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Royal London Short Duration Global Index Linked Fund

Quarterly Investment Report

30 September 2025

Quarterly Report

The fund as at 30 September 2025

The purpose of this report is to provide an update on the Royal London Short Duration Global Index Linked 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 Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years) by investing at least 80% in short-duration (1-10 years) index-linked bonds. The Fund's performance target is to outperform, after the deduction of charges, a composite benchmark of the 30% Bloomberg UK Government Inflation Linked Bond 1-10 year Total Return GBP Index, 70% Bloomberg World Government Inflation Linked Bond (ex UK) 1-10 year Total Return GBP Index (the "Index") over rolling 5-year periods. The Index is a good measure of the performance of index-linked UK government bonds and government bonds globally. The Index is considered an appropriate benchmark for the Fund's performance, as many of the Fund's potential investments will be included in either the Bloomberg UK Government Inflation Linked Bond 1- 10 year Total Return GBP Index or the Bloomberg World Government Inflation Linked Bond (ex UK) 1- 10 year Total Return GBP Index. Both the Index and the IA Global Inflation Linked Bond sector are considered appropriate benchmark for performance comparison.

Fund value

	Total £m
30 September 2025	490.02

Asset allocation

	Fund (%)	Benchmark (%)
Index linked foreign sovereigns	67.66	70.00
Index linked gilts	30.51	30.00
Conventional gilts	1.82	-

Fund analytics

	Fund	Benchmark
Fund launch date	23 February 2016	
Fund base currency	GBP	
Benchmark	Composite benchmark, please see prospectus for details	
Duration (years)	5.24	4.88
Real yield (%)	1.17	1.18
Gross redemption yield (%)	3.62	3.60
Number of holdings	52	94

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.10	1.16	(0.06)
YTD	5.02	4.95	0.07
1 Year	3.72	3.89	(0.17)
3 Years (p.a.)	4.62	4.69	(0.08)
5 Years (p.a.)	2.41	2.44	(0.03)
Since inception (p.a.)	2.53	2.54	(0.01)

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; Net performance; Since inception date of the share class is 23 February 2016.

Performance commentary

Against a backdrop of elevated volatility, global index linked markets delivered a modest positive return for the quarter. However, UK index linked returns were negative, as the long-dated bonds saw yields continue to rise.

The fund produced a positive absolute return for the quarter, ahead of the benchmark on an underlying basis, although timing differences between fund and index pricing meant that official returns were in line with benchmark over the quarter. The fund benefited from tactical duration positioning and curve positions and relative value trades, which offset the negative impact of our strategic duration stance.

Performance and activity

Fund activity

We have held a strategic long duration position for some time. This position is based on our belief that UK inflation has been stickier than expected and is likely to remain so, with the BoE therefore unlikely to cut rates dramatically. This was positive over the quarter, as the backdrop of falling central banks rates and stickier than expected inflation pushed short-dated index linked yields lower.

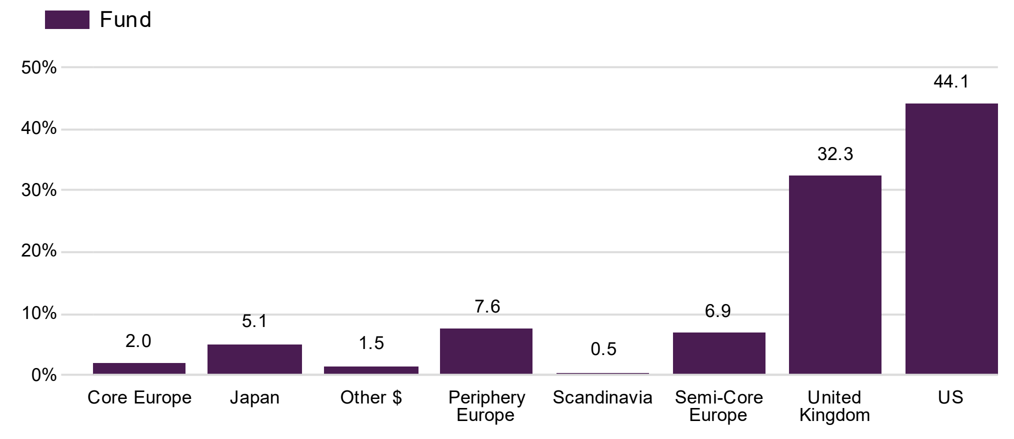
Curve positioning was positive for performance. In overall terms, we had a curve flattening bias, on the basis that we felt the short end had performed strongly compared to longer dated, and that short yields had little scope to fall further given the reluctance of the BoE to cut rates much further. We were happy to sell bonds in the 5-year space, adding to 10-year exposure.

