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Royal London Asset Management

Sustainable Fund Commentary

31 January 2026



Funds that have a Sustainability Focus Label investing mainly in assets that focus on sustainability for people or the planet. Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).



Fund Commentary

31 January 2026

The purpose of this report is to provide an update on the Royal London Sustainable Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

Contents

[Royal London European Sustainable Credit Fund](#)

[Royal London Global Sustainable Credit Fund](#)

[Royal London Global Sustainable Equity Fund](#)

[Royal London Global Sustainable Equity Fund \(IRL\)](#)

[Royal London Sustainable Corporate Bond Trust](#)

[Royal London Sustainable Diversified Trust](#)

[Royal London Sustainable Growth Fund](#)

[Royal London Sustainable Leaders Trust](#)

[Royal London Sustainable Managed Growth Trust](#)

[Royal London Sustainable Short Duration Corporate Bond Fund](#)

[Royal London Sustainable World Trust](#)

[Disclaimers](#)

Sustainable

Royal London European Sustainable Credit Fund

The fund saw a positive return over the month in euro terms, and was ahead of the benchmark index. January saw positive returns for global credit markets, with euro investment grade markets outperforming sterling and US dollar equivalents. Gains were modest, with government bond yields marginally higher and credit spreads slightly tighter, with returns also aided by the positive carry on the asset class.

We continued to add to holdings using the new issue market. Financials remain a key element, with the purchase of senior bonds from BBVA and Banque Federative du Credit Mutuel, as well as subordinated bonds from Commerzbank and National Bank of Australia. Within banks we took profits in BPCE after strong performance. Outside of financials, notable additions included new issues from IBM and Telefonica, both offering attractive yields.

At a fundamental level, we still believe that credit spreads over-compensate investors for default risk, and that the all-in yield on 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.

Royal London Global Sustainable Credit Fund

The fund saw a positive return over the month in dollar terms, and was ahead of the benchmark index. January saw positive returns for global credit markets, with euro investment grade markets outperforming sterling and US dollar equivalents. Gains were modest, with government bond yields marginally higher and credit spreads slightly tighter, with returns also aided by the positive carry on the asset class.

We continued to add to holdings using the new issue market. Financials remain a key element, with the purchase of senior bonds from BBVA and Banque Federative du Credit Mutuel, as well as subordinated bonds from Commerzbank and National Bank of Australia. Within banks we took profits in BPCE after strong performance. Outside of financials, notable additions included new issues from IBM and Telefonica, both offering attractive yields.

At a fundamental level, we still believe that credit spreads over-compensate investors for default risk, and that the all-in yield on 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.

Royal London Global Sustainable Equity Fund

Global equities made a steady start to the year. Markets were supported by expectations that major central banks are nearing a transition toward rate cuts, even as policymakers signalled they want more evidence that inflation is firmly contained.

The fund outperformed in January. Positive contributors included ASML, the world's only supplier of the advanced EUV machines used to make cutting edge AI chips, and Comfort Systems, a US installer of HVAC systems in data centres, which both benefit from increased AI infrastructure spend. The top detractors included Intuit, a US accounting software provider, which suffered from continued investor concerns around AI disruption.

During January we reduced positions in AI capex beneficiaries including Comfort Systems and Broadcom after strong share price performance, and recycled the capital into beneficiaries of US construction and industrial trends including Diploma and TopBuild.

Sustainable

Royal London Global Sustainable Equity Fund (IRL)

Global equities made a steady start to the year. Markets were supported by expectations that major central banks are nearing a transition toward rate cuts, even as policymakers signalled they want more evidence that inflation is firmly contained.

The fund outperformed in January. Positive contributors included ASML, the world's only supplier of the advanced EUV machines used to make cutting edge AI chips, and Comfort Systems, a US installer of HVAC systems in data centres, which both benefit from increased AI infrastructure spend. The top detractors included Intuit, a US accounting software provider, which suffered from continued investor concerns around AI disruption.

During January we reduced positions in AI capex beneficiaries including Comfort Systems and Broadcom after strong share price performance, and recycled the capital into beneficiaries of US construction and industrial trends including Diploma and TopBuild.

Royal London Sustainable Corporate Bond Trust

Global government bonds delivered mixed returns as yields rose across the long end of the curve in most regions. Corporate bonds delivered positive returns, albeit lower than average for January, as spreads over government bond yields narrowed across the curve.

The fund saw positive returns outperforming its benchmark. The main contributor to relative performance was stock selection in banks and insurance. Nationwide subordinated bonds contributed positively to performance; the UK building society remains a strong fit for our sustainable funds with its focus on retail lending. The overweight in structured bonds also supported returns.

We are confident that we can further achieve attractive yield premium in our sterling credit portfolios, as we look to exploit market inefficiencies. In a diversified portfolio with emphasis on security, we believe that the more credit is treated as a commoditised asset class, the greater the level of inefficiencies that an active manager can exploit.

Royal London Sustainable Diversified Trust

Global equities made a steady start to the year, with the sterling credit market saw small gains, driven primarily by income, with a rise in gilt yields offset by the further outperformance of corporate bonds.

The Trust delivered a positive absolute return in January. Positive contributors included ASML, the world's only supplier of the advanced EUV machines used to make cutting edge AI chips, which reported record bookings and increased guidance. The top detractors included Experian, a data and information services provider and Microsoft, which both suffered from continued investor concerns around AI disruption.

