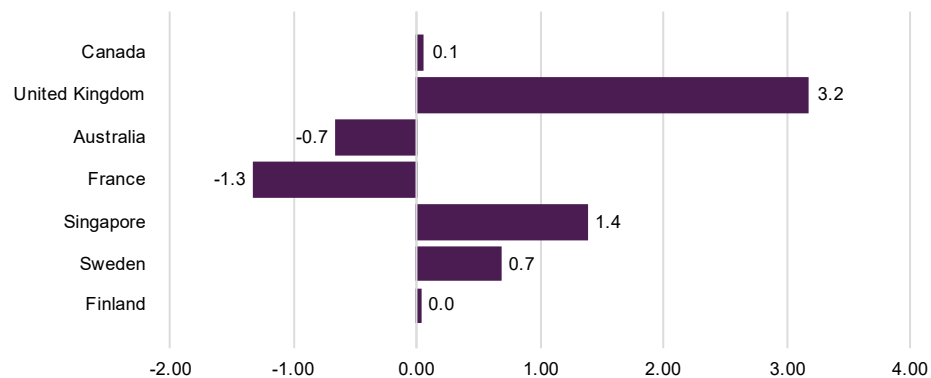


Performance and activity

Top ten geographic allocation (ex gilts) %



Change since last quarter (geographic) %



Performance and activity

Fund activity

The third quarter had two distinct periods for money market investors. For the first part of the period, the market was relatively bullish about further rate cuts from the Bank of England. This meant that there was little value in extending duration as rates shifted lower to reflect market expectations. However, data later in the period led to a material re-pricing of the market – essentially moving from pricing in one rate cut every quarter, to expecting no more until well into 2026. While our view has been cautious throughout, this change was positive as it meant longer rates started to look attractive against our models.

We still focus on short paper – reflecting the fund's objective. Core activity focused on three-month CDs, but we did look to add longer dated paper as we were comfortable with the rates available in the six-month to one-year space, particularly as the period progressed. Within money market instruments, this was less a wholesale move into long-dated instruments, but an increase in six-month paper from the likes of National Westminster, United Overseas Bank, First Abu Dhabi bank and KBC – all with 2026 maturities to take advantage of those attractive rates as well as extending maturities beyond year end when liquidity is usually somewhat lower.

Outside of CDs, we were active in adding six-month treasury bills, these yielding in excess of SONIA at more than 4%, with no credit risk. There were limited opportunities to add to covered bonds that suited the profile of the fund, but we did find a number of opportunities to add bonds maturing in the first months of 2026 that offered an attractive premium to SONIA, including Nationwide and Canadian Imperial Bank of Commerce, also adding one-year bonds from Royal Bank of Canada and Bank of Montreal.

Market commentary

Market overview

Following a turbulent second quarter shaped by the initial shock of US trade tariff announcements, markets stabilised during the third quarter. Globally, attention shifted towards fiscal policy and government debt sustainability. With central banks circumspect about the prospects for further rate cuts, uncertainty around potential rate cuts influenced bond yields and investor confidence.

Risk assets generally performed well over the period. US markets navigated mixed signals. While second-quarter earnings generally exceeded subdued expectations, and business surveys reflected a sense of optimism, signs of a cooling labour market and renewed concerns over the Federal Reserve's independence added a layer of uncertainty during the period.

A shadow was cast over the UK's economic outlook during the summer quarter. Inflation proved more persistent than expected, prompting the Bank of England to strike a more cautious tone—even as it proceeded with a rate cut in August. Expectations for further easing were dampened and resulted in upward pressure on gilt yields. There were mounting concerns over the government's fiscal health, leading to speculation about potential tax increases or further gilt issuance in the forthcoming autumn budget.

The eurozone also faced a mixed quarter. While robust activity data and strong earnings in select sectors offered encouragement, political uncertainty sparked volatility and weighed on market performance. This was perhaps most visible in France, where the resignation of Prime Minister Bayrou, after losing a confidence vote over plans to address debt levels, added to pressure on President Macron.

Government bond markets proved volatile over the summer. Benchmark 10-year gilt yields rose from 4.48% to end at 4.70%, but with sharp rallies in both early August and September. Meanwhile at 5.75%, UK 30-year gilt yields hit their highest levels in almost 30 years. In the US, 10-year treasury yields stood at 4.13% at the end of September, slightly lower than levels seen at the start of July but with considerable volatility in the interim. In the eurozone, the spread between 10-year bonds in France and Germany expanded to the widest level in more than a year as French bond yields climbed higher amid the country's debt crisis. The German 10-year bund yield was 2.67% at the end of the third quarter, broadly in line with previous months.