The steepness of the UK curve is now an issue we have looked at carefully. With limited scope for further falls at the short end, we see long-end dynamics as the swing factor in short-term moves. We believe that three factors need to change to allow long-dated yields to fall and the overall curve to flatten. Two of these are already in place: first, the DMO has shifted issuance to short-dated tenors, with nothing beyond 2035 being issued in the fourth quarter; second, the BoE has slowed the pace of its quantitative tightening programme, and reduced the amount of long-dated bonds it was looking to sell back into the market. Ideally, we would have seen a greater reduction, but the move showed the BoE is cognisant of market dynamics and wants to support gilt prices while achieving its monetary policy goals. The third, as yet incomplete factor, is faith in UK government finances. The Autumn budget on 26 November will be closely watched for signs that the government has a plan to address debt sustainability.

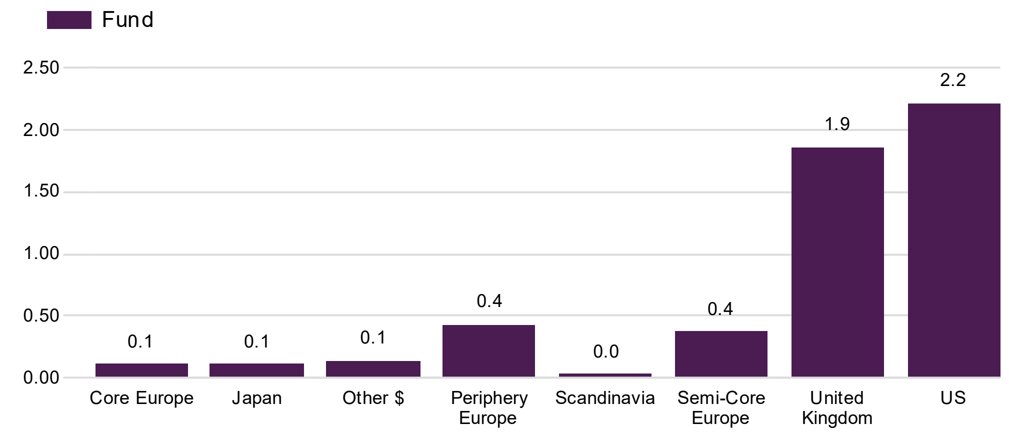
There were no major impacts from cross-market positioning over the quarter. In contrast to most of this year, there were fewer obvious opportunities to add value through this area. One position of note was a modest long in long-dated Japan, where the currency hedged total yield was very attractive. We started a small position, but following the Japanese election result, with the new Prime Minister expected to be more fiscally loose, long-dated yields actually increased further, and we added to the position. We also made a small switch from UK into France after the fall of the French Prime Minister saw relative yields move to attractive levels, closing the position late in the quarter at a modest profit. We added to Australia late in the period. With recent Australian data looking relatively healthy, and a central bank that is on a slower rate cutting path, we felt that real yields looked attractive relative to UK equivalents. The fund held an overweight in the US coming into the quarter. We trimmed this position through the period as US TIPS outperformed US equivalents, moving to neutral and then underweight. We added to US exposure again late in the period as uncertainty over Fed independence led to underperformance from US TIPs in late September.

