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Royal London Global High Yield 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 Global High Yield 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The investment objective of the Fund is to provide a combination of investment growth and income, the Fund will seek to achieve its objective on an active basis. The Fund seeks to achieve its investment objective by outperforming its benchmark, theBofA Merrill Lynch BB-B Global Non-Financial High Yield Constrained Index (the "Benchmark") by 1% per annum over rolling three year periods. 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	2,960.31

Fund analytics

	Fund
Fund launch date	15 February 2013
Fund base currency	GBP
Benchmark	ICE BofA BB-B Global Non-Financial High Yield Constrained Index (Total Return, GBP)
Duration to worst	3.11 years
FX adjusted yield (%)	7.04

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.51	2.51	(0.01)
YTD	6.77	7.10	(0.33)
1 Year	7.56	7.37	0.19
3 Years (p.a.)	9.98	10.46	(0.48)
5 Years (p.a.)	4.15	3.91	0.25
10 Years (p.a.)	4.80	4.70	0.10
Since inception (p.a.)	4.56	4.23	0.34

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 Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 15 February 2013.

Performance commentary

The high yield market showed signs of strength in the third quarter, with solid absolute returns. Despite grabbing a lot of headlines earlier in the year, we have yet to see the fallout or negative impact on the high yield market of the tariffs announced by US President Donald Trump. We could still see lagged effects but companies have so far been able to pass on any increase in production without demand taking a hit.

In a similar trend as seen earlier in the year, we are seeing a regional deviation in values. European bonds have lagged, while US bonds have performed strongly, rebounding from the tariff-induced weakness. This has benefitted the fund as it remains overweight the US. We are happy to remain overweight the US and have seen spread compression in Europe with political instability in the region, particularly France, weighing on sentiment.

Overall, spreads have continued to grind tighter but have still not compressed to the levels seen early in 2025, so we could still see spread levels come in from here.

Technicals remain in the driver's seat. Supply has been healthy, but it continues to be well absorbed due to robust demand for yield, helped by high maturities and coupon income. Furthermore, credit fundamentals look healthy, at least on average.

Default rates continue to sit at very low levels. The US high yield default rate ended September at 1.2% and was last above 2.0% in April 2024 and has not been above 2.5% since May 2021. At these well contained levels, the volatility in public markets is typically coming from CCC names. The CCC portion of the market is now a relatively small portion of the market, with issuers now typically larger and in better financial standing.

Performance and activity

Top 10 holdings

	Weighting (%)
EMERALD DEBT MERGER SUB LLC 6.625 15 Dec 2030	1.32
DYNAMO NEWCO II GMBH 6.25 15 Oct 2031	1.31
HTA GROUP LTD 7.5 04 Jun 2029	1.08
NEXSTAR MEDIA INC 4.75 01 Nov 2028	1.03
CPUK FINANCE LTD 7.875 28 Aug 2029	1.00
TEAMSYSTEM SPA 5.526 31 Jul 2031	0.92
ZIGGO BOND COMPANY BV 3.375 28 Feb 2030	0.89
SANI/IKOS FINANCIAL HOLDINGS 1 SAR 7.25 31 Jul 2030	0.89
HUSKY INJECTION MOLDING SYSTEMS LT 9 15 Feb 2029	0.88
SABLE INTERNATIONAL FINANCE LTD 7.125 15 Oct 2032	0.85
Total	**10.17**

Fund activity

Year-to-date issuance has been very strong. The high yield market saw the highest level ever of new issuance in September, as companies took advantage of the benign market conditions to issue bonds. There was $58.3bn issued in US high yield and $78bn issued in global high yield. To put those numbers into context, the previous highest September issuance had been $47.9bn and $69.5bn respectively. Year to date, global high yield has seen $444.1bn issued, up 15% versus this time last year and only $47bn behind the entire total issued in 2024.

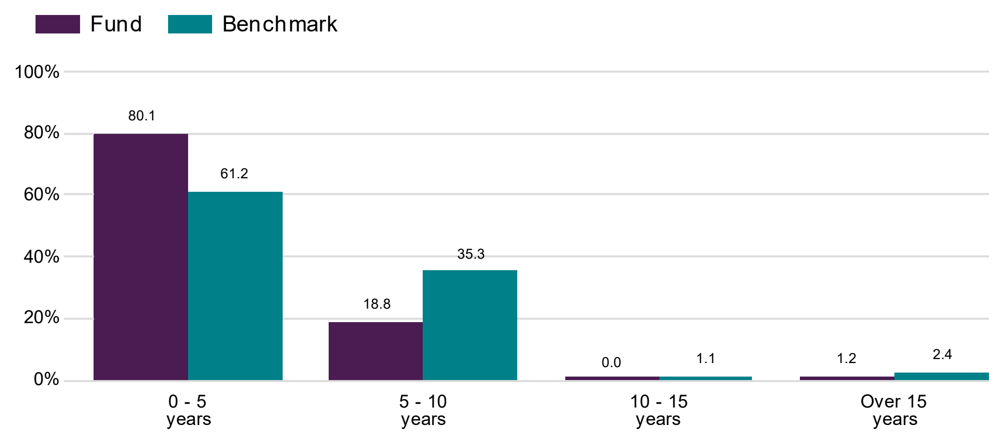
During the quarter, the fund increased its exposure to US bonds, adding to performance, as we looked to increase our exposure to the US yield curve. Typically, the US holdings we added were long-dated maturities, increasing the duration of the fund.

