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Royal London Multi-Asset Credit 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 Multi-Asset Credit 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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ROYAL LONDON ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The investment objective of the Fund is to generate a total return from a globally diversified portfolio of credit instruments. The Fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees).

Fund value

	Total £m
30 September 2025	752.52

Asset allocation

	Fund (%)
ABS	9.44
Conventional HY	12.80
IG	5.32
Loans	23.99
RoW	4.82
Secured	29.06
Short Dated HY	14.57

Fund analytics

	Fund
Fund launch date	3 July 2017
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration to worst	1.79 years
FX adjusted yield (%)	7.03

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.16	1.01	1.15
YTD	5.99	3.21	2.78
1 Year	7.75	4.43	3.32
3 Years (p.a.)	9.33	4.52	4.81
5 Years (p.a.)	5.07	2.85	2.22
Since inception (p.a.)	4.21	2.02	2.19

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 9 October 2017.

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 manage the cost side of the equation without materially impacting demand.

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 through some of its exposure being in the US - particularly through US high yield bonds. The fund remains well balanced across the US, Europe and the UK to reduce the impacts from any one particular region.

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 if the strong technical backdrop persists.

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. With the exception of a few cyclical sectors, credit fundamentals have been largely stable.

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 mostly 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.

The fund’s strong performance in the quarter was driven by its high yield bonds, particularly those higher up the ratings scale. The shorter duration nature of the fund was also supportive in this environment. This was bolstered by spread tightening in its CLO holdings and attractive loan income carry.

Performance and activity

Fund activity

The loan market was strong in the third quarter and given the current strong technicals driven by flows and CLO issuance. This strength has led to loans actively repricing or reducing their overall cost of debt – resulting in the spread earned by investors declining across all ratings categories.

Despite loans offering attractive carry income, we are more cautious given how strong the market has been over the last several months. We find defensive sectors, high-rated and recently refinanced deals the most attractive as those companies will be better positioned in the case of a slow down.

The fund's activity was quiet in the quarter, with no significant changes to the portfolio as the fund was well positioned but we did participate selectively in new issues both in high yield and loans.

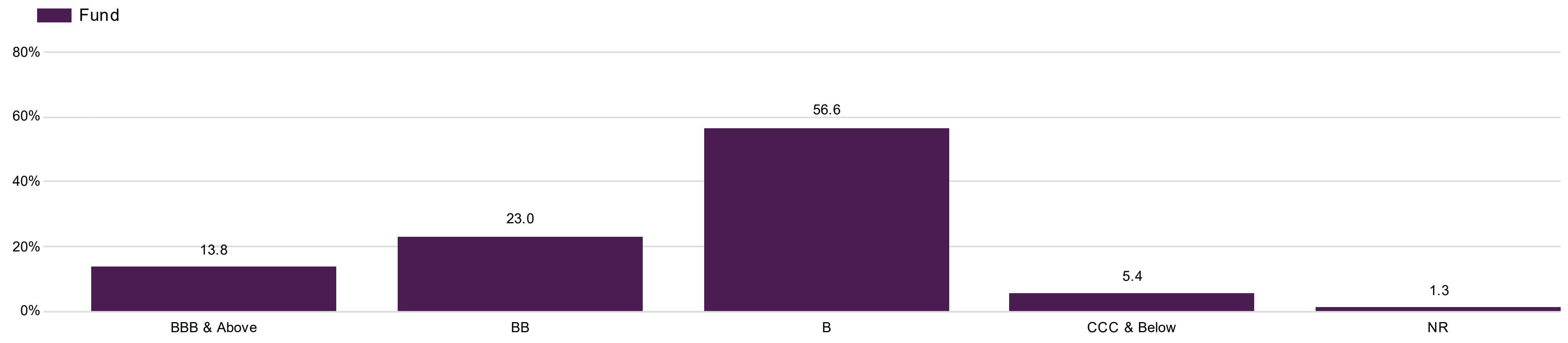
We will continue to monitor risk – which we believe is idiosyncratic and not emblematic of the high yield or loan market. However, this has picked up recently, with cyclical sectors or those exposed to government spending in particular, being more sensitive.

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.