Fund breakdown

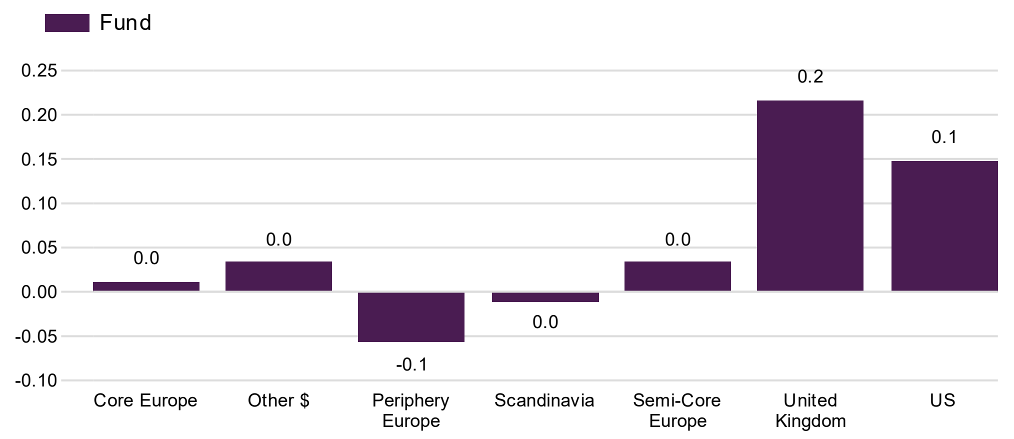
Geographic split by % weight



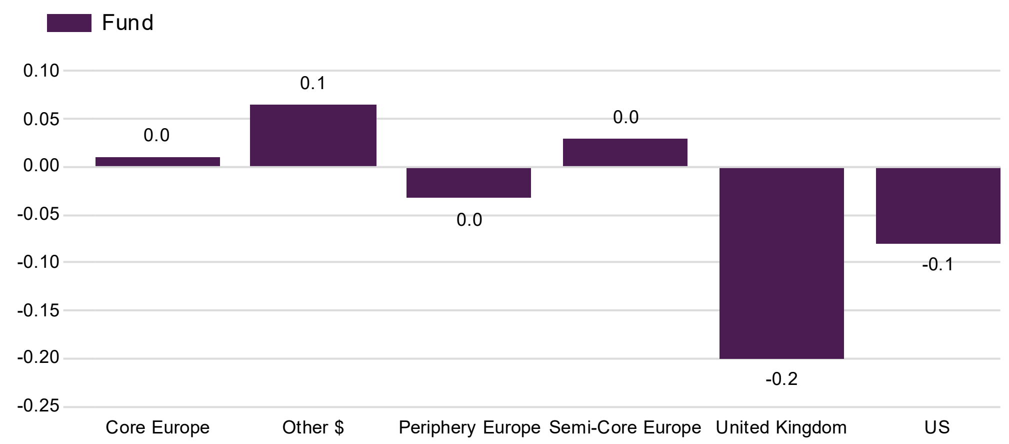
Geographic split by duration



Duration position relative to benchmark

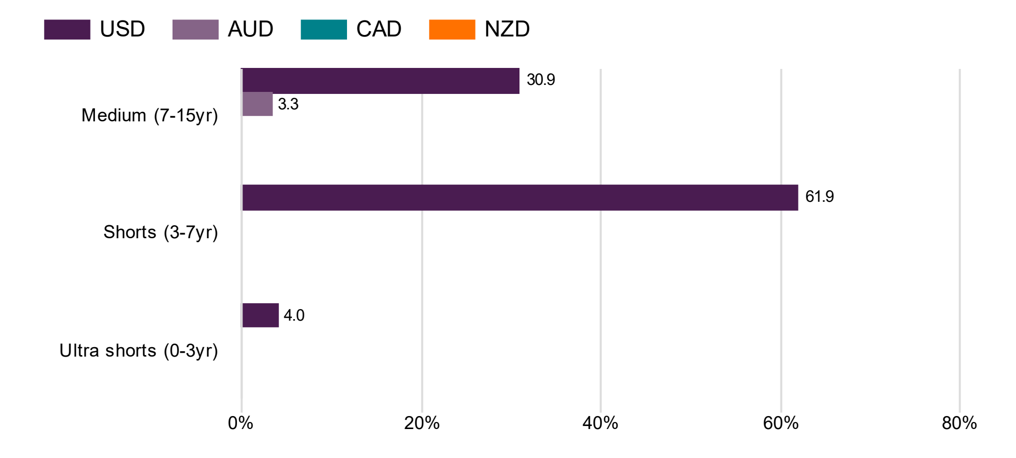


Relative duration quarter on quarter

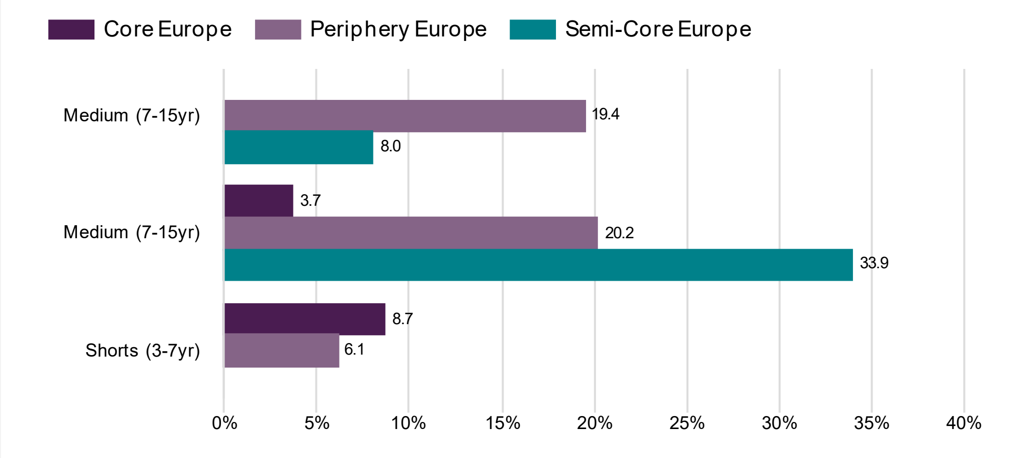


Fund breakdown

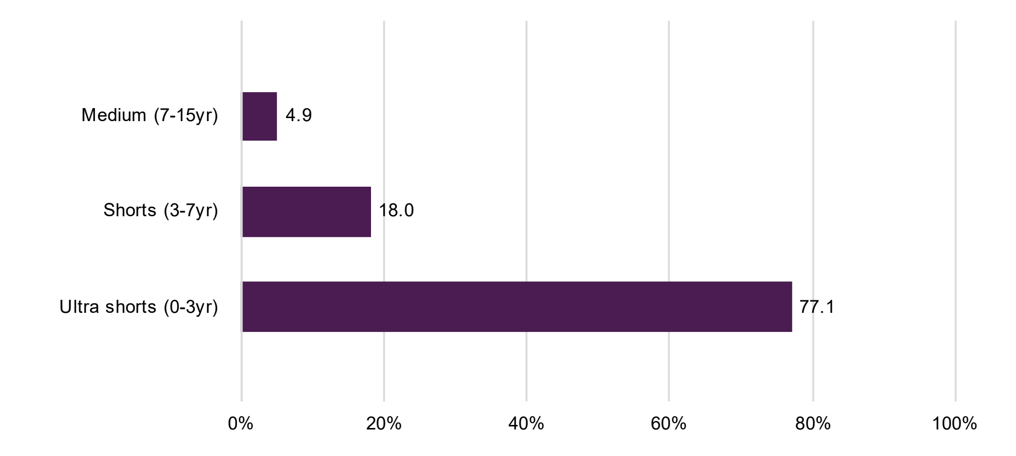
Dollar bloc



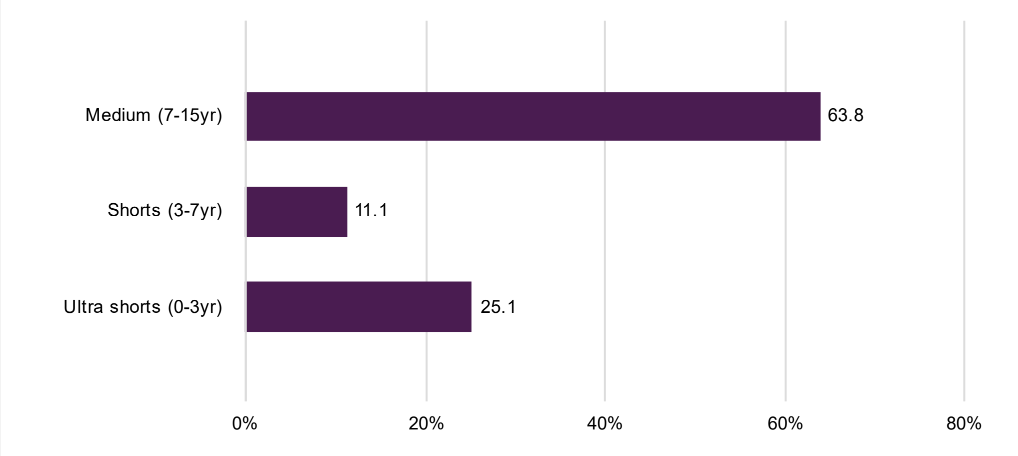
Euro bloc



Japan



UK



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.

Real yields were volatility 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 conflict in Gaza and the potential for spillover effects. At the same time, policy uncertainty has also not eased, with tariffs still very much on the US agenda, the current administration still announcing policies without details appearing to be complete and doing nothing to erase concerns about political interference in monetary policy. On top of these, budget concerns are also a significant factor in both the US and UK. Monetary policy settings are generally seen as supportive of fixed income markets, but even here, there is uncertainty around the timing and quantum of rate cuts as inflation is still not