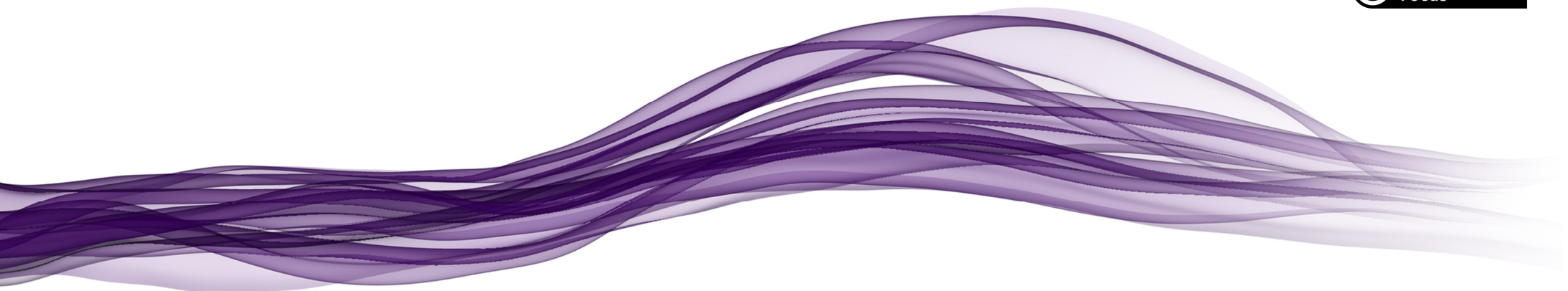


For professional clients only, not suitable for retail clients. This is a marketing communication.

This fund uses the Sustainability Focus label which is for funds that invest mainly in assets that focus on sustainability for people or the planet.



Royal London Sustainable Short Duration Corporate 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 Sustainable Short Duration Corporate 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 financial objective is to achieve a total return and outperform, after the deduction of charges, the ICE Bank of America Merrill Lynch Sterling Non-Gilt (1-5 Years) Total Return (GBP Unhedged) over rolling 5-year periods.

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard".

Fund value

	Total £m
30 September 2025	147.10

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	100.00	99.13
Conventional foreign sovereigns	-	0.87

Fund analytics

	Fund	Benchmark
Fund launch date	23 November 2022	
Fund base currency	GBP	
Benchmark	ICE BofA 1–5 Year Sterling Non-Gilt Index (Total Return, GBP)	
Duration (years)	3.23	2.57
Gross redemption yield (%)	5.99	4.70
Number of holdings	228	563
Number of issuers	148	286

Past performance is not a guarantee or reliable indicator of future returns. Please refer to the glossary for a description of the yield used.

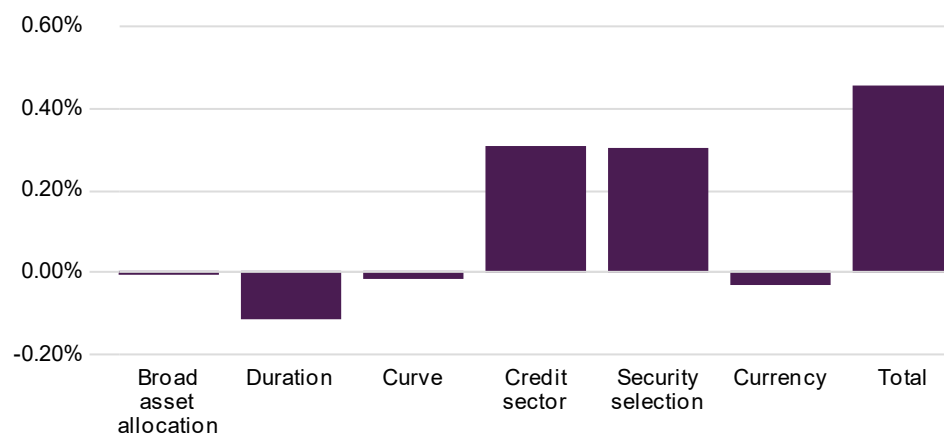
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.18	1.00	0.17
YTD	5.24	4.60	0.64
1 Year	6.07	5.17	0.90
Since inception (p.a.)	6.83	5.30	1.53

Past performance is not a guarantee or reliable indicator of future returns. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on Z Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 23 November 2022.