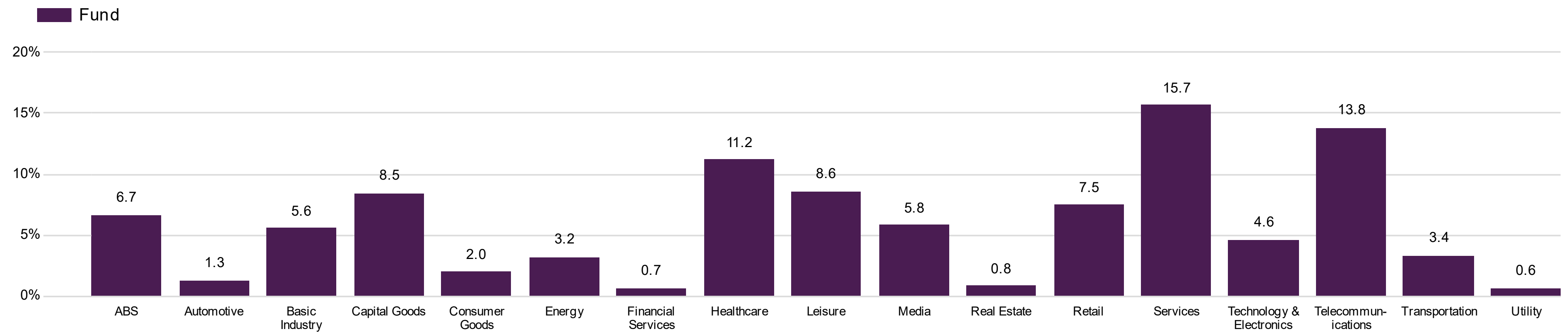
A trend that has continued on from the fourth quarter of last year is duration at low levels in the high yield market, which has been steadily lowering throughout the past year, as it has been fiscally prudent for high yield issuers to keep their bonds outstanding for longer given the low coupons on 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

Credit ratings

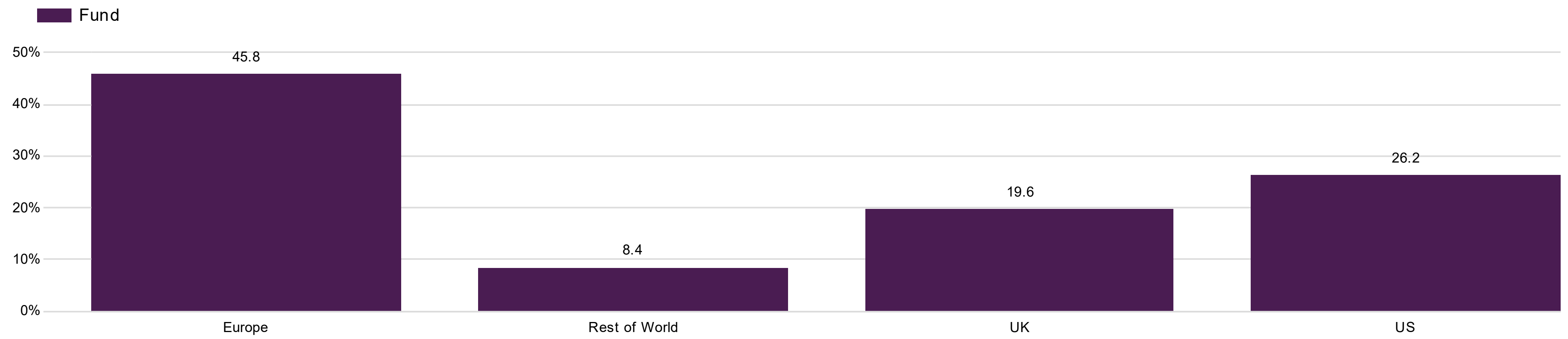


Sector breakdown



Fund breakdown

Regional weights



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.

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 Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations, and has been established as an umbrella fund with segregated liability between Funds.

It is not 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.

For more information on the Fund or the risks of investing, please refer to the Prospectus available via the relevant Fund Information page on www.rlam.com.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Credit risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative risk

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.

Risks and Warnings

Leverage risk

The Fund employs leverage with the aim of increasing the Fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the Fund's losses can be magnified significantly.

Performance to 30 September 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	2.16	4.68	7.75	30.72	28.04
Fund (net)	2.14	4.64	7.67	30.45	27.60

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
9.33	5.07
9.26	4.99

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)	7.75	11.41	8.89	(10.88)	9.92
Fund (net)	7.67	11.33	8.82	(10.95)	9.84

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 Multi-Asset Credit Fund Z Inc GBP share class.

Glossary

ABS

Asset Allocation - Asset Backed Securities (ABS) include Asset Backed Bonds and Collateralised Loan Obligation (CLOs).

Asset allocation

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

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.

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.

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.

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.

RoW

Regional Breakdown - Rest of World (RoW) includes all non-North America, non-Europe and non-UK holdings, which includes emerging market debt as shown in asset class positioning.