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Royal London International Government 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 International Government 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.

Contents

The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the JP Morgan Global Bond Index ex UK (Traded) Total Return (GBP hedged) 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 Global Government Bonds sector (the "IA Sector").

Fund value

	Total £m
30 June 2026	714.66

Asset allocation

	Fund (%)	Benchmark (%)
Conventional foreign sovereigns	98.10	100.00
Conventional credit bonds	1.21	-
Index linked foreign sovereigns	0.51	-
Conventional gilts	0.18	-

Fund analytics

	Fund	Benchmark
Fund launch date	4 November 2011	
Fund base currency	GBP	
Benchmark	J.P. Morgan Global Bond Index ex UK Total Return (GBP hedged) Index	
Duration (years)	6.78	6.21
Redemption yield (%)	3.69	3.73
Number of holdings	129	1,070

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.59	0.81	0.77
YTD	1.17	0.62	0.55
1 Year	2.46	1.85	0.61
3 Years (p.a.)	3.58	2.77	0.81
5 Years (p.a.)	0.59	(0.47)	1.06
10 Years (p.a.)	1.16	0.48	0.67
Since inception (p.a.)	2.12	1.85	0.27

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 M Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 4 November 2011.

Performance commentary

The fund started the quarter 0.7 years long, having added around 0.4 years during March, the fund benefitted from the fall in yields over the quarter (having run an underweight to the US) and produced a healthy outperformance over the quarter.

Duration was a positive contributor to the performance over the quarter, as the long duration stance was largely expressed in European and Australian markets where yields fell, particularly during May. We actually increased the duration long over the course of April, adding to positions in short end Germany as two-year yields spiked on fears over a hawkish ECB reaction and reducing a short in France, which sold off on the same fears. Tactical duration trading will have added to the positive contribution from duration positioning during the second quarter.

The contribution to performance of inflation positioning over the course of the quarter will have been positive, albeit limited due to the reduced exposure. Cross market positioning and trading was a positive contributor to performance during the second quarter. A key contributor to cross market performance over the quarter was the underweight to the US versus overweight positions in Europe and Australia. Both these markets saw their yields fall over the quarter, whilst US yields rose, particularly at shorter maturities.

Following significant flattening of yield curves in March, much focus was placed on the reaction of central banks, with at times, multiple rate hikes being priced, pushing up short-end yields. Concerns over the long-term fiscal outlooks for Europe (as a result of increased spending by Germany and an inability to pivot to a sustainable deficit reduction path in the case of France) seemed to have been forgotten about by the market in the stress scenarios seen in March.

However, as a degree of calm was restored and a more optimistic outlook for oil supply and pricing fed through into inflation expectations, European yield curves began to re-steepen, albeit not to the levels seen in February. The fund benefited from this move as we were positioned overweight at the shorter end, feeling that too much was priced by way of policy tightening and that long-end yields were not reflective of the longer-term economic outlook for a number of countries within the eurozone. We were also running a curve steepening exposure to the US, as the curve had flattened significantly following the repricing of rate cuts from the Fed. However, the hawkish pivot saw the market move to price rate hikes and the curve continued to flatten, so this positioning will have detracted from performance.

The other market where the fund was running curve risk was Japan, where we were overweight the long end versus shorter dated exposures. Performance of this positioning was mixed over the quarter, and the market reacted to speculation of fiscal policy expansion, and subsequent denials. We trimmed some of the exposure during periods of flattening, so overall the impact was limited.

Performance and activity

Fund activity

Whilst maintaining a core strategic long duration stance, much of the activity over the quarter was focused on tactical trading as markets reacted to news flow around the Middle East conflict and shifts in central bank rhetoric. Markets were largely trading on a beta basis to these developments. Within Europe, France and Italy were the largest movers and we traded both of these markets tactically, primarily via bond futures.

We were also active in the primary issuance market in Europe, taking advantage of discounted pricing as sovereign issuers in Europe returned to the market having been reluctant to issue in March and April given the volatile conditions. Towards the end of quarter, as the ceasefire in the Middle East held, (optically at least), and the oil price fell as traffic through the Strait of Hormuz began picking up, bond yields started falling and we trimmed duration to end the quarter 0.6 years long, having been as long as 0.9 years at one point.