Attribution over the quarter



Performance commentary

The fund's sustainability objective is to invest in companies that make a positive contribution to one or more of the Sustainability Themes – clean, healthy, safe, and inclusive. As well as reducing risk, we seek out opportunities that are under-researched, e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets.

Key contribution factors in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

The third quarter saw positive returns from sterling credit investment grade markets (iBoxx). Against this, the fund outperformed the index. Despite the volatile nature of news flow and government bond markets in 2025, performance remains comfortably ahead of the index year-to-date.

Sector positioning was positive. Our bias towards insurance bonds was helpful as the sector performed strongly, as was our exposure to the structured sector. Our longstanding underweight in supranational bonds also helped performance as the lower perceived risk of the supranational sector contributed to it again lagging the wider market.

Stock selection effects were positive during the quarter, particularly within the structured sector. Our holdings in shopping centres Meadowhall and Metrocentre were a notable example and performed well. Banks and insurance stock selection was also helpful. Subordinated bonds from Standard Chartered and Close Brothers performed well. Similarly in insurance, subordinated bonds from CNP Assurances and Axa performed well.

Performance and activity

Top 10 holdings

	Weighting (%)
HSBC BANK FUNDING STERLING LP 5.844 31 Dec 2079	2.29
SGSHR_20-21 3.9674 17 Nov 2051	1.67
BAZALGETTE FINANCE PLC 2.375 29 Nov 2027	1.56
ASSICURAZIONI GENERALI SPA 6.269 31 Dec 2079	1.53
CO-OPERATIVE BANK FINANCE PLC 6 06 Apr 2027	1.39
NATWEST GROUP PLC 2.105 28 Nov 2031	1.38
CO-OPERATIVE BANK FINANCE PLC 9.5 24 May 2028	1.33
BBC_03 5.0636 10 Aug 2033	1.26
WSTSTR_2 1.642 04 Aug 2026	1.23
YORKSHIRE WATER FINANCE 6.454 28 May 2027	1.22
Total	14.84

Fund activity

New issue activity was lower than usual during the first two months of the quarter thanks to the normal summer lull, but activity picked up in September as issuers returned to primary markets. There also continued to be strong liquidity in the secondary market and attractive opportunities to add to portfolios.

We continue to find attractive opportunities in the water sector, a key area for infrastructure spending and a regulated industry. We bought into a new issue by Yorkshire Water at a significant yield premium to market pricing.

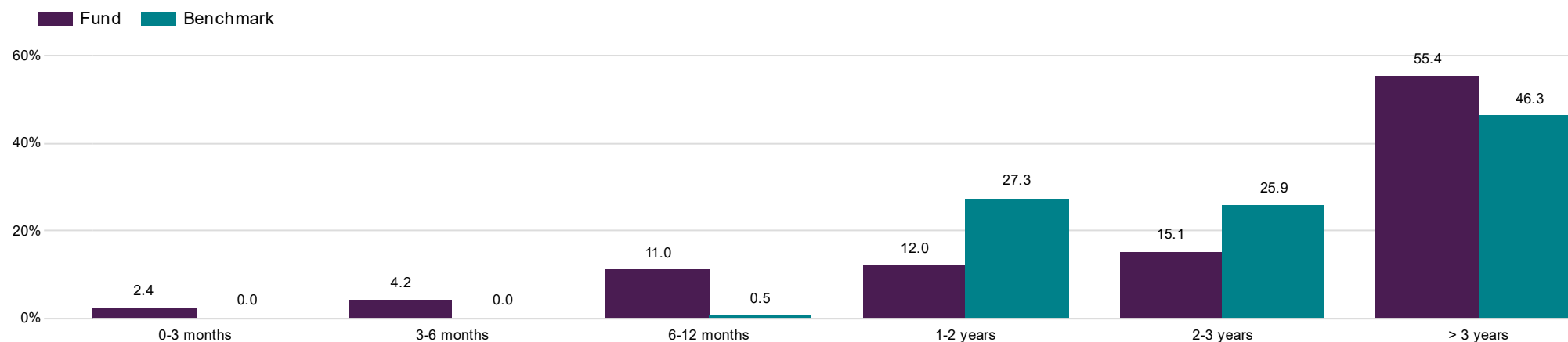
Banks and financials dominated new issue activity towards the end of the quarter, and we participated in buying into a new 2035 issue of by Aldermore – a UK specialist lender with a focus on SME customers and individuals underserved by traditional high-street banks. In the insurance sector, we added sterling-denominated bonds from Metropolitan Life Global Funding and Massachusetts Mutual Life Insurance Company, two US insurers where the bonds rank alongside policyholders.