The fund remains overweight B versus BB. Given the low default environment, we continue to see value in being overweight B rated bonds versus the BB rated portion of the market. This position contributed to performance in the period.

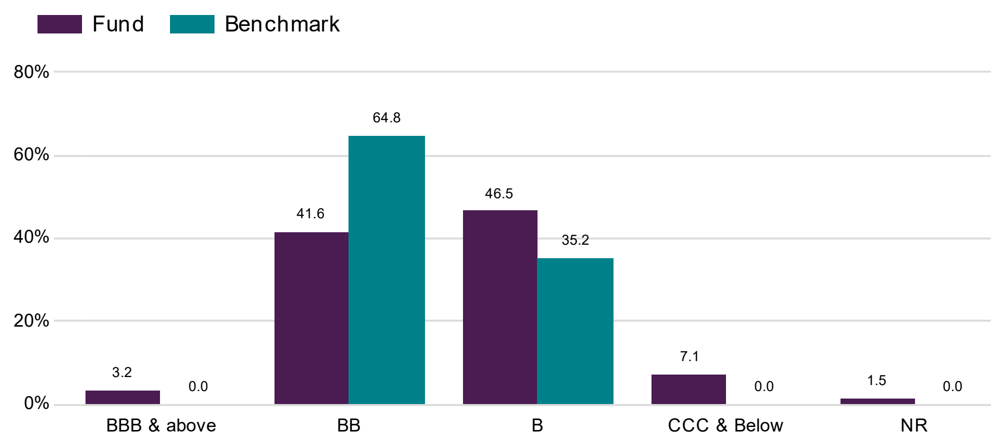
A trend that has continued on from the fourth quarter of last year is duration at low levels in the benchmark, which has been steadily lowering throughout the past year, as it has been fiscally prudent for high yield issuers to keep their bonds outstanding for longer given the low coupons on their post-Covid issuances, and since the new supply used to refinance existing debt is not being issued very far along the curve.

Fund breakdown

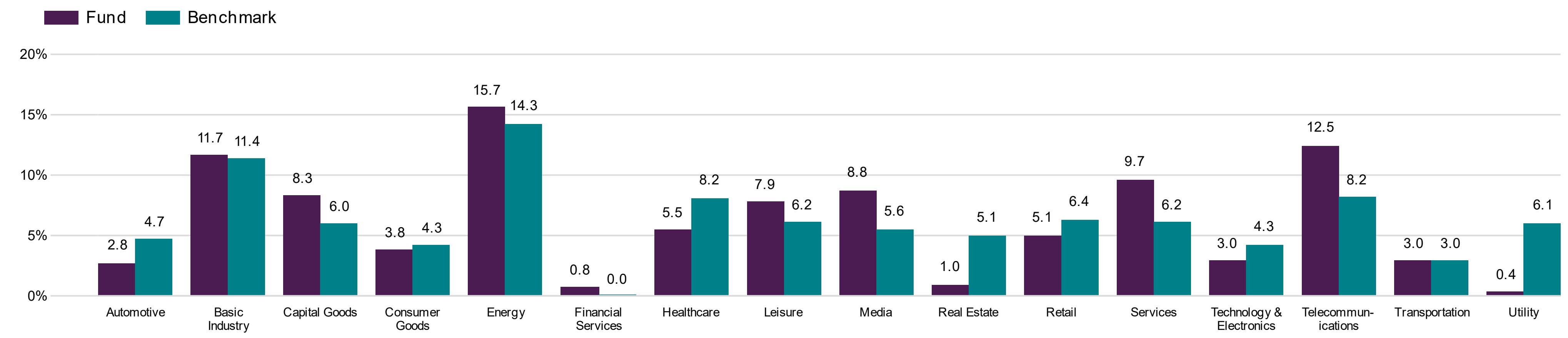
Maturity profile



Credit ratings



Sector breakdown



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.

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.

In the high yield market, the ICE BofAML (BB-B) Global Non-Financial High Yield Index (sterling hedged) benchmark returned 2.51% in the quarter with spreads ending the three-month period at 252 bps, tightening from 276bps at the start of the quarter. At the end of the period, the index’s yield-to-worst stood at 6.4%, drifting lower since the start of the year. In the broader-based high yield index, which includes CCC rated bonds, spreads tightened] to 303bps from 330bps.

Economic overview

Business surveys look consistent with most major global economies seeing growth in the third quarter, showing a degree of resilience in the face of global trade tensions and higher US tariff rates. August saw President Trump implement an updated set of country tariffs after the previous reciprocal tariff pauses expired. Tariffs ended the quarter at their highest levels since the 1930s (bar those seen briefly in April when trade tensions escalated with China). US labour market data became a focus of attention over the quarter with low payroll readings and large downward back revisions that suggested the jobs market was in worse shape than previously thought. Despite inflation remaining above target, the Federal Reserve resumed rate cuts and the Bank of England cut rates further.

