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Royal London Diversified Asset-Backed Credit Fund

Quarterly Investment Report

30 June 2026



Quarterly Report

The fund as at 30 June 2026

The purpose of this report is to provide an update on the Royal London Diversified Asset-Backed 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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The fund

Fund performance objective and benchmark

The Fund aims to achieve a positive absolute return in excess of the Bank of England Sterling Overnight Interbank Average ("SONIA") by 2% per annum over rolling 3-year periods, before the deduction of charges. Notwithstanding that the Fund aims to deliver a positive absolute return over rolling 3-year periods, any capital invested is, in fact, at risk and there is no guarantee that a positive absolute return is generated over such specified period, or over any period. The target benchmark is the Bank of England Sterling Overnight Interbank Average ("SONIA") plus 2% (the "Index"). The Index has been selected as a target benchmark as it is consistent with how the Fund is managed in seeking to provide a "cash plus" performance outcome.

Fund value

	Total £m
30 June 2026	438.08

Asset allocation

	Fund (%)
Conventional credit bonds	97.25
Index linked credit bonds	1.60
Conventional gilts	1.03
Conventional foreign sovereigns	0.11

Fund analytics

	Fund
Fund launch date	24 September 2012
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration (years)	2.29
Redemption yield (%)	5.80
Number of holdings	347
Number of issuers	241

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.00	0.92	1.08
YTD	3.47	1.83	1.64
1 Year	8.29	3.87	4.42
3 Years (p.a.)	8.73	4.57	4.16
5 Years (p.a.)	6.51	3.42	3.09
10 Years (p.a.)	5.65	1.93	3.73
Since inception (p.a.)	4.76	1.55	3.21

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. The impact of fees reduces your investment. 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 24 September 2012.

Please note that with effect from 12 December 2025 the fund name changed from RL Diversified Asset-Backed Securities Fund to RL Diversified Asset-Backed Credit Fund.

Performance commentary

Overall, the second quarter was characterised by a robust recovery in fixed income markets, with falling longer-dated yields and supportive performance. Against this backdrop, the fund delivered positive returns, driven by strong income generation and bond spread tightening.

More specifically, our secured bonds continued to perform well at a broad level with notable contributions from certain long-held positions, including Metrocentre Finance, secured on the Metrocentre shopping centre in Gateshead, and Finance for Residential Social Housing, a legacy securitisation of housing association loans. Returns were supplemented by strong performance from the insurance sector, in particular, bonds issued by Just Group and Aviva delivered significant spread tightening.

Although material interest rate sensitivity is hedged, the fund's slightly long duration position was another positive contributor, due to falling UK government bond yields.

Performance and activity

Top 10 holdings

	Weighting (%)
HSBC Bank Fund 5.844% VRN Perp	1.69
Unique Pub Finance 6.464% 30/03/2032	1.54
CPUK Finance Ltd 5.876% 28/08/2027	1.43
Highways 2021 PLC FRN 18/11/2026	1.30
Aviva PLC 4% 05/06/2032	1.13
Barclays Bank PLC 6.278% VRN Perp	1.04
British Land Co 5.264% 24/9/2035	1.04
UK Treasury Gilt 1.5% 22/07/2026	1.02
Virgin Money UK PLC 7.625% VRN 23/08/2029	1.02
Co-Op Wholesale Soc 6.25% 08/07/2026 STEP	0.89
Total	12.10

Fund activity

New primary market issuance was relatively healthy through the quarter, providing an opportunity to add selectively to credit positions. As an indication, investment grade sterling issuance totalled £12.7bn over the period, led primarily by financial-sector supply. This was slightly above last year's issuance during the same period (£10.3bn).

Secured issuance tends to lag the wider market but we were pleased to acquire a new issue from Sage Housing, England's largest provider of new build affordable housing for the past five years. This issue is a floating rate ABS and is backed by a strong portfolio of nearly 3,000 newly built, highly energy-efficient social and affordable rent homes across England.