Similarly, within the insurance sector, we participated in a tender of Legal & General 2064 legacy debt, selling the bond back to the issuer at par, which reflected a negative credit spread at the time of sale, adding significant value over the time of ownership. Also, within the sector, we took profits on a number of holdings where spreads had tightened considerably, including OSB and Close Brothers.

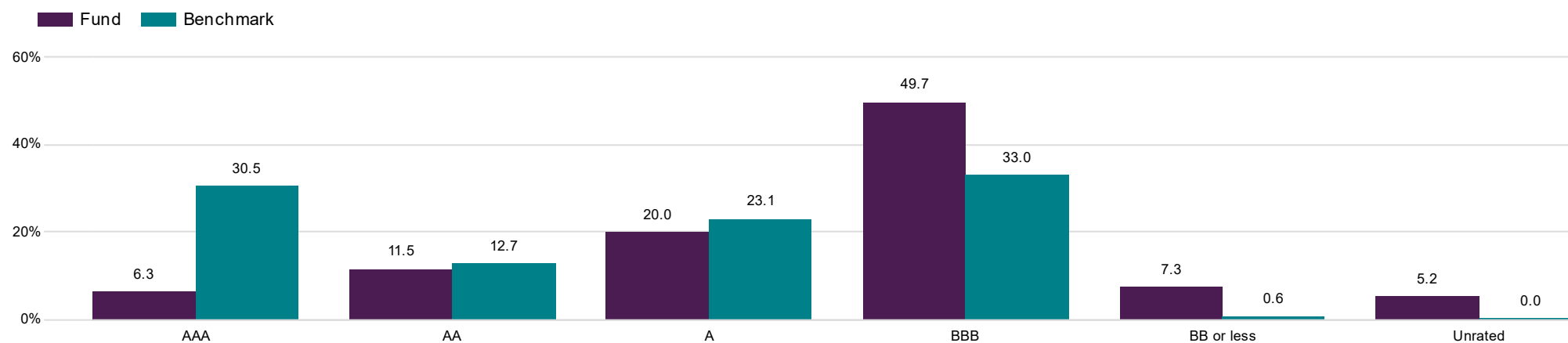
With overall market levels somewhat tighter, we have looked at areas that would usually be seen as offering lower value. An example is covered bonds. These are regulated by the Bank of England and secured on high quality underlying mortgages, and we added a new issue from Bank of Nova Scotia over the period.