fully subdued. These factors help explain why government bond yields have been relatively volatile in 2025, and there seems little prospect of a material change in this in the next few months.

We believe that real yields look attractive. We believe that a world of rising tariffs is helpful for index linked assets as we expect these to be ultimately deflationary, and would also expect rate cuts across the globe to add to interest in this area. In addition, we believe that in general, curves are too steep, and as a result, we have a bias towards long duration positioning, with a modest overweight in long-dated bonds. On a tactical basis, we recognise that various factors can influence short-term yield direction, whatever the longer-term fundamentals may suggest. We therefore expect to continue to scale that long duration position up and down around economic data releases and notably supply events.

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 changes expected in the UK and eurozone – mean that we will look for opportunities to add value through cross market positioning. We have traded inflation on a very limited basis in recent months, but with inflation more persistent than expected in most markets, we see little potential for moving underweight inflation at present.

Further Information

Please click on the links below for further information:

Stewardship and Responsible Investment at RLAM

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 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.

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
Fund (gross)	1.15	2.82	3.95	15.28	13.87
Fund (net)	1.10	2.70	3.72	14.52	12.63

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	4.85	2.63
Fund (net)	4.62	2.41

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)	3.95	7.63	3.03	(5.41)	4.43
Fund (net)	3.72	7.40	2.81	(5.61)	4.20

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

Source: RLAM as at 30 September 2025. All figures are mid-price to mid-price for the Royal London Short Duration Global Index Linked 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.

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.

Real yield

Real yield shows the inflation-adjusted redemption yield for the underlying fund and therefore does not include the impact of fees. For share class level yields, please see the latest factsheet.

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.