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Royal London International 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 International 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 Fund's investment objective is to achieve a total return over the medium term (3-5 years) by investing at least 80% in government bonds globally. The Fund's performance target is to outperform, after the deduction of charges, the JP Morgan Global Bond Index ex UK (Traded) Total Return (GBP hedged) Index (the "Index") over rolling 5-year periods. The Index is regarded as a good measure of the performance of government bonds across the developed markets. The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index. In addition to the benchmark for the Fund's performance as noted above (the "Index"), the IA Global Government Bond sector is considered an appropriate benchmark for performance comparison.

Fund value

	Total £m
30 September 2025	1,067.90

Asset allocation

	Fund (%)	Benchmark (%)
Conventional foreign sovereigns	95.87	100.00
Index linked foreign sovereigns	2.46	-
Conventional gilts	1.67	-

Fund analytics

	Fund	Benchmark
Fund launch date	4 November 2011	
Fund base currency	GBP	
Benchmark	J.P. Morgan Global Bond Index ex UK Total Return (GBP hedged) Index	
Duration (years)	6.72	6.41
Gross redemption yield (%)	3.07	3.26
Number of holdings	123	1,044

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.85	0.79	0.06
YTD	3.57	3.18	0.39
1 Year	1.99	1.47	0.52
3 Years (p.a.)	3.64	3.07	0.57
5 Years (p.a.)	(0.15)	(1.13)	0.98
10 Years (p.a.)	1.63	1.04	0.59
Since inception (p.a.)	2.12	1.88	0.25

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 M Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 4 November 2011.

Performance commentary

Outside of the US, the general direction of yield moves over the quarter was higher. In the case of Europe, this was accompanied by a degree of curve steepening, particularly in Germany and the Netherlands, where concerns over the size, timing and pace of Dutch pension reforms (which are moving from a defined benefit basis to a defined contribution basis over the course of 2026), saw the market look to reduce exposure to longer dated bonds, which could be impacted by the unwinding of long term liability hedges.

Peripheral spreads continued to tighten, on the back of outperformance by the Southern European economies, accompanied by favourable outlooks from the sovereign debt rating agencies.

The underperformer in the region over the quarter was France, where political upheaval once again caused spreads of French bonds over other European government bonds to widen as investors became concerned over the ability of France to embark on a path of fiscal consolidation, raising questions over future debt sustainability and further rating downgrades.

Japanese yields were higher across the curve, with shorter dated maturities rising in anticipation of monetary policy tightening and the long end suffering as a result of reduced natural demand for long-dated debt from the Japanese life insurance companies, accompanied by fears over the potential for fiscal expansion from a new Prime Minister.

US treasury yields actually finished the quarter marginally lower than where they started, as markets priced a more accommodative Federal Reserve, driven by a dovish pivot from Chair Jerome Powell at his Jackson Hole speech and continued pressure from Donald Trump regarding where he thinks interest rates should be.

The fund's inflation exposure was flat for performance over the quarter, as we felt that many markets were, at best, fairly priced. The only positions being run in the fund were an exposure to 30-year US real yields, and a small residual exposure to very short-dated Japanese index linked bonds. US 30-year TIPS were range bound over the quarter, starting at a real yield of around 2.55% and ending at around 2.5%.

Our cross market exposure was a detractor from performance. The major shift in cross market exposure over the quarter was a move from an overweight in the US to an underweight, accomplished through switching into Australia and core Europe (Germany). The US outperformed all other major markets as an aggressive rate cutting cycle was priced, even though the majority of Fed officials pointed towards a shallower path of easing.

Performance and activity

Performance commentary (continued)

The expiration of Chair Powell's tenure in May 2026 and the subsequent appointment of a new chair by Trump is likely to result in a more accommodative stance, and the market has already begun to reflect this in its pricing of future US interest rates. We feel this is overdone somewhat, and is at odds with the incoming economic data – the softening of which does not justify the degree of easing priced.

Australia, on the other hand, still has a reasonably robust economy and is an attractive proposition with yields now higher than the US, particularly at the long end of the curve. This exposure will have marginally underperformed over the last two months of the quarter as the US continued to outperform, though we retain conviction in the positioning.

