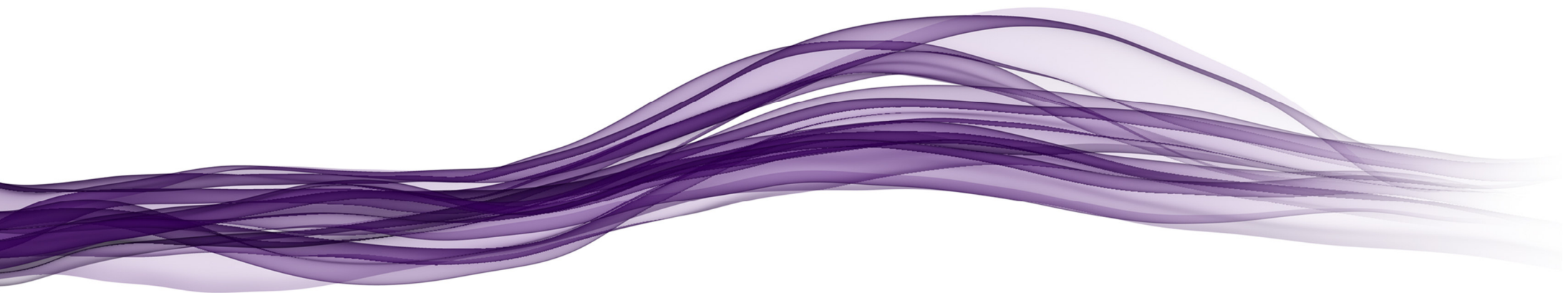


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Royal London Absolute Return Government Bond Fund

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 Absolute Return Government Bond 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 investment objective of the fund is to target absolute positive capital growth and the fund will seek to achieve its objective on an active basis. The Fund seeks to achieve its investment objective by outperforming its benchmark, the Sterling Overnight Index (the "Benchmark") on an annual basis by 2.5% over rolling three year periods and aims to provide positive performance over 12 month periods. The Benchmark is an index which tracks overnight funding rates in the Sterling market. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track the Benchmark.

Fund value

	Total £m
30 September 2025	970.09

Asset allocation

	Fund (%)
Conventional credit bonds	54.29
Money Market Instruments	21.90
Conventional gilts	10.67
Conventional foreign sovereigns	8.23
Index linked foreign sovereigns	3.91
Index linked credit bonds	0.55
Index linked gilts	0.44

Fund analytics

	Fund
Fund launch date	17 November 2014
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.17	1.01	0.16
YTD	4.41	3.21	1.20
1 Year	6.20	4.43	1.76
3 Years (p.a.)	7.04	4.52	2.51
5 Years (p.a.)	4.36	2.85	1.51
10 Years (p.a.)	2.70	1.63	1.07
Since inception (p.a.)	2.58	1.54	1.04

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 Z Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 17 November 2014.

Performance commentary

The fund posted a positive return over the quarter, outperforming its cash benchmark, and remains significantly ahead of benchmark on a year-to-date basis as well as over one and three years.

The largest contributor to performance was the core holdings of sterling money market instruments. These assets benefitted from further cuts in UK base rates.

Duration positions overall added value, enhanced by tactical trading around periods of volatility. Long duration positions in long Japanese bonds detracted from performance as long yields rose to record high levels on fiscal fears.

Curve positions – notably steepeners in the US and Europe – added value as in the US the market priced in further rate cuts and in Europe where longs underperformed due to fears of hedge selling pressures as a consequence of Dutch pension reform.

Relative value positions were the biggest contributor to the alpha pot, where positions in UK 30-year asset swaps and long cash Australian bonds hedged with futures added value.

Our long Spanish bond position relative to Germany and France added value, while long positions in the UK relative to the US detracted from value as the scope for UK base rate cuts diminished.

Performance and activity

Return Contribution

	Quarter	1 year	Target return (of live trades)
Cash	97.12	403.12	-
Duration	7.12	82.62	-
Curve	3.85	25.87	-
Cross Market	7.64	23.63	-
Inflation	1.49	47.70	-
RV	(0.01)	16.43	-
FX Hedges	(0.01)	(0.01)	-
Total	117.22	599.38	-

Top Contributors

	Strategy	Q3 Contribution (bps)
Fixed	Fixed	59.51
Floating	Floating	29.13
Cross Market	EUR	7.81
Duration	UK	6.39
Duration	AUS	5.05

Bottom Contributors

	Strategy	Q3 Contribution (bps)
Cross Market	UK	(4.66)
Curve	UK	(3.98)
Duration	Japan	(2.60)
Duration	US	(0.88)
Duration	EUR	(0.84)