The long duration is made up of overweights to Core Europe (primarily to bonds issued by the EU), Spain and Australia, the latter two both trimmed during June, as was the underweight to US following a hawkish reaction to the statements made by the new Fed Chair, following the monetary policy meeting in June.

Exposure to the US, Semi-core Europe and Japan is now neutral. Duration exposure was also traded tactically over the quarter, primarily via futures in France and Italy as we used these higher beta sovereigns to take advantage of oversized market moves in reaction to news flow.

The fund started the quarter holding inflation linked bonds in the US (five-year and 30-year) and Australia (10-year), held on a breakeven basis. These positions afforded the fund a degree of protection as oil prices once again rose towards the end of April, and global breakevens rallied. We exited the position in five-year US breakevens as they hit 2.6%, having exited the Australian position earlier in the month, but held the position in 30-year breakevens until mid-May.

As the oil price began falling from the end of April onwards, this began feeding through to inflation expectations and coupled with the rally in nominal bonds, breakevens came off sharply. By the end of May, the fund held no inflation linked bonds as we felt that, at best, breakevens were now fairly valued, if not a little on the rich side. As this slide continued, we opened a small position in 10-year TIPS during June, wary of a lot of optimism being priced by markets for a lasting resolution, sometimes in contrast to the incoming news flow.

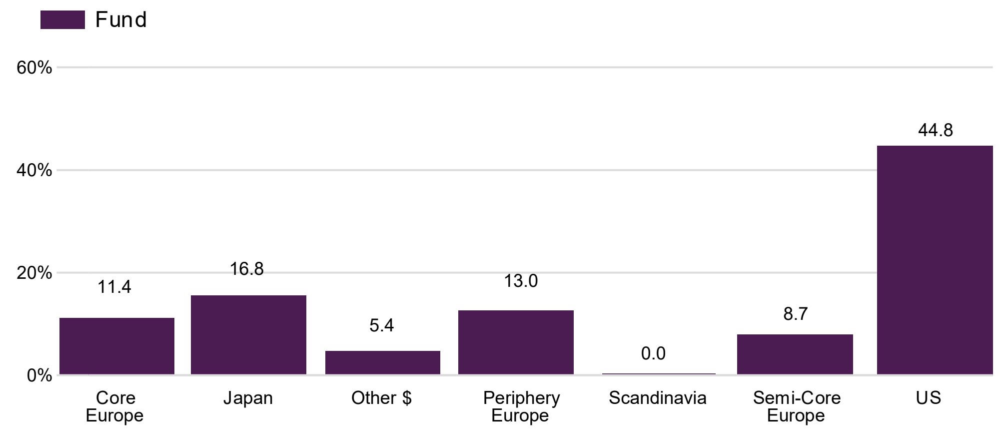
The fund started the period 0.15 years short the US market, relative to benchmark, long 0.2 years Australia and around 0.5 years long Europe – primarily via Spain and bonds issued by the EU, but also at the short end of Germany. Within Europe, the fund was running a long position on 30-year EU bonds versus 30-year Germany (on the basis that the long-end of the Germany yield curve was susceptible to Dutch Pension Fund selling and a repricing of German fiscal policy) and a long position in seven-year EU versus France (where there was potential for political induced weakness).

The fund was also running an underweight to Belgium (versus France) within the semi-core space and an off-benchmark overweight in Portugal following a syndication of 20-year bonds towards the end of May.