Fund breakdown

Maturity profile

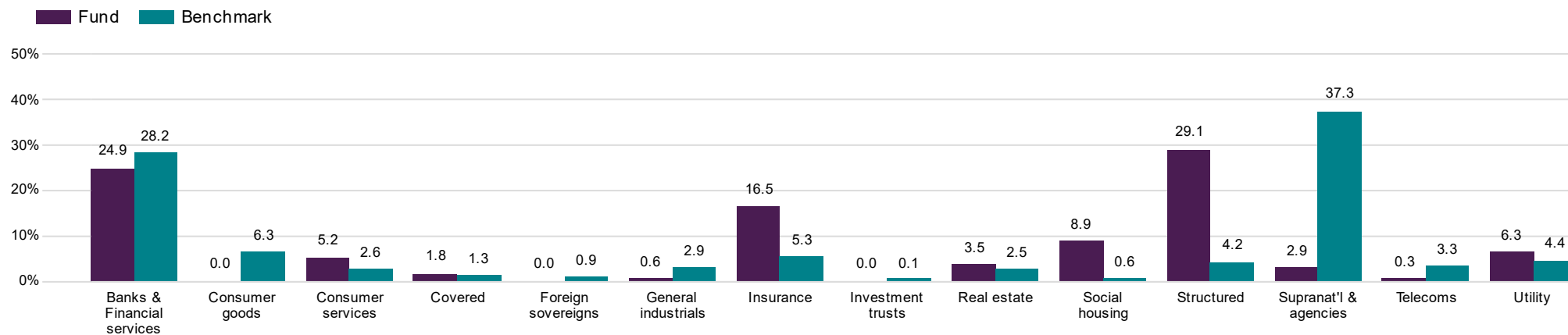


Credit ratings



Fund breakdown

Sector breakdown



Characteristics and climate

Sustainability approach

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard". The Sustainability Standard requires 50% of a company or issuer's revenues to be derived from product or services aligned to one or more of the four Sustainability themes.

Overall, at least 70% of the Fund is invested in sustainable companies or issuers. Up to 30% may be held in non-sustainable companies or issuers that do not conflict with the sustainability objective for any of the four sustainability themes of the Fund.

Fund exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

 Pornography production	✓	 Nuclear-power generation	✓
 Non-health animal testing	✓	 Tobacco manufacturing	✓
 Armament manufacturing	✓		
 Fossil fuel extraction	✓		
 Gambling establishments	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO ₂ e)	1,883	n/a	n/a
Financed emissions coverage	53.83%	n/a	n/a
Carbon footprint (tCO ₂ e/\$M invested)	9.56	10.47	(8.67)
Carbon footprint coverage	53.83%	89.33%	(39.74)
Weighted average carbon intensity (tCO ₂ e/\$M sales)	22.94	30.94	(25.84)
Weighted average carbon intensity coverage	96.17%	95.13%	1.10

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	48.34	60.19	(19.69)
% of portfolio below 2°C ITR	30.32	36.76	(17.53)
% of portfolio below 1.5°C ITR	18.58	16.05	15.74

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	8.95	7.41	20.82
SBTi Near-Term committed	7.30	3.98	83.49
SBTi Near-Term targets set	11.07	13.62	(18.73)

Fund Engagement

Engagement definition

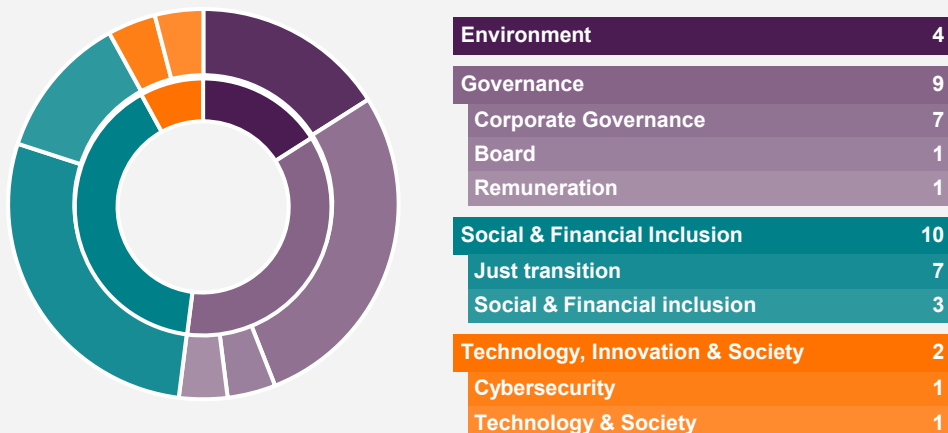
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	15	20
Number of engagements	17	48

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Total engagements by theme and topic



The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Fund Engagement

Engagement outcomes

Bunzl Plc - Workplace culture

Purpose:

The purpose of the engagement meeting with Bunzl, a global distribution and outsourcing company, was to discuss the company's approach to workforce engagement, whistleblowing, and reporting on workplace conduct, as well as to explore opportunities for improving transparency and disclosures.

Outcome:

Bunzl has shown a strong commitment to workforce engagement, with directors leading listening sessions across regions and languages. Although its decentralised model creates challenges for centralised reporting, the company is open to improving disclosures and performance monitoring. Bunzl shared whistleblowing data, noting an increase in reports, particularly from recent acquisitions in Latin America, which the company suggests growing employee confidence in reporting mechanisms. Serious cases are escalated to the board, with outcomes ranging from dismissals to educational interventions. The company is strengthening local reporting, conducting annual self-assessments, and using employee surveys, including discrimination-specific questions, to monitor culture, with positive results observed.