Performance and activity

Portfolio Exposure

Trades	Position size	Net duration exposure	Market beta	Target return (bps)
Inflation				
Short 10 year RPI	0.10	0.00	0.00	1.00
Short US 5 year CPI vs 30 year CPI	0.20	0.00	0.03	1.00
Curve				
UK 10-30 Flatteners	0.30	0.00	0.07	6.00
JAP 10-30 Flatteners	0.20	0.00	0.05	10.00
Cross Market				
Long Spain vs France	0.20	0.00	(0.01)	2.00
Long Portugal vs Germany	0.10	0.00	(0.03)	2.00
Long UK 1y1y vs US	0.20	0.00	0.20	8.00
Long UK 5yr vs US	0.20	0.00	0.20	4.00
Relative Value				
Short 10 year German Asset swap	0.20	0.00	0.00	5.00
Short 30 year Iota	0.20	0.00	0.00	2.00
Long 30 year Gilt ASW	0.50	0.00	0.08	8.00
Long 7 year US ASW	0.20	0.00	0.00	5.00
Duration				
Long 30 Year Australia	0.30	0.30	0.21	5.00
Long 10 Year Australia	0.15	0.20	0.09	2.00

Performance and activity

Portfolio Exposure

Trades	Position size	Net duration exposure	Market beta	Target return (bps)
Duration				
Long 30 Year UK	0.30	0.30	0.37	7.00
Long 30 year Japan	0.15	0.30	0.19	8.00
Long 30 Year Germany	0.10	0.10	0.12	1.00
Long Japanese Real Yield	0.05	0.05	0.03	1.00
Long 7 Year UK	0.10	0.10	0.06	1.00
Short 30 Year US	0.20	(0.20)	(0.05)	2.00
Short 30 year UK RY	0.10	(0.10)	0.02	1.00
Cash				
Cash	0.20	0.25	-	425.00
Overall Net Duration Position	4.25	1.30	1.64	507.00

Performance and activity

Asset allocation – duration

	0 -2 yrs	2 -7 yrs	7 - 12 yrs	12 - 17 yrs	17 -22 yrs	22 -27 yrs	>27 yrs	Total
Australia	(0.00)	0.00	0.10	0.00	0.41	0.00	0.00	0.51
Canada	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.02
European Union	(0.01)	0.00	0.24	0.00	0.00	0.00	0.00	0.23
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	0.00	(0.23)	0.00	0.00	0.00	0.00	(0.22)
Germany	0.00	0.00	(0.25)	0.00	0.10	0.00	0.00	(0.15)
Italy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	0.04	0.00	(0.27)	0.00	0.42	0.00	0.00	0.19
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.00	0.09	0.00	0.00	0.00	0.00	0.09
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.17
Supranational	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.28	0.20	(0.10)	(0.50)	1.48	(0.31)	0.00	1.05
United States	(0.20)	(0.31)	0.00	(0.20)	0.01	0.00	0.00	(0.70)
Total								1.22

Performance and activity

Asset allocation - inflation

	0 -2 yrs	2 -7 yrs	7 - 12 yrs	12 - 17 yrs	17 -22 yrs	22 -27 yrs	>27 yrs	Total
Australia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
European Union	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.04
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Supranational	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	(0.00)	(0.11)	0.00	0.00	0.00	(0.32)	(0.01)	(0.43)
United States	(0.01)	0.00	0.00	0.00	0.01	0.00	0.00	(0.00)
Total								(0.39)

Performance and activity

Stand alone risk contribution

	Quarterly Vol (%)	Annual Vol (%)
Inflation	0.02	0.04
Curve	0.08	0.15
Duration	0.31	0.63
Relative Value	0.04	0.07
Cross Market	0.13	0.26
FX Hedges	0.01	0.15
IOTA	(0.00)	(0.00)
Cash	0.03	0.05
Futures	0.01	0.03
Overall Volatility	0.68	1.37

Risk Model Factor Risk Breakdown

	Standalone Risk Portfolio (bp)	Risk Contribution Portfolio (bp)	% of overall risk
Rates	132.30	128.98	94.39
Inflation	25.67	(0.03)	(0.02)
Spreads	23.23	8.27	6.05
Foreign Exchange	2.89	(0.58)	(0.42)
Time	0.00	-	-
Other	0.00	-	-
Total	184.08	136.64	100.00
Diversification across Risk Factors (%)			(26)

Performance and activity

Fund activity

Markets remained volatile but within fairly defined ranges in the third quarter. Instructed by our fair value models, we maintained targets for expected yields over the period, adding 10-year gilts if yields hit 4.80%, 30-year gilts at 5.5%, 30-year Australia above 5% and Japan above 3.2%. Set against our strategic view that yields in many government market are at attractive levels, we favoured buying the longer ends of markets, a view further supported by the steepness of curves and authorities reacting to changing patterns of demand by reducing long-dated issuance. Tactically, we took the opportunity presented by volatility to adjust duration over the quarter, trading between 0.75 and 1.5 years long. Duration ended the quarter marginally longer at around 1 year long.