Over the quarter, in the US, the picture painted by the labour market data, specifically non-farm payrolls, deteriorated significantly. That reflected both lower monthly payroll prints as well as substantial downward back revisions. The last release during the quarter showed only a 22K gain in payrolls in August and after 79K in July, significantly weaker than expected (consensus: 75K). Inflation, however, remained above target. The August headline PCE deflator came in at 2.7% year-on-year and CPI rose 0.4% month-on-month, slightly higher than consensus and with year-on-year inflation rising to 2.9% after 2.7%. Searching for evidence of tariff effects, evidence remained somewhat patchy. However, with import data suggesting that during the quarter firms tried to get ahead of August tariff increases (import growth jumped in July then fell off in August), these impacts may continue to take time to be fully felt.

As expected, having been on hold throughout this year, the US Federal Reserve cut rates at its September meeting. The driver of the decision to cut rates 25bps to a 4-4.25% range was a weaker labour market assessment. From describing the labour market as “solid” in its July statement, at its September meeting the Fed noted “that downside risks to employment have risen.” Meanwhile, during his press conference, Chair Powell said that, since April, the risks of higher more persistent inflation have become a little less. The median FOMC participant forecast pencilled in two more rate cuts this year and one more in each of 2027 and 2028, only slightly more ‘bearish’ than the previous forecast from June. However, the participant forecasts also painted a picture of a relatively divided Committee with a wide range of interest rate profiles

Market commentary

pencilled in for the near-term. Worries about Federal Reserve independence rose over the quarter after President Trump tried to fire Board member Lisa Cook.

The European Central Bank kept rates steady at both of its meetings in the third quarter, with the July meeting the first meeting of the year where it did not cut rates. The ECB continued to take a “data-dependent”, “meeting-by-meeting” approach and continued to send a message that they are not pre-committed to a particular path. At the September meeting, President Christine Lagarde noted that the Bank is “in a good place.” Lagarde gave little away directionally, but that makes sense given inflation is roughly at target, their inflation forecasts aren’t far from target, where Lagarde also described the domestic economy too as “showing resilience” and the ECB see the risks to growth as having become more balanced. On the latter, earlier in the quarter, the EU and US were able to agree a trade deal, putting to rest some of the uncertainty around future tariff rates. The agreement set a 15% tariff on EU exports to the US, which would apply to various sectors, including autos, pharmaceuticals and semiconductors. The agreed rate was much smaller than the previously threated 30% tariff. The composite PMI business survey measure rose gently over the quarter, signalling modest positive private sector output growth. The unemployment rate remained at low levels in data releases over the quarter. Headline inflation in the euro area held firm at 2% in June and July, rising to 2.1% in August and 2.2% in September. Core inflation was stable at 2.3% year-on-year.

Outlook

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. Strong returns have been driven by the absence of shocks in the market, with any clouds on the horizon to come from external factors.

A factor we are keeping an eye on is the politicisation of monetary policy in the US, and how any resulting knock on the influence or institutional reputation of the Federal Reserve could impact issuance. Trump continues to try an exert political influence and looks set to push for Powell’s replacement to be supportive of White House views. A diminished Fed or weakened Governor could see a dramatic shift in future interest rate expectations. The resultant volatility from such a shift could lead to increased volatility in high yield markets.

An evolving story is the potentially inflated valuations, particularly when it came to artificial intelligence (AI). We have seen equity valuations skyrocket this year, particularly for technology companies focused on AI. This, when combined with increasing concentration within market indices, leaves equity markets particularly exposed should expectations around the impact of AI become less optimistic. With heightened focus on quarterly earnings of these companies, sentiment could change quickly. AI's progress could be stunted by a number of factors such as power, data or commodity supply chains, which would also lead to valuation downgrades for firms that anticipate high levels of infrastructure. Risks remain elevated due to geopolitical tensions, fragmentation of trade and elevated pressures on sovereign debt markets.

While global geopolitical and macroeconomic uncertainties are affecting global government bond markets in different ways, and despite where credit markets have reached in spreads, global high yield markets still offer attractive sources of value for those prepared to look carefully.

Further Information

Please click on the links below for further information:

- Stewardship and Responsible Investment at RLAM
- Royal London Sterling Credit ESG analysis
- TCFD climate report

Find out more

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

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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.

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.

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.

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.

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.

Performance to 30 September 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	2.51	5.49	7.56	33.06	22.59
Fund (net)	2.37	5.20	6.97	30.81	19.13

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
9.98	4.15
9.36	3.56

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)	7.56	13.49	9.00	(17.55)	11.74
Fund (net)	6.97	12.84	8.37	(18.03)	11.10

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 Global High Yield Bond Fund Z Inc 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.

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

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.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

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.

FX adjusted yield

FX adjusted yield is the gross rate of return to the expected maturity adjusted for hedging and excludes the impact of cash.

Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.
This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Maturity Profile

Maturity classifications reflect issue maturity date, not market interpretation of redemptions

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.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.