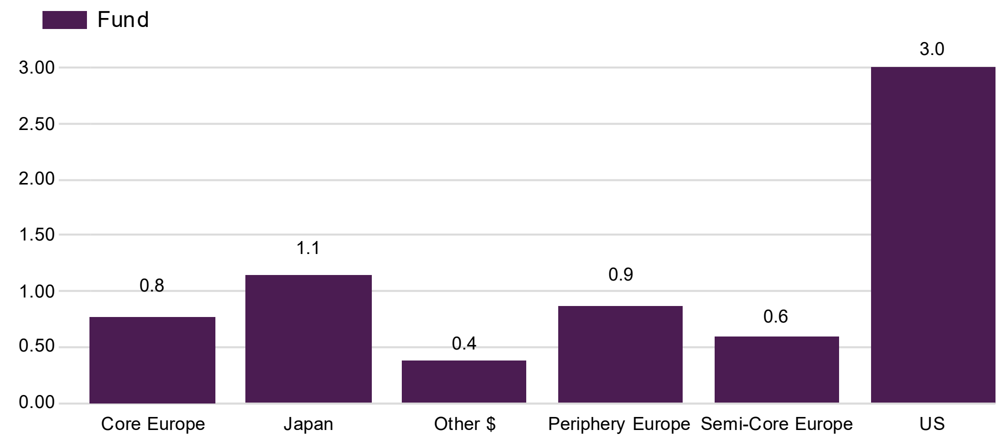
The spread of 10-year Australia over equivalent US government bonds contracted by around 30bps over the course of the quarter and we used this strength to reduce the US underweight and trim the Australian overweight towards the end of June and also switched some Spain into France following a strong outperformance, with the spread reaching multi-year tights toward the end of June. The EU positioning versus France also performed well, as did an overweight to Peripheral European markets generally, as a proportion of the widening of spreads seen at the start of the Iran conflict was retraced.