Despite being rated AAA and offering greater levels of over-collateralisation than is typical from wider funding structures in the social housing sector, the less conventional nature of the bond means we can earn a higher credit spread than what is achievable from more standard housing association bonds.

We also added a new issue secured on the London-based shopping centre Westfield Stratford City following the early repayment of existing bonds above market levels. As well as the immediate gain on the redemption, this also allowed us to extend the fund's exposure to a strong asset at an attractive yield.

Outside of the secured space, we also participated in new issues across the financial, energy and real estate sectors, reflecting the diversified nature of the fund. Banks and financials remain a large part of credit indices, but with relatively compressed spreads we remain highly selective in this area. We did add modestly to senior bonds, including a new green senior sterling-denominated issue by Dutch bank ABN AMRO.

We remain disciplined with subordinated financial exposure, focusing on higher quality issuers where we are compensated for going down the capital structure. During the quarter we added lower tier 2 issues from Barclays, and a relatively rare issue from Goldman Sachs, adding diversification to our financials exposure.

We also added several AT1 new issues, including for example a euro-denominated note by Netherlands-based mutual Rabobank and a sterling-denominated note issued by NatWest.

In the energy sector, hybrid bond issuance remains popular given the large funding requirement to meet issuers' capital investment needs. Due to the higher leverage and subordinated lending position of these instruments, we are very selective in this area and therefore tend to focus on more stable borrowers. For instance, we added a new sterling-denominated hybrid from French utility Engie at a yield well over 6%.

Performance and activity

Fund activity (continued)

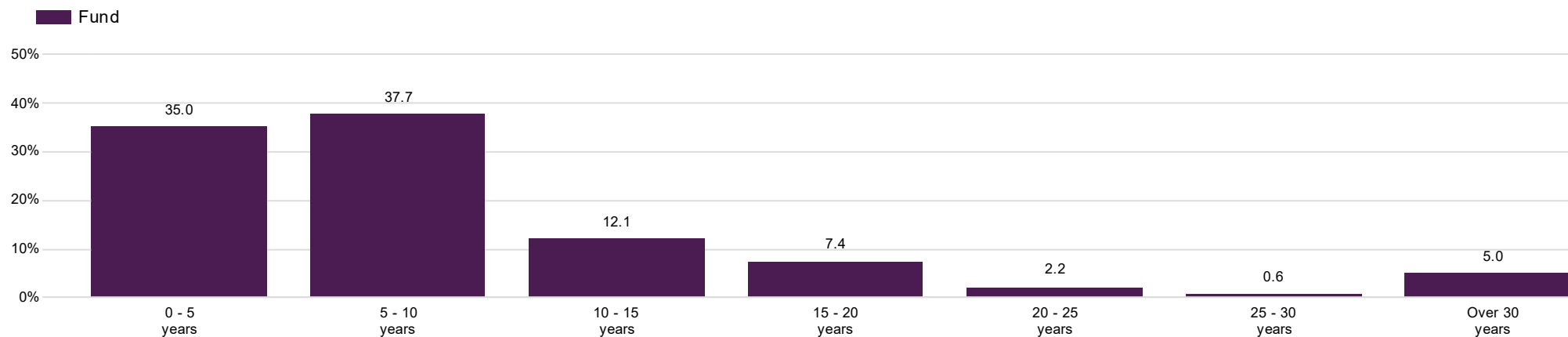
In real estate, Vonovia, one of Europe's largest residential real estate companies headquartered in Germany, came to market with a sterling-denominated 12-year bond. Whilst our preference remains lending to the sector on a secured basis, this new issue offered exposure to a relatively stable asset class at an attractive spread.

We remain active investors in the secondary credit market, which remains a useful source to replenish and enhance the fund's diversification and return characteristics.

