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Royal London Ethical Bond 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 Ethical 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 aims to provide a return greater than that of the Markit iBoxx Sterling Non-Gilts Total Return All Maturities GBP Index over rolling 5-year periods, through a combination of capital growth and income, after the deduction of charges. The Index has been selected as a target benchmark because it is representative of the type of bonds in which the Fund invests, and it is therefore an appropriate measure for the Fund's performance. The performance comparator for the Fund is the IA Sterling Strategic Bond sector (the "IA Sector").

Fund value

	Total £m
30 June 2026	938.92

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	99.24	99.41
Index linked credit bonds	0.76	-
Conventional foreign sovereigns	-	0.59

Fund analytics

	Fund	Benchmark
Fund launch date	31 January 2007	
Fund base currency	GBP	
Benchmark	iBoxx £ Non-Gilts (Total Return, GBP)	
Duration (years)	5.76	5.15
Redemption yield (%)	6.50	5.25
Number of holdings	330	1,237
Number of issuers	214	478

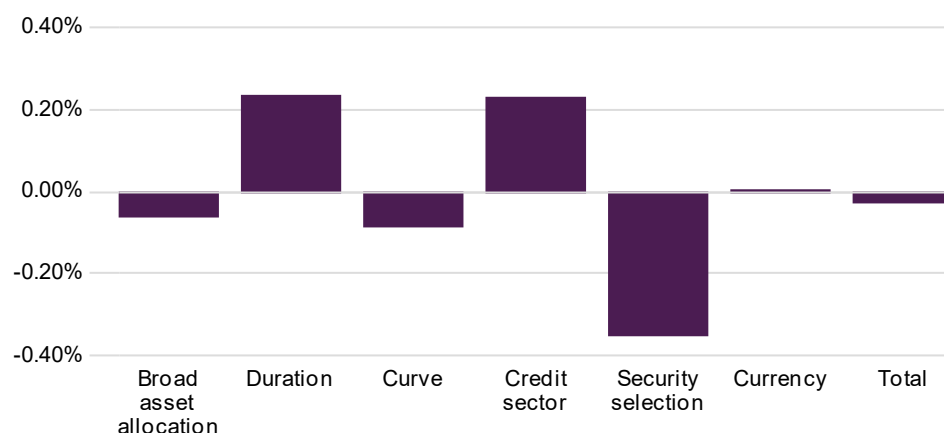
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.87	2.64	0.23
YTD	1.89	0.98	0.92
1 Year	6.34	4.29	2.05
3 Years (p.a.)	8.89	6.42	2.47
5 Years (p.a.)	1.49	(0.51)	2.00
10 Years (p.a.)	3.60	1.69	1.90
Since inception (p.a.)	5.45	3.91	1.54

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 Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 31 October 2009.

Attribution over the quarter



Performance commentary

The second quarter saw positive returns from sterling credit investment grade markets (iBoxx). Against this, the fund outperformed the index.

Overall, the second quarter was characterised by a robust recovery in fixed income markets, with falling longer-dated yields and supportive credit markets driving returns. Duration was a positive contributor to performance during the quarter. We were generally positioned long duration – driven by bottom-up credit selection, where we have identified better value in medium and long-dated bonds in recent months. This stance meant we benefited from the decline in yields, particularly during May and June. There was a small negative contribution from curve positioning, thanks to strong performance from short-dated bonds, but the overall impact of our duration and curve positioning was positive.

In terms of sector positioning, our longstanding underweight position in supranationals was the largest positive allocation effect, while overweight positioning in insurance also added value.

Stock selection was negative during the quarter. Negative effects were centred in our structured holdings, where Thames Water bonds fell due to an increasing risk of the utility entering Special Administration under a Burnham administration, as opposed to a creditor led restructuring of the business. This impact was mitigated by strong performance from Barclays and Nationwide, as financial subordinated debt rallied in the second quarter, helped by expectations that rate rises would not be as large as previously feared. In insurance, subordinated holdings such as M&G and Aviva were also helpful. Finally there was also strong performance by Intu Metro shopping centre within the structured sector and in consumer services, our holding in Eversholt helped performance. The rolling stock leasing company announced that by the end of 2026, all existing debt would be repaid early at a significant premium to market pricing.