The steepening of yield curves was one of the most talked about topics in sovereign bond markets over the quarter. Concerns over sticky inflation, longer term debt sustainability, a structural repositioning leading to a reduction in natural buyers of longer dated debt in some markets (core Europe and Japan) and, in the case of the US, fears over future central bank independence saw longer dated yields rise. Some of this was addressed through debt management offices pledging to reduce supply into this area, but nonetheless the majority of markets saw curves end the quarter steeper than where they began.

Given fund's the exposures to US steepening and Japanese flattening, the net contribution to performance from curve positioning over the quarter was broadly neutral.

Due to the strength of US duration over the period, duration had a neutral impact on fund performance.

Performance and activity

Fund activity

The fund started the period around 0.4 years long and maintained a long exposure over the course of the quarter. Initially around 0.1 years of this was in the US, though this was reduced over the quarter as we sold into the US outperformance, as we felt that the market had got ahead of itself with its interpretation of the Fed reaction function, given the strength of some of the incoming data, particularly inflation. The fund ended the quarter 0.1 years short the US, and 0.3 years long overall, with the long in the US being (partially) replaced by a longer exposure to Australia and core European markets.

The fund is still running cross market positions within Europe, preferring to hold peripheral debt (mainly Spain) over semi-core debt. This will have been a positive contributor to fund performance, as Spain continues to outperform as investor concerns persist over the outlook for France and its fiscal picture, particularly in the light of the recent political developments.

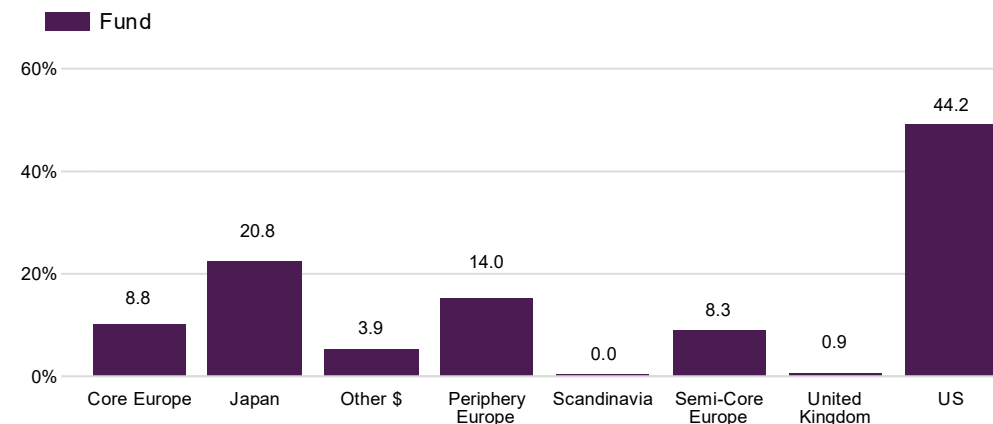
Within the peripheral complex, we participated in a new issue syndication by Portugal, switching out of a portion of our Spain holding, to take advantage of the new issue premium offered by the Portuguese bond. Given the size of the trade, this will only have been a small positive contributor to performance. During a sell-off in European government bond markets in August, we switched some Japanese (as well as US) exposure into longer dated German bunds, which will have marginally cost performance.

The fund was positioned for steeper curves in the US, albeit in reduced size than had previously been the case and benefitted from the steepening seen in the early part of the quarter. In Japan, we were positioned for flatter yield curves, adding to long end exposure as 30-year Japanese yields reached historically high levels, as their natural buyers (life insurance companies) reduced their buying activities.