Fund breakdown

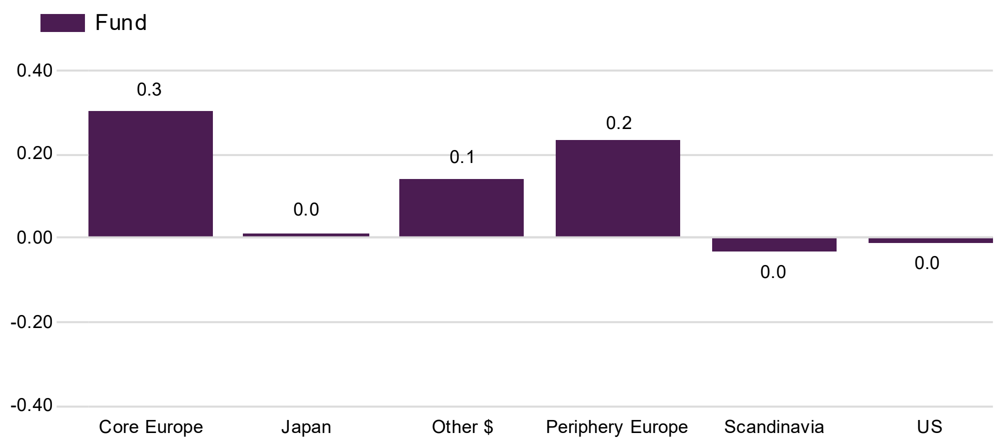
Geographic split by % weight



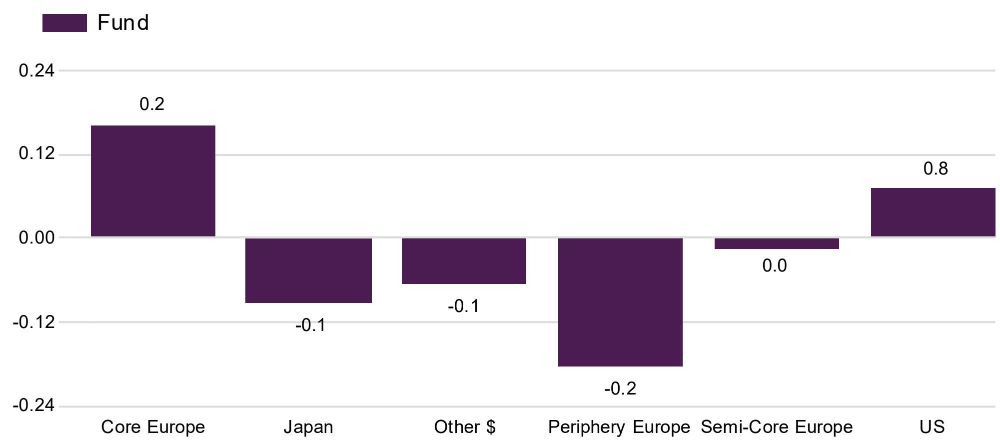
Geographic split by duration



Duration position relative to benchmark

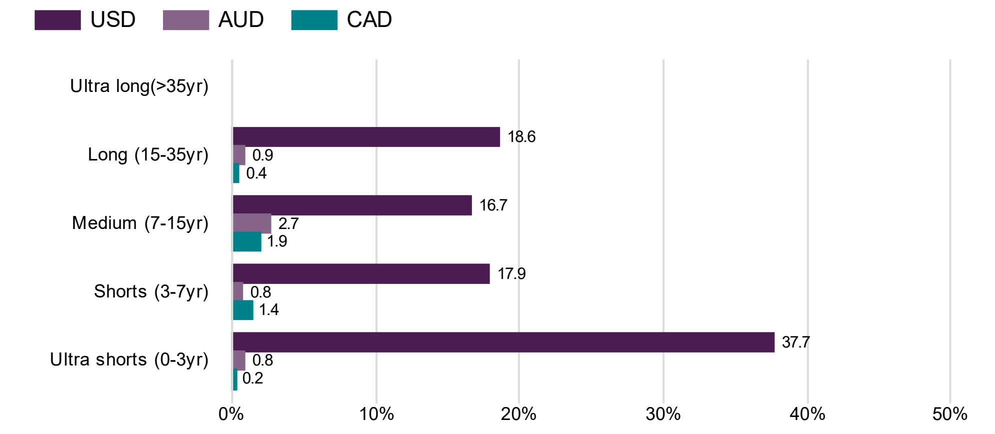


Relative duration quarter on quarter

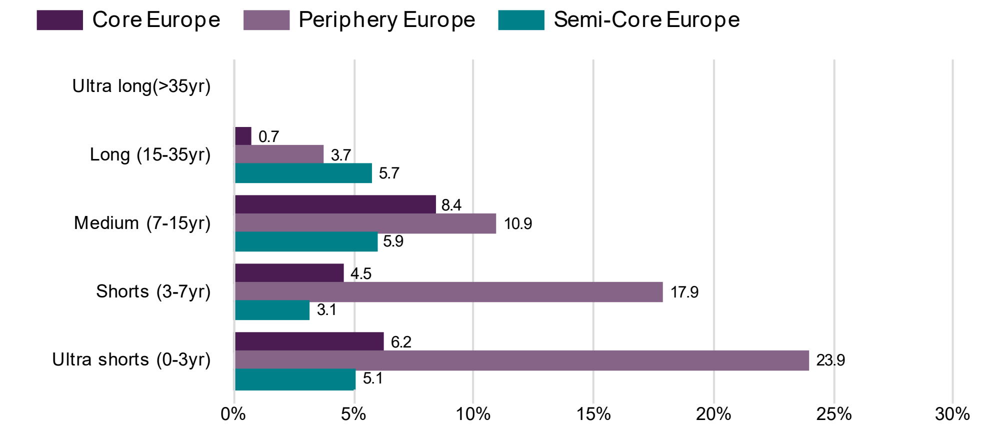


Fund breakdown

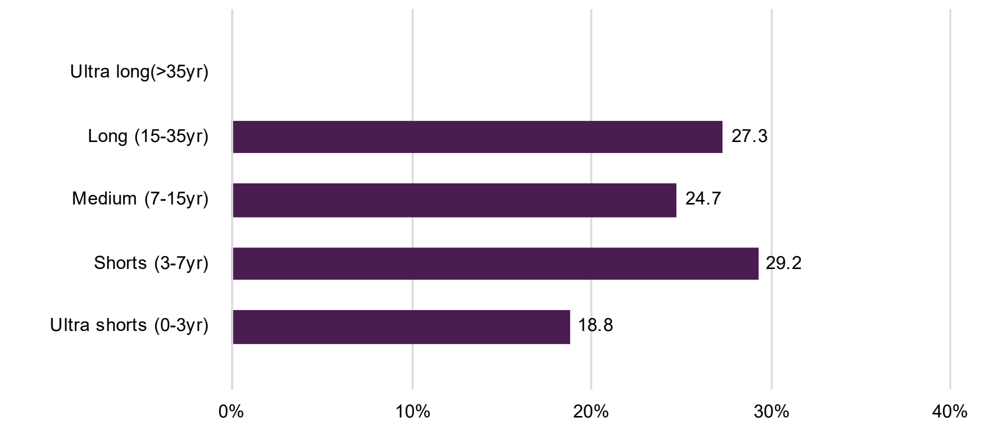
Dollar bloc



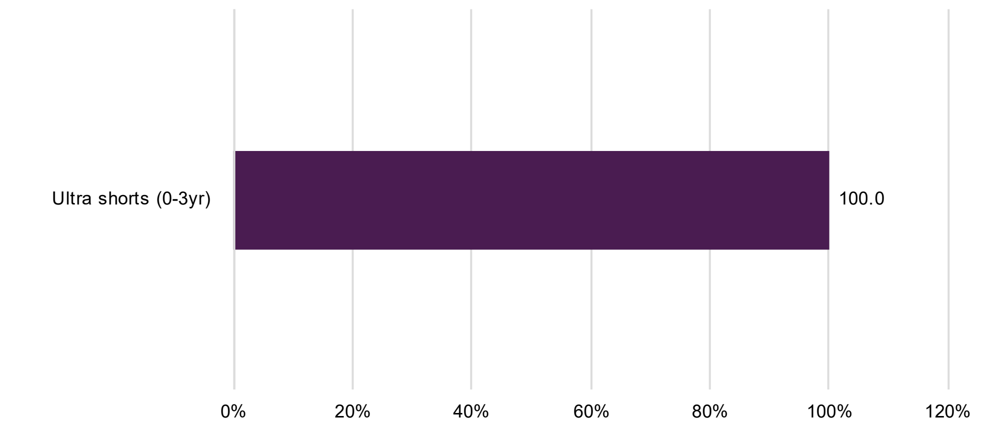
Euro bloc



Japan

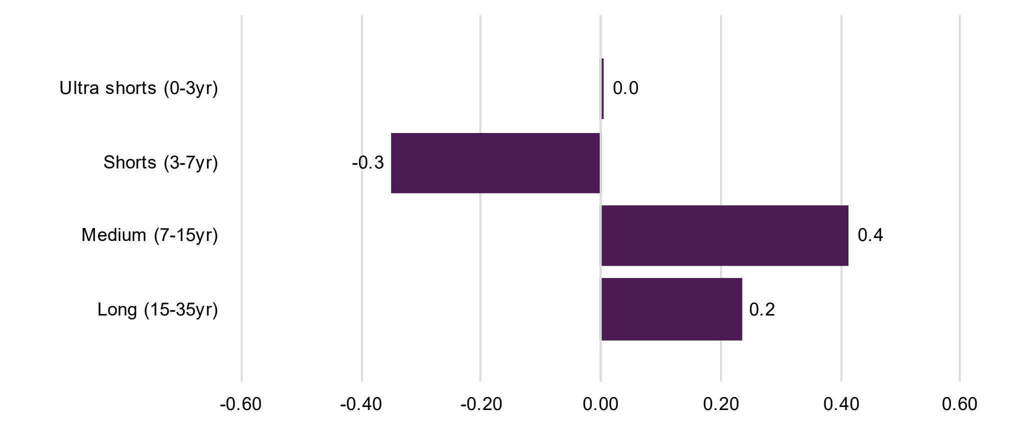


UK



Fund breakdown

Maturity profile relative to benchmark



Market commentary

Market overview

For the second quarter in 2026, financial markets were once again dominated by the ongoing effects of the conflict in the Middle East, particularly on commodity prices and what this may mean for global inflation and growth outlooks.

Having started the year with expectations of rate cuts for a number of central banks, and extended periods of holding rates constant for several others, the second quarter saw a marked change, with markets pricing policy tightening as the inflationary impact of the conflict began to feed through into incoming economic data.

This was supported by change in the rhetoric from a number of the major central banks, emphasising their determination to prevent inflation spiralling out of control through policy action if necessary, perhaps wary of being too slow to react, as was the case in 2022.

The European Central Bank, the Reserve Bank of Australia and the Bank of Japan went further and actually increased their policy rates during the quarter, although perhaps only the ECB did so purely in relation to the impact of events in the Middle East, as Australia and Japan were already facing domestic inflationary pressures, prior to the conflict.

With bonds having sold off and yield curves having flattened dramatically in March, a lot was already “in the price” as we began the second quarter and as hopes rose of a resolution to the conflict, and oil prices came off their highs.

The majority of sovereign markets (with the exception of the US and Japan) saw yields actually fall over the period and curves marginally steepen, though yields remain substantially higher and curves significantly flatter than where they were prior to the conflict. In the US, much focus was on the appointment of the new Fed Chair, Kevin Warsh, and as it became apparent that he was no Trump ”sock puppet” and policy easing was by no means a certainty.