The Bank of England rate cut in August was the focus for money market rates over the quarter. Having started the period at 4.21%, SONIA fell to 3.97% after the cut. Two-year gilts, often seen as a proxy for market expectations of BoE rates, ended the quarter at 3.99% having started July at 3.82%, having spent most of the period in a relatively tight range between 3.9% and 4%.

Outlook

There is no let-up in market uncertainty. Geopolitics are perhaps a bigger factor than at any time this century given the ongoing situation in Ukraine, wider Russian belligerence in Europe, the conflict in Gaza and the potential for spillover effects. At the same time, policy uncertainty has also not eased, with tariffs still very much on the US agenda, the current administration still announcing policies without details appearing to be complete and doing nothing to erase concerns about political interference in monetary policy. On top of these, budget concerns are also a significant factor in both the US and UK. Monetary policy settings are generally seen as supportive of fixed income markets, but even here, there is uncertainty around the timing and quantum of rate cuts as inflation is still not fully subdued. These factors help explain why government bond yields have been relatively volatile in 2025, and there seems little prospect of a material change in this in the next few months.

At its September meeting, the Bank of England (BoE) committee voted to leave interest rates unchanged at 4.0%, by a majority of 7:2, as was expected by the market. While growth remains anaemic and the labour market continues to weaken, albeit relatively slowly, Consumer Price Inflation (CPI) remains uncomfortably high. There is a wide range of views among committee members about inflation, but overall, there appears to be a broad consensus that risks are skewed towards higher and more persistent of inflation over the medium term. In our view, this explains why, despite the BoE wanting to remove 'monetary policy restraint', markets are now effectively expecting no further cuts in 2025. In our view, other aspects of the economy, most notably the labour market, would need to deteriorate significantly from here over the next few months to see any chance of a further cut in 2025 being priced back in. The market will also be paying close attention to the upcoming budget in November, and the potential impact fiscal policy choices might have on inflation during the first half of 2026. What hasn't changed is the market pricing of the longer-term neutral rate, which has remained around 3.5% for some time. For investors in shorter maturity instruments, this is ultimately more important than the exact timing of interest rate cuts.

Although very short money market rates fell over the quarter, longer equivalents increased somewhat as the market moved to price out Bank of England rate cuts. and bond yields fell over the quarter as a whole, we believe that the yields across our range of liquidity and short-dated funds remain attractive – particularly in an environment where uncertainty (whether measured in business surveys or looking at market volatility measures) remains elevated.

Further Information

Please click on the links below for further information:



Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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Issued in October 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.

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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.

EPM techniques risk

The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Interest rate risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

Counterparty risk

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

Inflation risk

Where the income yield is lower than the rate of inflation, the real value of your investment will reduce over time.

Money market fund risks

A Money Market Fund is not a guaranteed investment, and is different from an investment in deposits. The principal invested in the Fund is capable of fluctuation and the risk of loss of the principal is to be borne by the investor. The Fund does not rely on external support for guaranteeing the liquidity of the Fund or stabilising the NAV per share.

Short Term Money Market Fund

The Fund has been authorised as a Variable Net Asset Value (VNAV) MMF and is a short term money market fund in accordance with MMF Regulation. The NAV is calculated using mark to market prices where possible otherwise mark to model prices are used. The redemption or issue of Shares will be undertaken at a price that is equal to the Net Asset Value per Share.

Performance to 30 September 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	1.09	2.23	4.73	15.24	16.16	4.84	3.04
Fund (net)	1.06	2.18	4.63	14.89	15.58	4.73	2.94

Annualised (%)

Year on year performance (%)

	30/09/2024 - 30/09/2025	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021
Fund (gross)	4.73	5.53	4.27	0.74	0.06
Fund (net)	4.63	5.42	4.17	0.64	(0.04)

Past performance is not a guarantee or reliable indicator of future returns. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 30 September 2025. All figures are mid-price to mid-price for the Royal London Short-Term Money Market Fund Y Inc GBP share class.

Glossary

Asset allocation

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

Money market instruments

Investments that pay interest, have a short duration and are designed to maintain a stable value.

Number of issuers

Number of unique issuers of all assets held by the Fund, excluding cash, currency and derivatives.

Performance

The Fund price is taken at mid-day using swing prices where applicable, while the index performance is priced at close of business. Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

Pricing

The Fund's price may swing to bid or offer to protect existing investors from the costs associated with buying or selling the fund's underlying assets when other investors are entering or leaving the fund. Performance is based on this pricing.

Ratings

Credit-rating agencies rate bonds based on the likelihood of them defaulting and being unable to repay their debt.

Reverse repurchase agreements

Agreeing to sell a purchased security at a specified later date.

Rolling 12 month period

A rolling 12 month period is any period of twelve months, no matter which day you start on.

Weighted average maturity

The average length of time to maturity of all underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid.

Yield to maturity

A bond's yield to maturity is the total expected return if it is held until its maturity date.