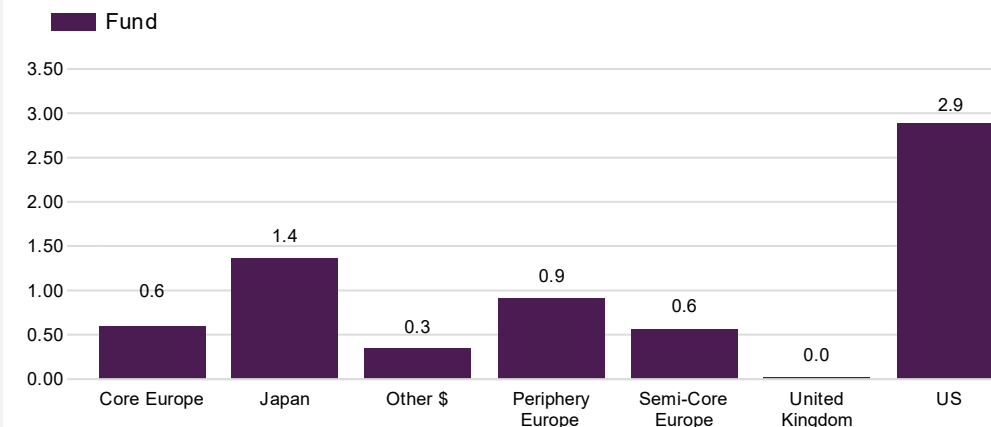
Concerns over the fiscal plans of a potential new prime minister saw further steepening, but during September the curve flattened significantly following hawkish signals from the Bank of Japan, and ended the quarter only marginally steeper.