Indeed, at his first Fed policy meeting in June, his messaging was clear that he was determined to prioritise the inflation side of the Fed’s dual mandate, with US inflation having been above target for the past five years.

As this messaging was absorbed by the market, short-end US treasuries were the worst performing sector of the developed global sovereign market over the period, with two-year yields rising by close to 40bps and five-year yields by close to 30bps over the quarter, as the market shifted from pricing rate cuts to possible hikes by the Fed.

In Japan, the large increase in yields was seen at the other end of the curve, as long end yields sold off on renewed fears of an expensive fiscal expansion program and the 10-year point started pricing a faster path of rate hikes by the Bank of Japan.

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 period, 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 for inflation, driven by commodity prices, the key driver of markets over the quarter.

In the wake of the conflict in the Middle East, business surveys pointed to slower growth in Q2. The UK and euro area composite PMI business survey data indicated a modest contraction in private sector output. The US composite PMI held up better, above 50 and rising over most of Q2.

Manufacturing was supported by firms bringing forward activity ahead of expected price rises and potential shortages. However, as tensions in the Middle East calmed and the oil price fell, the June survey data pointed to some unwind of that support.

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 lower 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.

Outlook

The ongoing global macro environment remains unsettled. Geopolitical risks, ongoing fiscal uncertainty and divergence in global monetary policy drove volatility in both nominal and real yields. More specifically the continued tensions around Iran add an additional layer of uncertainty to the inflation and growth outlook.

While markets initially focused on the impact of energy prices and near-term inflation risks, history suggests that prolonged geopolitical shocks tend to act as a drag on global growth, as higher input costs, tighter financial conditions and weaker confidence feed through into demand.

Whilst yields have fallen and the oil price has returned to pre-conflict levels, we still remain cautious as to the voracity of a longer-term solution to the conflict. Accordingly, we have trimmed

Market commentary

some of our duration long into the end of the quarter and remain of the view that the best way to navigate the current scenario is trade tactically and take advantage of bouts of volatility, overlaying a structural long position within the fund.

We remain constructive on Spain (given a strong economic backdrop) and Australia (where much of the tightening of monetary policy appears to have been completed), but have been happy to trim back some of our overweights given their strong relative performance.

Elsewhere in Europe, both France and Italy face potential political headwinds (though this may be a story for later in the year and into 2027), so are keeping positioning light in these higher beta markets for now.

We are still running an overweight in shorter-dated Germany, as we feel that too much has been priced by the market by way of policy easing from the ECB.

Given the re-pricing of the US as a result of changes to Fed messaging, we are happy to run a neutral exposure and may looked to go long should additional tightening be priced.

Further Information

Please click on the links below for further information:

Stewardship and Responsible Investment at RLAM

TCFD climate report

Find out more

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

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

Disclaimers

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The Fund is a sub-fund of Royal London Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797.

The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

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Risks and Warnings

Investment risk

The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

EPM techniques risk

The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Exchange rate risk

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.

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.

Counterparty risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Government and public securities risk

The Fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

Charges from capital risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

Performance to 30 June 2026

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	1.59	1.17	2.46	11.14	2.99
Fund (net)	1.51	1.02	2.16	10.15	1.46

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	3.58	0.59
Fund (net)	3.27	0.29

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)	2.46	5.27	3.04	(0.65)	(6.72)
Fund (net)	2.16	4.96	2.73	(0.95)	(7.00)

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 International Government Bond Fund M Inc GBP share class.

Glossary

Asset allocation

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

Bonds

Securities that represent an obligation to repay a debt, with interest. Investment grade bonds are high quality bonds that are viewed as being highly likely to make all scheduled payments of interest and principal. Low quality bonds carry higher risk but also typically pay higher rates of interest. Corporate bonds are those issued by companies to raise finance.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.
This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Performance

The Fund price is taken at mid-day using swing prices where applicable, while the index performance is priced at close of business. Significant intra-day market movements at the start or end of the day may therefore distort comparisons.

Pricing

The Fund's price may swing to bid or offer to protect existing investors from the costs associated with buying or selling the fund's underlying assets when other investors are entering or leaving the fund. Performance is based on this pricing.

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.

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.