Performance and activity

Top 10 holdings

	Weighting (%)
Santander UK 10.375% Pref Perp	1.48
Co-Op Wholesale Soc 6.25% 08/07/2026 STEP	1.21
Intu Metrocentre Finance 4.125% 16/01/2029	1.19
Electricite de France SA 7.375% VRN Perp	1.08
Aviva 6.875% VRN 20/05/2058	1.07
Peterborough Progress Health 5.58% 02/10/2042	1.06
HARBOUR FUNDING 5.28% 31/03/2044	1.01
Ecclesiastical Insurance 8.625% Pfd Perp	0.94
Places For People Treasury PLC 2.5% 26/01/2036	0.92
HSBC Holdings PLC 8.201% VRN 16/11/2034	0.87
Total	10.83

Fund activity

New primary market issuers were active but moderate through the quarter. Investment grade sterling issuance totalled £12.7bn during the second quarter, led primarily by financial-sector supply. This was slightly above last year's issuance during the same period (£10.3bn).

Banks and financials remain a large part of the index. We continue to favour the sector, as credit spreads provide attractive compensation for the risks taken. We generally found better value in subordinated bonds, although given the greater risk these offer, we were very selective, adding lower tier 2 issues from Barclays and Lloyds Bank, as well as 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 its favourable treatment by rating agencies. Given the higher leverage and subordinated lending position of these instruments, we are very selective in this area, but over the quarter added a new sterling-denominated hybrid from French utility Engie at a yield well over 6%.

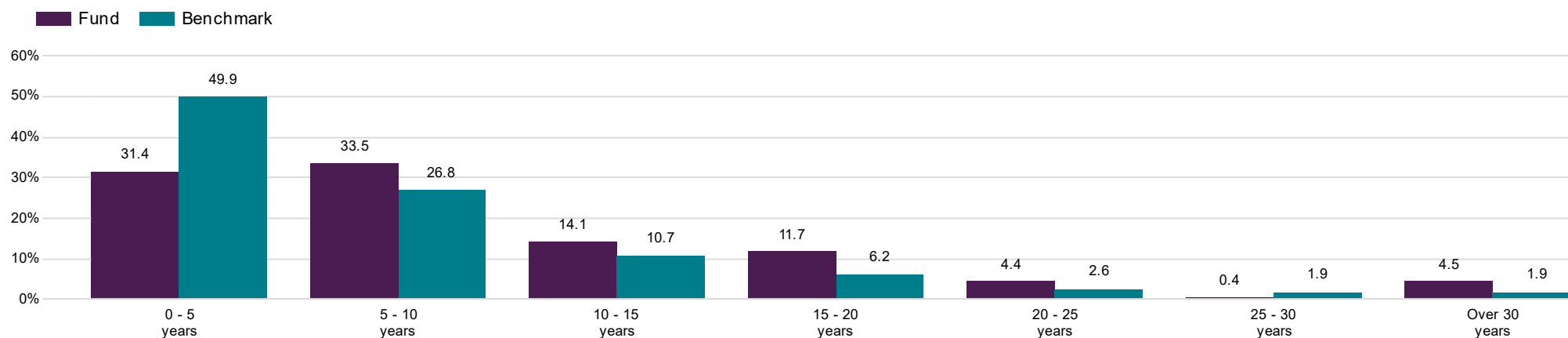
In the social housing sector we added a new issue from Sage Housing, England's largest provider of new build affordable housing for the past five years. This issue is a floating rate ABS, paying a very attractive spread over SONIA, and is backed by a strong portfolio of nearly 3,000 newly built, highly energy-efficient social and affordable rent homes across England.

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 an attractive spread given the quality of the underlying assets. We also bought a new issue for London-based shopping centre Westfield Stratford City following the early repayment of existing bonds at par, which represented a premium to existing market pricing.