On a cross market basis, the principal activity was building a long position at the front end of the UK, receiving both 1y1y and 5-year swaps and paying the equivalent maturities in dollars. With more than five rate cuts priced in the US – against our view of three rate cuts – and very little priced in the UK, when we expect a minimum of two cuts over the next 12 months, we believe the front end of the UK looks around 20 to 25 basis points cheap. We did take profits on a portion of the position in September as US yields rose following the September FOMC meeting. In addition, we also went tactically long 30-year US TIPS vs the UK.

We held long positions within Europe in Spanish government bonds. These have performed well as stronger growth and spending restraint has enabled the market to be a safe haven from the budgetary and political woes in France. With Spanish yields below their equivalent French yields, we trimmed the long Spanish position after this performed well and took part in a seven-year Portuguese syndication.

Inflation activity was light. We tactically traded the UK 5-20 yr RPI curve and entered a long position 30-year US CPI vs short US 5-year.

In curve positioning, we took profits on both US and German curve steepening positions as expectations for lower interest rates contributed to market movement in our favour. We maintained the UK 10-30 flattener throughout the quarter but marginally reduced this after a better performance from longs. Long yields fell as issuance planned by the Debt Management Office was cut. The Japanese curve position was also maintained.

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. The US dollar softened slightly, while equities—especially in the tech sector—remained buoyant, driven by ongoing enthusiasm for artificial intelligence despite growing concerns over near-term revenue potential.

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.

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.

Real yields were volatile earlier in the period but this died down later in the quarter. UK 30-year real yields started the quarter at 2.17%, rising to a peak of 2.55% by early September and then settling down to 2.44%. 10-year equivalents ended the quarter slightly higher, while short-dated yields were lower. In the US, 30-year TIPS yields jumped early on from 2.52% to 2.65%. moved sideways through August and then drifted lower to end almost unchanged at 2.48%.

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 fragile peace in 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. 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.

We believe that real yields look attractive. A world of rising tariffs is helpful for index linked assets as we expect these to be ultimately act as a drag on the pace of global growth, and lead to rate cuts across the globe. In addition, we believe that in general, curves are too steep. Following from this, we have a bias towards long duration positioning, with a modest overweight in long-dated bonds. On a tactical basis, we expect to continue to add duration into any weakness. Given the current steepness of curves this is more likely to be in longer-dated bonds.

Diverging economic news and central bank approaches – with the US still expected to cut rates several times in 2025 and 2026, but little or no change expected in the UK and eurozone, mean that we anticipate further opportunities will arise to add value through cross market positioning.

Short-term inflation in the US looks overvalued after the recent rise on tariff news. Given that longer-term US inflation is undervalued particularly following from recent concerns over the independence of the Fed, we anticipate that these opposing forces will create tactical opportunities in the months ahead. In Germany, we favour a short stance after the announcement of a major increase in fiscal spending. While in the UK investors have been concerned about issuance, after the Debt Management Office announced a significant cut in long supply we are long 30-year gilts both outright and curve. The path of long yields in the UK will depend heavily on the UK budget on November 26.

We now view inflation as more fairly valued in Japan. Any further tightening of monetary policy could impact breakevens. We will use strength to reduce this position further. With the Bank of Japan expected to raise short-term rates further, particularly given the weakness of the yen, we expect the Japanese government bond yield curve, which is the steepest amongst G10 nations, to flatten. However, given the rise in 10-year yields we prefer to hold Japan predominately as a long duration position in 30-year bonds where the hedged yield is close to 7%.

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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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.

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.

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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.

Derivative risk

This 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.

EPM techniques risk

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

Exchange rate risk

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

Interest rate risk

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

Liquidity risk

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

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.

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)	1.17	2.89	6.20	22.65	23.79	7.04	4.36
Fund (net)	1.09	2.74	5.88	21.55	21.68	6.72	4.00

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)	6.20	7.40	7.54	(0.08)	1.01
Fund (net)	5.88	7.07	7.22	(0.48)	0.59

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 Absolute Return Government Bond Fund Z Acc GBP share class.

Glossary

Asset allocation

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

Bonds

Securities that represent an obligation to repay a debt, with interest. Investment grade bonds are high quality bonds that are viewed as being highly likely to make all scheduled payments of interest and principal. Low quality bonds carry higher risk but also typically pay higher rates of interest. Corporate bonds are those issued by companies to raise finance.

Currency hedged share classes

Currency Hedged Share Classes aim to provide investors with a return highly correlated to the return of the base currency share class by minimising the impact of exchange rate fluctuations between the base currency of the Fund and the investor's chosen currency. Derivatives are typically used to hedge the relevant share classes.

Derivatives

A financial instrument whose price is dependent upon or derived from one or more underlying asset.

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Performance

Both the Fund and Index performance are based on close of business prices.

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.