We encouraged Bunzl to enhance the granularity of its Speak Up data, benchmark performance against industry standard, provided by Navex, a leading compliance and risk management platform, and showcase positive survey outcomes. The company is considering tracking substantiation rates for future board reporting. Next steps include delivering a more detailed breakdown of Speak Up data, exploring external benchmarking, and reporting substantiation rates by risk category.

Commonwealth Bank of Australia - Multi-thematic

Purpose:

The purpose the meeting at Commonwealth Bank of Australia, an Australian financial institution, was to discuss recent votes, its latest climate disclosures and to address social and financial inclusion issues.

Outcome:

Commonwealth Bank of Australia provided detailed responses on its climate strategy, the requirements it sets for transition plans from high emitting clients, and progress on sectoral decarbonisation. It is preparing for Australia's new mandatory climate reporting and aligning with global standards. Emissions data in the agriculture sector remains a challenge, and the bank is pursuing partnerships to improve data quality. Further action will depend on the outcome of the internal review.

Regarding the Australian Securities and Investments Commission (ASIC) investigation into unfair fees, the bank acknowledged goodwill payments to a subset of vulnerable Indigenous customers but disputed the broader definition of vulnerability. An internal review is under way to identify genuinely vulnerable customers and to assess potential remediation. The bank emphasised compliance with regulation and noted that ASIC's guidance to refund customers is not a legal requirement.

On governance, the bank continues to address gender balance and pay gaps, introducing a career comeback programme to support female talent returning after maternity leave. Unlike some peers, it has chosen not to offshore call centres, which has supported improvements in the pay gap. Employee turnover has improved, although absenteeism remains above levels seen before the pandemic. Cultural diversity statistics are improving, and substantiated misconduct cases have decreased, supported by increased training and awareness. The bank maintains a zero-tolerance policy on sexual harassment. This engagement is complete; we will monitor the company's disclosure improvements.

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.

The sterling investment grade credit market (iBoxx non-gilt index) returned 0.69% over the period under review, outperforming gilts, with the average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) tightening over the period. Spreads narrowed from 0.87% to 0.77% (iBoxx) over the third quarter, continuing the narrowing of spreads seen during the second quarter which had more or less reversed the widening seen in the first quarter. Sector returns were generally positive, led by banks, insurance and structured bonds, while supranationals, utilities and consumer sectors lagged.

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.

Yet risk markets generally, including sterling credit, have continued to produce attractive returns. With sterling investment grade credit spreads having compressed in recent months, it is natural to look at absolute levels to determine whether the market still offers 'value'. With default rates low, and new issuance active, we continue to believe the all-in yield on sterling credit remains attractive. Furthermore, we continue to find attractive investment opportunities, partly through the new issue market but also by focusing on exploiting market inefficiencies. By focusing on bottom-up analysis, we continue to build overall portfolios that we believe offer attractive risk / return profiles with above-market yields.

While near-term absolute performance is likely to be heavily influenced by movements in the yields of underlying government bond markets, we expect relative performance to continue to be meaningfully influenced by the comparative exposure to supranational bonds and to more economically sensitive or cyclical industrial and consumer sectors. However, we believe that continued emphasis on diversification and our bias towards secured and collateralised debt to help mitigate default risk, as well as our focus on income, will continue to support returns as has been the case through the present environment of volatile yields.

Further Information

Please click on the links below for further information:



Find out more

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

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

For professional clients only, not suitable for retail clients.

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Issued in October 2025 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128.

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.

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.

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.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 30 September 2025

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	1.18	3.35	6.07	-	20.76
Fund (net)	1.10	3.19	5.74	-	19.70

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	-	6.83
Fund (net)	-	6.50

Year on year performance (%)

	30/09/2024 - 30/09/2025	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021
Fund (gross)	6.07	9.82	-	-	-
Fund (net)	5.74	9.48	-	-	-

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 Sustainable Short Duration Corporate Bond Fund Z Acc GBP share class. Since inception date 23 November 2022.

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.

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.

Environmental, social and governance

A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

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.

Number of issuers

Number of unique issuers of all assets held by 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.

Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

Top 10 holdings

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

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.