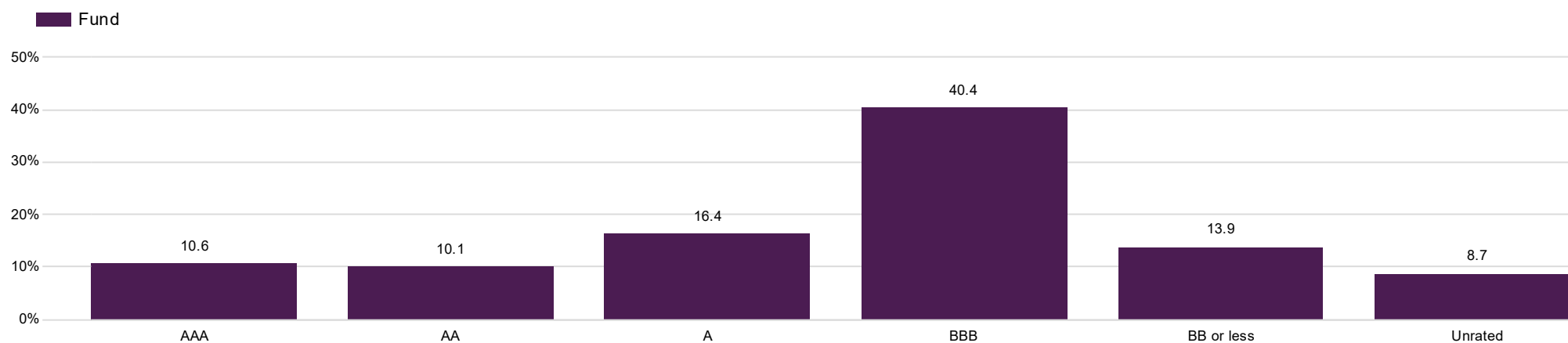
Over the quarter we were able to supplement some favoured holdings, including Arqiva, secured on the UK's digital broadcasting infrastructure, the UK holiday park operator, Center Parcs, and a number of legacy pub bonds issued by Greene King, Mitchells & Butlers and Unique – each of which benefit from very significant over-collateralisation from freehold pub assets.