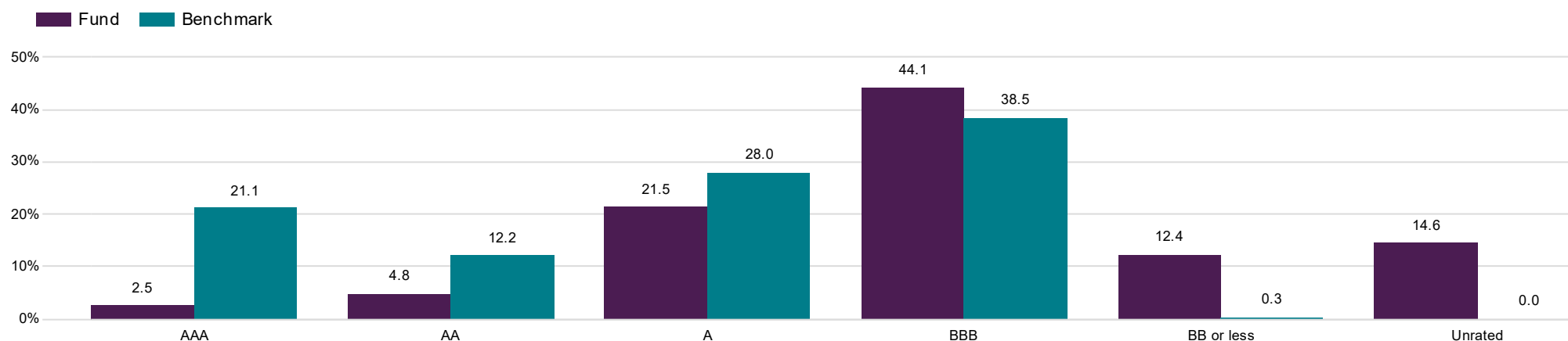
We continue to seek to diversify the portfolio when we believe that attractive opportunities arise. One of these was education publisher Pearson, issued with a yield premium which we felt more than compensated for the perceived AI disruption risk.

Fund breakdown

Maturity profile

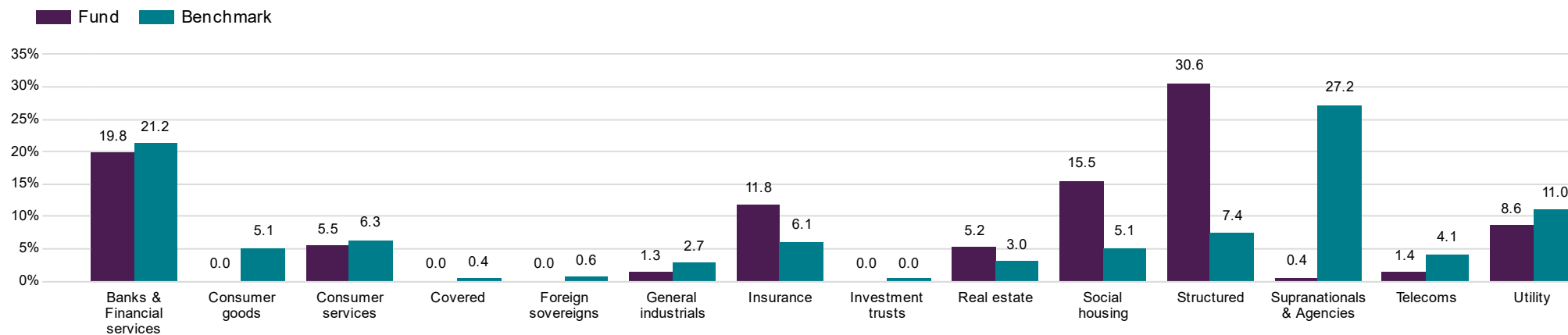


Credit ratings



Fund breakdown

Sector breakdown



Characteristics and climate

Sustainability approach

The fund integrates the assessment of environmental, social, and governance (ESG) risks into the investment decision making process in order to help mitigate ESG risks and/or identify opportunities for investors. In addition to identifying and managing ESG risks, Royal London Asset Management's Ethical Bond Fund applies an additional layer to its process - ethical bond screening. This process identifies bonds which meet predetermined ethical criteria, excluding from investment in the fund bonds which fall short of these requirements. Full details of the exclusions can be found at www.rlam.com

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.