Fund breakdown

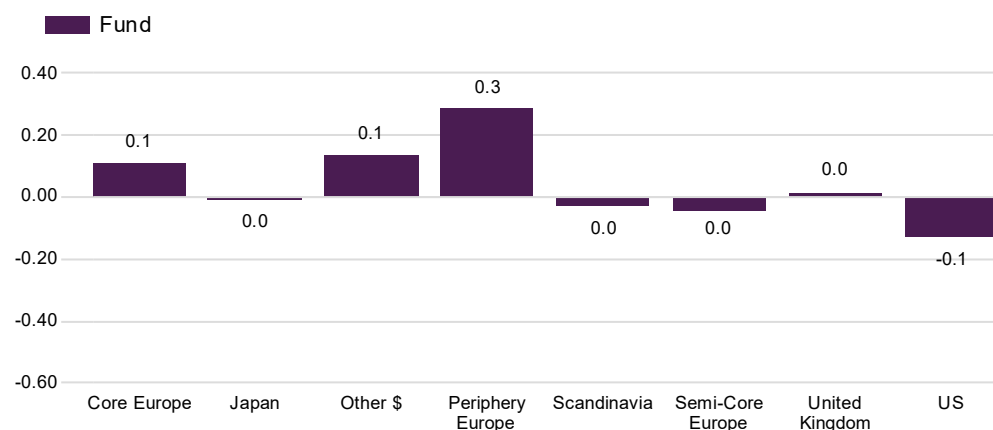
Geographic split by % weight



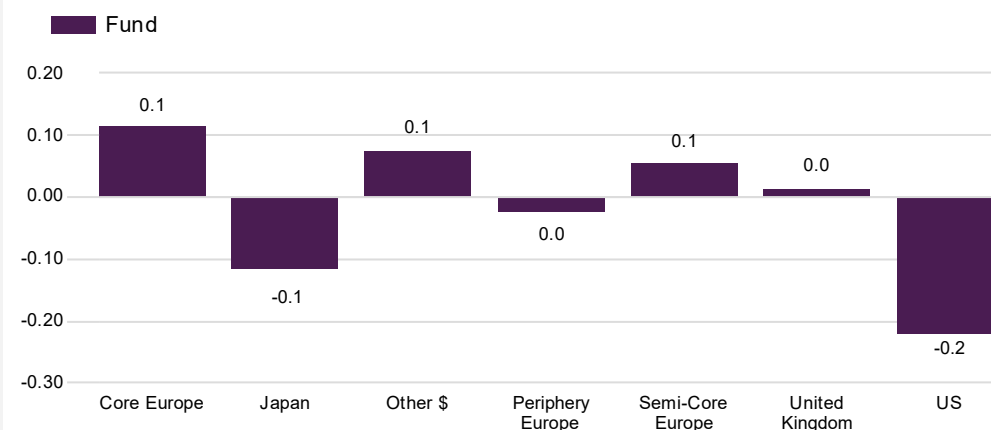
Geographic split by duration



Duration position relative to benchmark

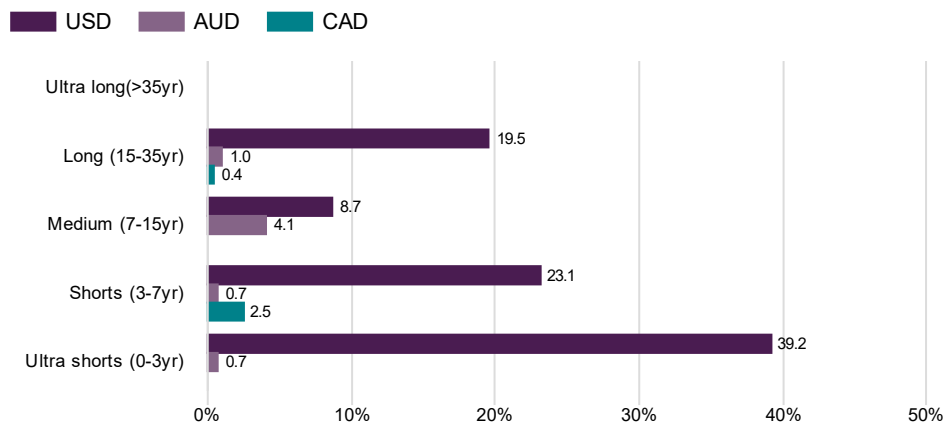


Relative duration quarter on quarter

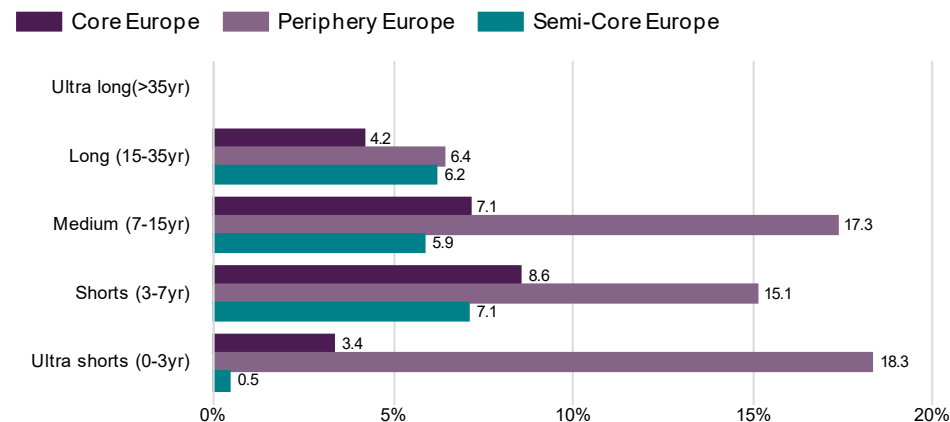


Fund breakdown

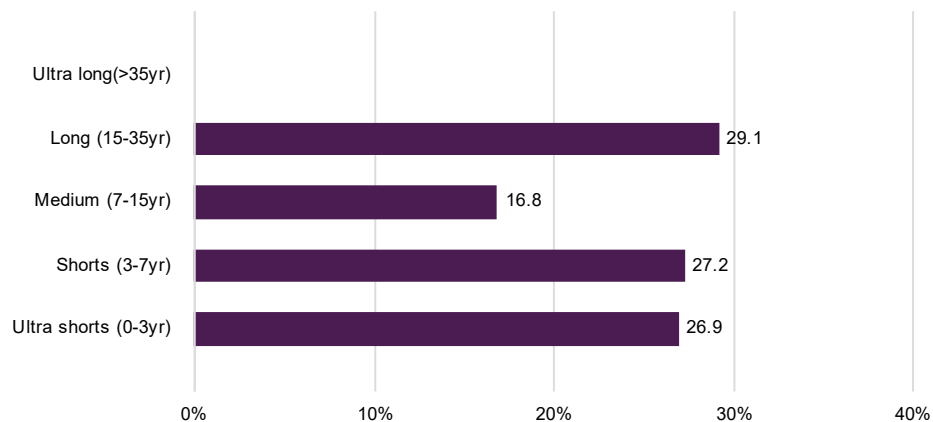
Dollar bloc



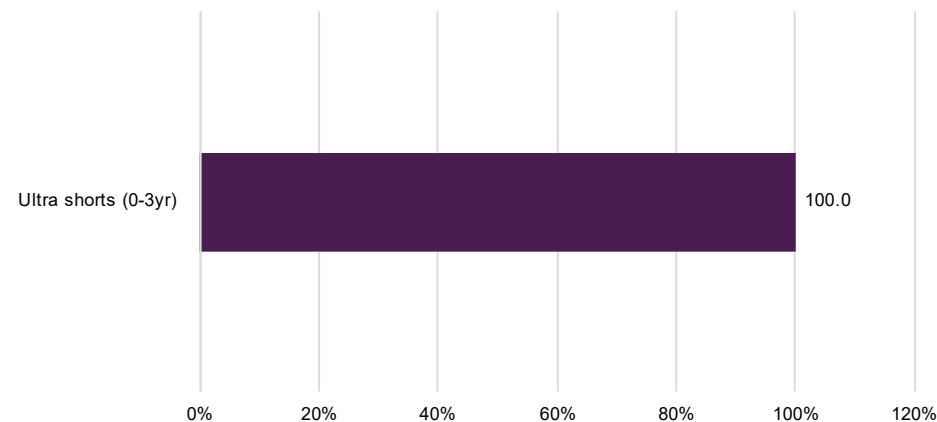
Euro bloc



Japan

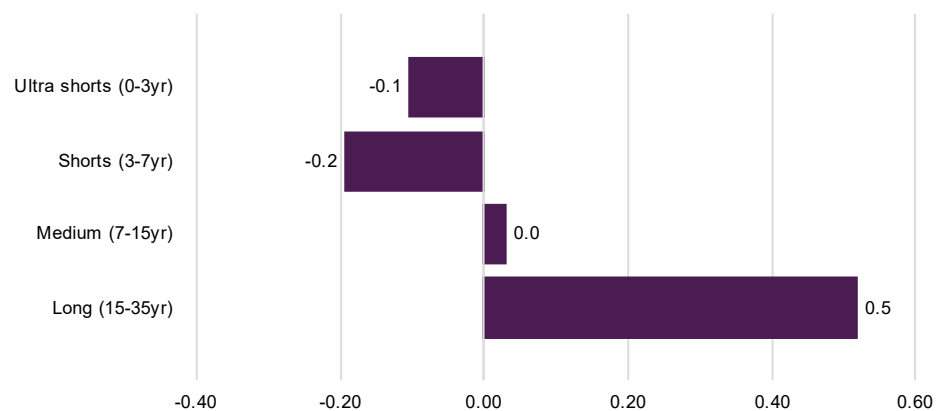


UK



Fund breakdown

Maturity profile relative to benchmark



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.

Global government bond markets were subdued to start the quarter, as is typical for the time of year. At the start of the quarter, the EU was able to come to an agreement with the US on tariff negotiations, at a level of 15% in imports from the EU into the US, removing a key source of uncertainty in markets, though not all member states were happy with the agreement. Economic data, in most jurisdictions, remained reasonably robust during July which, combined with tentative agreements on new trade tariffs saw government bond market drift higher in yield, as the case for further central bank easing of monetary policy recede a little. Japanese Government Bond markets remained weak during the course of July, particularly at the longer end, as fears over the potential for a fiscally expansive new government raised the spectre of debt sustainability.

Things then picked up in August, typically another slow month with low risk appetite, as jobs data in the US came in lower than expected by the market, but the real shock was to a sharp revision on the number for the prior month. The double whammy caused the market to re-assess its view on the likely path of future Federal Reserve policy - seeing shorter dated US Treasuries rally significantly.

Over the rest of August, the general pattern, outside of the US, was for yields to drift higher and yield curves to steepen further, as market focus turned to longer term debt servicing costs and debt sustainability. Outside of the US, the big news in Europe was French Prime Minister Francois Bayrou's decision to call a vote of confidence over his proposals for the 2026 Budget, which includes a number of tax hikes and spending cuts, aiming to reduce France's budget deficit and set it on a path to fiscal consolidation.

In the final month of the quarter, central bank monetary policy decisions were a key focus for global markets, with the majority of the major central banks meeting to decide their next steps in this cycle. The European Central Bank (ECB) was the first to meet and elected to keep rates on hold; then for the Fed the picture was less clear; whilst the labour was beginning to show signs of weakness, inflation is proving to be somewhat sticky and potentially faces headwinds from

the new global tariff regime; and finally, the Bank of England was focused on its Quantitative Tightening program.