Fund breakdown

Maturity profile

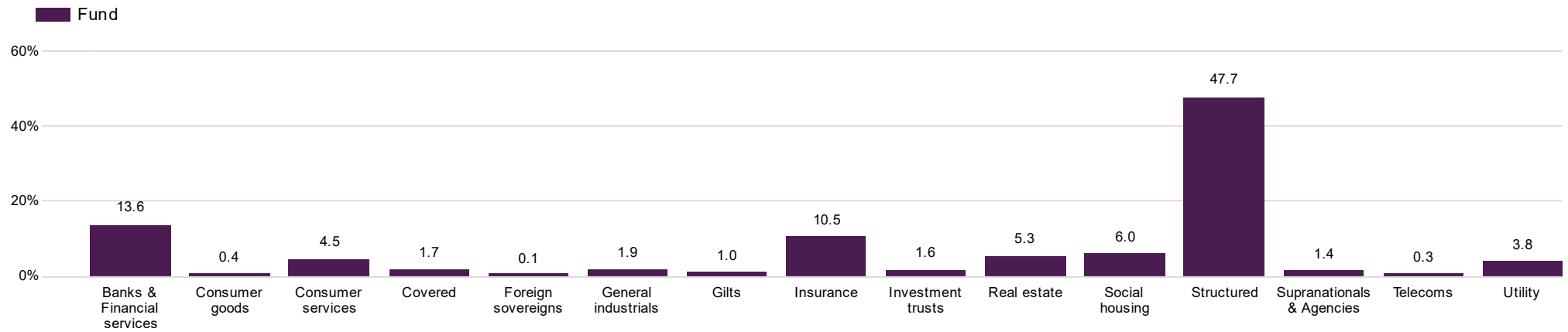


Credit ratings



Fund breakdown

Sector breakdown



Fund Engagement

Engagement definition

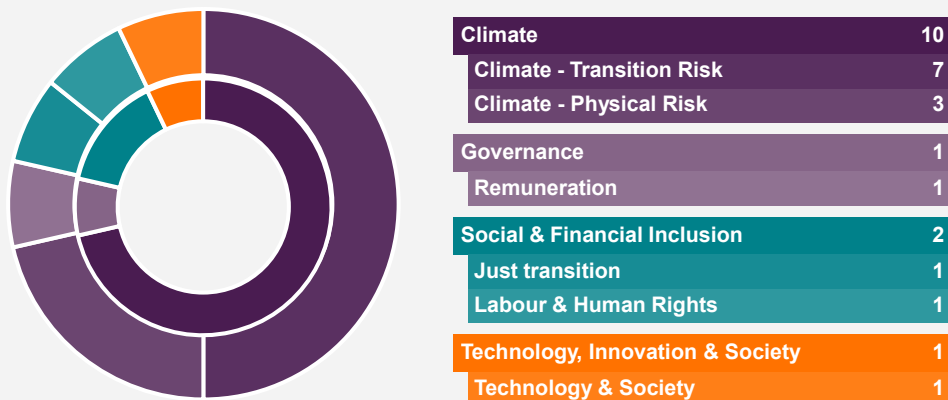
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	9	30
Number of engagements	10	72

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

Barclays PLC - Climate - Transition Risk

Purpose:

We engaged Barclays PLC, a global banking and financial services company, as part of Royal London Asset Management's Net Zero Stewardship Programme to assess its progress on climate strategy ahead of its Annual General Meeting (AGM).

Outcome:

We attended an online investor event with Barclays' Climate and Investor Relations teams, at which the company reiterated its commitment to becoming a net zero bank by 2050, underpinned by 2030 sectoral targets aligned to a 1.5 degrees Celsius pathway. The bank highlighted that it has already achieved approximately a 90% reduction in market-based Scope 1 and 2 emissions - covering its own direct and energy-related emissions - through full renewable electricity sourcing. Barclays positioned its Climate Transition Framework as the central tool for assessing the transition quality of its clients, governing engagement and informing lending decisions, noting that coverage has expanded five-fold and is supported by artificial intelligence (AI) analytics.

The bank reported a record year for transition finance in 2025, with £500 million of balance-sheet equity investment committed to support transition activity. It acknowledged, however, that progress across sectors and regions remains uneven, and that some material exposures still lack explicit targets due to data and benchmark gaps. Barclays also confirmed it maintains no formal commitment to the Science Based Targets initiative (SBTi). We will continue to monitor whether the bank translates its framework commitments into broader, measurable financed-emissions targets across its full balance sheet.

Electricite de France SA - Climate - Transition Risk

Purpose:

We engaged Electricite de France SA, a French state-owned energy and utilities company, as part of Royal London Asset Management's Net Zero Stewardship Programme to better understand its approach to managing climate-related transition risks within its long-term business strategy.

Outcome:

During our engagement, we sought to understand how Electricité de France SA (EDF) is positioning itself for the transition to a lower-carbon economy, given the significant investment required across its nuclear, renewable energy and network infrastructure portfolio. The company acknowledged our concerns as a serious matter and engaged constructively with the questions we raised.

EDF highlighted several areas of progress, including achieving its lowest-ever carbon intensity of 26.5 gCO₂/kWh in 2025, supported by increased nuclear generation and lower thermal gas production. The company also reported a reduction in Scope 3 emissions, while recognising that gas sales continue to present challenges. We discussed EDF's role in supporting electrification and were encouraged to hear about a recently announced €240 million programme to support low-income households and SMEs with measures including heat pumps and electric vehicle adoption.

We explored the opportunities and challenges associated with increased electrification, including the need for substantial investment in electricity networks to support renewable energy integration, electric vehicle charging and evolving patterns of electricity demand. EDF also provided an update on its climate adaptation strategy, highlighting the importance of water resources to its hydroelectric, nuclear and thermal generation assets. The company outlined how it assesses climate-related vulnerabilities and develops resilience measures to manage the potential impact of changing weather patterns on future generation. We were encouraged by EDF's continued focus on decarbonisation, electrification and climate resilience, and will continue to monitor progress in these areas.