 Adult entertainment	✓	 High environmental impact	✓
 Alcohol	✓	 Human rights issues	✓
 Animal welfare	✓	 Nuclear weapons	✓
 Armaments	✓	 Tobacco	✓
 Fossil fuels	✓		
 Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	22,557	n/a	n/a
Financed emissions coverage	51.04%	n/a	n/a
Carbon footprint (tCO2e/\$M invested)	18.19	16.04	13.46
Carbon footprint coverage	51.04%	83.83%	(39.11)
Weighted average carbon intensity (tCO2e/\$M sales)	39.06	48.33	(19.17)
Weighted average carbon intensity coverage	86.43%	94.72%	(8.76)

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	48.66	62.33	(21.93)
% of portfolio below 2°C ITR	33.42	38.98	(14.28)
% of portfolio below 1.5°C ITR	18.99	18.61	2.04

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	8.56	8.32	2.94
SBTi Near-Term committed	2.63	3.20	(17.83)
SBTi Near-Term targets set	12.64	17.01	(25.65)

Fund Engagement

Engagement definition

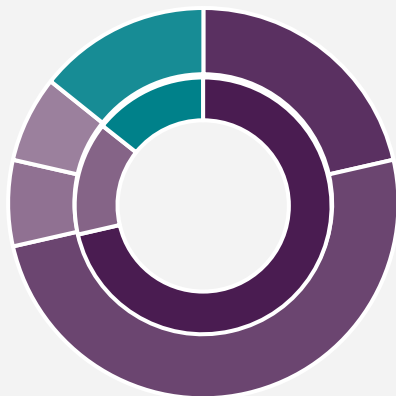
Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence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

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	8	24
Number of engagements	10	62

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



Climate	10
Climate - Physical Risk	3
Climate - Transition Risk	7
Social & Financial Inclusion	2
Just transition	1
Labour & Human Rights	1
Technology, Innovation & Society	2
Technology & Society	2

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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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.

iBoxx indexes and data are an intellectual property of Markit North America, Inc., Markit Indices GmbH, Markit Equities Limited and/or its affiliates iBoxx and has been licensed for use in connection with the fund (or other investment vehicle) or securities referenced herein.

The Index provided by IHS Markit is subject to disclaimer currently available here (and as updated by IHS Markit from time to time): <https://ihsmarkit.com/Legal/disclaimers.html> and/or in the prospectus for the Fund.

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.

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.

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)	2.87	1.89	6.34	29.14	7.66	8.89	1.49
Fund (net)	2.77	1.69	5.92	27.60	5.53	8.46	1.08

Annualised (%)

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)	6.34	7.90	12.55	(5.06)	(12.19)
Fund (net)	5.92	7.47	12.10	(5.43)	(12.54)

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 Ethical Bond Fund Z Inc GBP share class.

Glossary

Asset allocation

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

Attribution

Attribution is shown for the most recent quarter. Attribution figures are based on close of business returns for both the fund and the index whereas performance figures are based on midday returns for the fund and close of business for the index. Therefore the performance will not include market moves between midday when the fund is priced, and close of business when the index is calculated. This may result in a different figure being shown for the quarterly performance vs attribution data.

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.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO₂e/\$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

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.

ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO₂e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

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.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

Armaments: Companies who manufacture armaments or nuclear weapons or associated products.

Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

Nuclear Power: Companies who generate energy from Nuclear Power.

Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

Glossary

Fund restrictions definitions

Tobacco: Companies which are growing, processing or selling tobacco products.

Hedging

Reduces risk by protecting an investment with another related investment.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

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.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

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.

Rolling 5-Year Period

A rolling 5-year period is any period of five years, no matter which day you start on.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

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.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

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.

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO₂e / \$M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.

In line with our bespoke and targeted approach to credit analysis, we have developed an in-house carbon data tool that addresses coverage and mapping issues with third party systems. The development of this tool has been a critical element of RLAM's ESG integration into our credit process, addressing coverage and mapping issues with third party systems. This enhanced coverage is reflected in the WACI figures provided in this report, with all other metrics instead being based on data from MSCI.