During the month the Trust exited its position in Sage, an accounting software provider, reflecting increased concerns around its growth outlook amid rising AI disruption risks, and we see more attractive opportunities elsewhere.

Sustainable

Royal London Sustainable Growth Fund

Global equities made a steady start to the year, with the sterling credit market saw small gains, driven primarily by income, with a rise in gilt yields offset by the further outperformance of corporate bonds.

The Fund delivered a positive absolute return in January. Positive contributors included ASML, the world's only supplier of the advanced EUV machines used to make cutting edge AI chips, and Comfort Systems, a US installer of HVAC systems in data centres, which both benefit from increased AI infrastructure spend. The top detractors included Intuit and Microsoft, both US software providers that suffered from continued investor concerns around AI disruption.

The Fund initiated a position in Wuxi Biologics during the month, a leading Chinese biologics drugs development company, which is attractively valued relative to peers despite having much higher growth historically and long-term growth potential.

Royal London Sustainable Leaders Trust

The FTSE All-Share Index continued its upward trend in January. Beneath the surface, the rotation into physical assets such as mining and energy, along with defence continued, at the expense of information, data and software companies.

The Trust underperformed the index during the month. The biggest detractors to performance were holdings in information services businesses Experian, London Stock Exchange, and RELX, all of which were under pressure from concerns around the risk of disruption from AI competitors. While AI developments are fast-paced, little evidence of disruption has been seen in the performance of incumbents, with Experian reporting notably strong growth and launching a \$1bn buyback. The strongest positive contribution to performance came from UK bank Lloyds.

We remain focused on identifying value creating businesses with durable competitive advantages, rather than being led by share price instability.

Royal London Sustainable Managed Growth Trust

In January, global government bonds delivered mixed returns during the month as yields rose across the long end of the curve in most regions. Corporate bonds delivered positive returns, albeit lower than average for January, as spreads over government bond yields narrowed across the curve.

The fund saw positive returns for January. The fixed income exposure saw positive performance – helped by our positioning in the banking and insurance sectors. In equities, we recorded positive returns and our holdings in HSBC and Prudential boosted performance.

We remain confident that we can further achieve an attractive yield premium in our sterling credit portfolios, as we look to exploit market inefficiencies. In a diversified portfolio with an emphasis on security, we believe that the more credit is treated as a commoditised asset class, the greater the level of inefficiencies that an active manager can exploit.

Sustainable

Royal London Sustainable Short Duration Corporate Bond Fund

Global government bonds delivered mixed returns as yields rose across the long end of the curve in most regions. Corporate bonds delivered positive returns, albeit lower than average for January, as spreads over government bond yields narrowed across the curve.

The fund saw positive returns outperforming its benchmark. The main contributor to performance was stock selection in banks and insurance. Drivers of performance included subordinated bonds by Just Group, provider of bulk annuity products that we view contributes to greater financial resilience in retirement. Overweight exposure to structured bonds supported returns over the month.

We are confident that we can further achieve attractive yield premium in our sterling credit portfolios, as we look to exploit market inefficiencies. In a diversified portfolio with emphasis on security, we believe that the more credit is treated as a commoditised asset class, the greater the level of inefficiencies that an active manager can exploit.

Royal London Sustainable World Trust

Global equities made a steady start to the year, with the sterling credit market saw small gains, driven primarily by income, with a rise in gilt yields offset by the further outperformance of corporate bonds.

The Trust delivered a positive absolute return in January. Positive contributors included ASML, the world's only supplier of the advanced EUV machines used to make cutting edge AI chips, and Comfort Systems, a US installer of HVAC systems in data centres, which both benefit from increased AI infrastructure spend. The top detractors included Intuit and Microsoft, both US software providers which suffered from continued investor concerns around AI disruption.

The Trust started a position in Wuxi Biologics during the month, a leading Chinese biologics drug development company, which is attractively valued relative to peers despite having much higher growth historically and long-term growth potential.

Disclaimers

Important information

For professional investors only, not suitable for retail clients. This marketing communication is a financial promotion and is not investment advice.

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice. Telephone calls may be recorded. For further information please see the privacy policy at www.rlam.com.

RL Sustainable Leaders Trust, RL Sustainable World Trust, RL Sustainable Diversified Trust, RL Sustainable Managed Growth Trust, RL Sustainable Corporate Bond Trust.

The Trusts are authorised unit trust schemes. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

RL Global Sustainable Equity Fund, RL Sustainable Growth Fund

The Funds are sub-funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. 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.

RL European Sustainable Credit, RL Global Sustainable Credit Fund, RL Global Sustainable Equity (IRL):

The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is Fund Rock Management Company SA, Registered office: Airport Center Building, 5 Heienhaff, L-1736 Senningerberg, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited.

The Prospectus and Key Investor Information Document (KIID) are available in English. A summary of investor rights is also available in English. RLAM may terminate the arrangements made for marketing of the fund pursuant to Article 93a of Directive 2009/65/EC.

RL Sustainable Short Duration Corporate Bond Fund

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.

Notice for UK Investors:

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

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Risk 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 stock market 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

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.

Efficient portfolio management (EPM) techniques

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

Investing in assets denominated in a currency other than the base currency of the Fund means the value of the investment can be affected by changes in exchange rates.

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.

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.

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.

Responsible investment style 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.

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.