Another focus for the market during September was politics. As anticipated, France's Prime Minister Francoise Bayrou lost a confidence vote, which was essentially a vote on his proposed budget which aimed to reduce France's fiscal deficit. The other region facing potential political upheaval was Japan, in their appointment of a new Prime Minister. The two leading candidates were Agriculture Minister Shinjiro Koizumi, (perceived by the market as hawkish and likely to support a tightening of monetary policy) and Sanae Takaichi, a hardline conservative.

A further talking point for the market was the impact of forthcoming Dutch Pension reform. With schemes moving from a Defined Benefit (DB) basis to a Defined Contribution (DC) set up, there will be less need for hedging of long dated liabilities. In terms of general market moves over the course of September, in absolute terms the point-to-point changes in yields were actually small compared to recent months, with yields generally only a few basis points lower across the majority of markets, and curves, generally, marginally flatter.

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.

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.

Market commentary

The Bank of England cut rates by 25bps in August, but with four of the nine MPC members voting for an 'on hold' decision. That was followed by an expected September 'on hold' decision and, over the quarter, markets greatly reduced the implied probability of a November rate cut. At their annual quantitative tightening decision, they reduced the stock of government bonds held by £70bn over the next 12 months, so slowing the pace of balance sheet reduction (and skewed those sales away from longs). On rates, the BoE retained its rate cutting bias: "A gradual and careful approach to the further withdrawal of monetary policy restraint remained appropriate."

Inflation, however, remained well above the BoE's target. August inflation data was broadly in line, with CPI steady at 3.8% year-on-year and core falling to 3.6% from 3.8%. Services inflation was a touch lower than expected at 4.7% year-on-year after 5.0%.

Inflation was widely expected to increase further in the near-term. Focus on UK public finances increased over the quarter. The government's decision to water down flagship welfare reforms, in order to avoid a parliamentary defeat, intensified concerns around the UK's fiscal trajectory with those welfare reforms originally expected to cut several billion pounds of government spending. There were also press reports that the OBR intended to revise down its productivity growth forecasts with potentially sizeable implications for the fiscal projections. Expectations firmed that more (and relatively sizeable) tax hikes were likely at the Autumn Budget

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 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 threatened 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

In aggregate, fund performance was broadly flat over a period which saw global politics continue to exert influences on government bond markets. Central banks are now at different stages in their monetary policy cycles; the ECB appears to be in a good place, comfortable with the degree of monetary accommodation in place, with inflation forecast to remain around its 2% target, though ECB President Christine Lagarde has guided the market to expect some tolerance around short term deviations from this number.

In Japan, whilst the next move in policy from the BoJ is likely to be a hike, with inflation above target and labour markets remaining reasonably tight, but the timing of this move has been

Market commentary

brought into question by political developments as the government has more influence on central bank policy setting than is the case elsewhere.

In the US, where the central bank should be independent, we are seeing increased political pressure exerted from President Trump to ease policy faster. Whilst the incumbent Chair Powell is likely to continue to resist this, actions such as the suspension of Fed Governor Lisa Cook and the appointment of a very dovish Stephen Miran (who has already voted for a larger rate cut) has seen the market shift to pricing more cuts than the classic measure (Fed dot plots) would indicate.

In Europe, market focus remains on politics (in the case of France) and 2026 budget proposals, as well as speculation on the impact of Dutch pension reforms. This all adds up to continued uncertainty and has resulted in an environment of sustained volatility. We are still of the view that being long of duration is the correct call but are happy to keep trading tactically to take advantage of these volatile market conditions.

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.

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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.

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.

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.

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.

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)	0.85	2.10	1.99	11.34	(0.77)	3.64	(0.15)
Fund (net)	0.77	1.95	1.69	10.34	(2.24)	3.33	(0.45)

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)	1.99	9.52	(0.33)	(9.42)	(1.61)
Fund (net)	1.69	9.20	(0.62)	(9.69)	(1.90)

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 International Government Bond Fund M 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.

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.

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.

Gross redemption yield

Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, gross of relevant fund management costs and gross of tax.

Number of holdings

Total number of unique holdings of 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.

Rolling 5-Year Period

A rolling 5-year period is any period of five years, no matter which day you start on.

Total return

A total return is a combination of capital growth and income. Capital growth is defined as the rise in an investment's value over time and income as the payment an investment generates, such as dividends or bond coupons.