Fund Engagement

Engagement outcomes

John Lewis Partnership PLC - Climate - Transition Risk

Purpose:

We engaged John Lewis Partnership PLC, a retail company to understand its current climate strategy, with a particular focus on scope 3 emissions, agricultural supply chains and its approach to decarbonisation.

Outcome:

The engagement provided an update on John Lewis Partnership's approach to decarbonisation, with a particular focus on supply chain emissions, nature and transition planning. We discussed the company's progress against its science-based targets and its approach to supplier engagement, with John Lewis confirming that more than 50% of Scope 3 emissions are now linked to suppliers with Science Based Targets initiative (SBTi)-approved targets. We also explored how programmes such as Farm Metrics and Farming for Nature are being used to improve emissions data, support lower-carbon farming practices and strengthen understanding of emissions across the value chain.

We encouraged the company to continue developing its approach to transition planning and welcomed plans to publish a climate transition plan aligned with Transition Plan Taskforce (TPT) guidance. The discussion also explored the interaction between climate, nature and animal welfare objectives, with the company acknowledging the practical trade-offs involved in delivering its transition strategy.

NatWest Group PLC - Climate - Transition Risk

Purpose:

We engaged NatWest Group PLC, a retail and commercial banking group, as part of Royal London Asset Management's Net Zero Stewardship Programme to clarify its climate strategy, fossil fuel policy changes, and revised financed-emissions targets following the publication of its latest climate disclosures.

Outcome:

At a pre-AGM meeting with the Chairman and a follow-up call with Investor Relations, NatWest explained its recent revisions to its financing policies and climate targets as pragmatic and risk-based, rather than a weakening of ambition and reaffirmed its commitment to halving financed emissions by 2030. It explained that a shift from sector-level targets to activity-based targets was intended to improve materiality and influence, though we noted this has reduced overall balance-sheet coverage and left some sectors outside scope. NatWest confirmed that capital limits for oil and gas remain unchanged, with exposure below one percent of total lending, and stated there is no appetite to finance fracking despite changes in how this is described in its reporting. The removal of blanket client transition assessment requirements was framed as enabling more nuanced, case-by-case decision-making and the bank highlighted strengthened board-level oversight and internal climate governance frameworks. We noted that further transparency is needed on target coverage, guardrails as applied in practice, and portfolio limits. We agreed to re-share our expectations on responsible lobbying, and NatWest committed to providing further information on its governance around cybersecurity and the use of artificial intelligence.

Market commentary

Market overview

Headlines and markets were focused on the US and Iran during the past quarter. The disruption to oil supply via the Strait of Hormuz pushed oil prices to levels last seen following the Russian invasion of Ukraine in 2022. Although a ceasefire was announced towards the end of the period, causing prices to ease, these remain above pre-crisis levels. From a macroeconomic perspective, growth forecasts remain subdued, and inflation remains above central bank target levels. The major change over the quarter was central bank rate expectations. At the start of the quarter, markets were pricing in multiple hikes in the US, euro zone and UK, but these expectations were tempered as the period progressed – with the changing outlook a key driver of markets over the quarter.

Political uncertainty rose in the UK, where poor local election results were ultimately followed by the resignation of UK Prime Minister Keir Starmer. By the end of the quarter, former Greater Manchester Mayor Andy Burnham was widely expected to succeed him.

Government bond markets remained volatile during the second quarter as markets balanced persistent inflation pressures, shifting central bank expectations and ongoing geopolitical uncertainty. However, markets moved away from the sharp repricing seen in the first quarter, with some support returning to duration by quarter end as energy prices retreated, and fears of a prolonged supply shock eased. Yield movements were driven less by expectations of imminent rate cuts and more by concerns that policy rates may need to remain higher for longer. Short-dated bonds experienced the largest swings as markets reassessed monetary policy paths, while longer-dated yields reflected uncertainty around inflation, growth and fiscal borrowing requirements, particularly, in the UK, in view of the potential change of UK prime minister and policy changes that this might also bring.

In the UK, 10-year gilt yields rose above 5% during May before retracing some of those gains, ending June at 4.76%. US treasury yields also moved higher over the quarter, with the 10-year treasury yield ending June at 4.44%. Across Europe, government bond markets experienced similar volatility as markets adjusted expectations for the pace of future policy easing. The German 10-year bund yield was 2.87% at the end of the second quarter, down from 2.98% three months prior.

The sterling investment grade credit market (iBoxx non-gilt index) returned 2.64% over the period under review. Spreads ended the second quarter at 0.76% (iBoxx), compared to 0.85% (iBoxx) at the end of March.

Outlook

While the easing in US-Iran tensions in June helped reduce near-term pressure on oil prices and inflation expectations, the global macro environment is likely to remain unsettled. In the UK, the combination of softer survey data, fragile confidence and ongoing questions around inflation pass through suggests that growth momentum may remain uneven, even if some inflation data has been more reassuring. We therefore expect swings in government bond interest rate volatility to remain an important driver of returns, with markets continuing to reassess the balance between sticky inflation, slowing growth and the extent to which central banks can ease policy. For sterling credit portfolios, this outlook supports a measured long-duration bias where valuations and security selection justify it, rather than a significant use of risk budget.

Sterling credit enters the third quarter with spreads having retraced some of the widening seen earlier in the year. We continue to view credit spreads compensating for default risk and that all-in yields remain attractive, and therefore expect income to remain an important component of returns in the next quarter, particularly if government bond yield volatility persists. At a portfolio level, we continue to believe attractive risk-adjusted opportunities can be found through selective new issuance, relative-value analysis and bottom-up credit research rather than broad market beta. In this context, diversification, disciplined position sizing and a continued bias towards secured and collateralised debt remain central to managing downside risk. By focusing on bottom-up analysis, we continue to build overall portfolios that we believe offer attractive risk / return profiles with above-market yields.

We remain confident that active management can continue to add value in sterling credit. Diversification by sector and issuer, secured and collateralised debt, and attractive all-in yields remain key portfolio themes. Credit market commoditisation, including price-insensitive buying by annuity providers, passive funds and maturity-focused investors, can create spread dispersion and relative-value opportunities. We believe this environment should continue to reward detailed credit research, particularly where secured structures, overlooked issuers or less commoditised areas of the market offer additional yield without requiring a disproportionate increase in credit risk. While market-level spreads remain tight, we expect inefficiencies beneath the surface to remain a useful source of portfolio yield and potential excess return.

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

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Issued in July 2026 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 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

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.

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.

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 June 2026

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	2.00	3.47	8.29	28.56	37.10	8.73	6.51
Fund (net)	1.89	3.25	7.83	26.93	34.21	8.27	6.06

Annualised (%)

Please note that with effect from 12 December 2025 the fund name changed from RL Diversified Asset-Backed Securities Fund to RL Diversified Asset-Backed Credit Fund.

Year on year performance (%)

	30/06/2025 - 30/06/2026	30/06/2024 - 30/06/2025	30/06/2023 - 30/06/2024	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022
Fund (gross)	8.29	7.12	10.83	5.47	1.11
Fund (net)	7.83	6.67	10.36	5.03	0.68

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. The impact of fees reduces your investment.

Source: RLAM as at 30 June 2026. All figures are mid-price to mid-price for the Royal London Diversified Asset-Backed Credit Fund Z Acc 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.

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.

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.

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.

Positive absolute return

The gain in an asset's value in absolute terms, rather than in relative terms.

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.

Redemption yield

The weighted average rate of discount at which the future obligations of interest and capital payments of each of the fund's holdings equates to its current price, gross of relevant fund management costs and gross of tax.

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.