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Royal London Short Term Fixed Income 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 Short Term Fixed Income 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, over rolling 12-month periods, through a combination of capital growth and income, before the deduction of fees. The performance comparator for the Fund is the Bank of England Sterling Overnight Interbank Average ("SONIA") plus 0.50%. SONIA is the average overnight interest rate UK banks pay for unsecured transactions in sterling. It is considered to be an appropriate benchmark as it is a widely recognised approach to benchmarking short-term money market and fixed income funds.

Fund value

	Total £m
30 June 2026	3,455.27

Fund analytics

	Fund
Fund launch date	15 June 2011
Benchmark	Sterling Overnight Index Average (SONIA)
Weighted average maturity (years)	0.25
Number of issuers	47
Redemption yield (%)	4.17

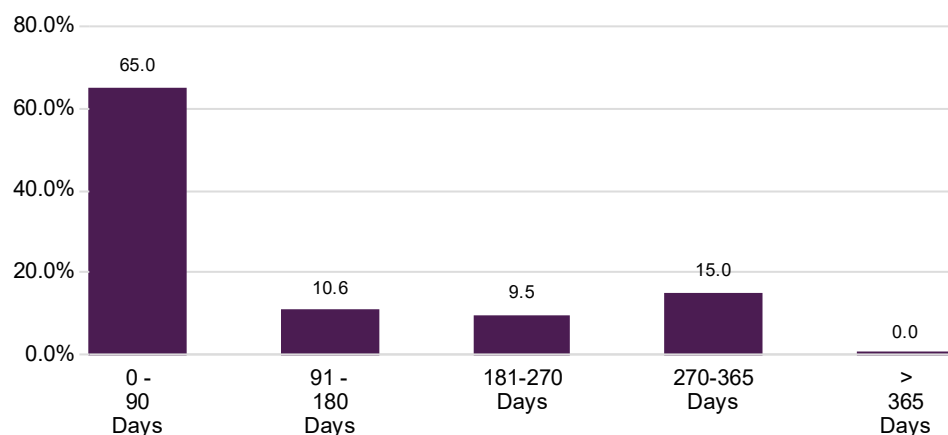
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.19	0.92	0.28
YTD	2.10	1.83	0.27
1 Year	4.49	3.87	0.62
3 Years (p.a.)	5.27	4.57	0.70
5 Years (p.a.)	3.79	3.42	0.38
10 Years (p.a.)	2.28	1.85	0.43
Since inception (p.a.)	1.88	1.42	0.46

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 21 May 2012.

Duration profile



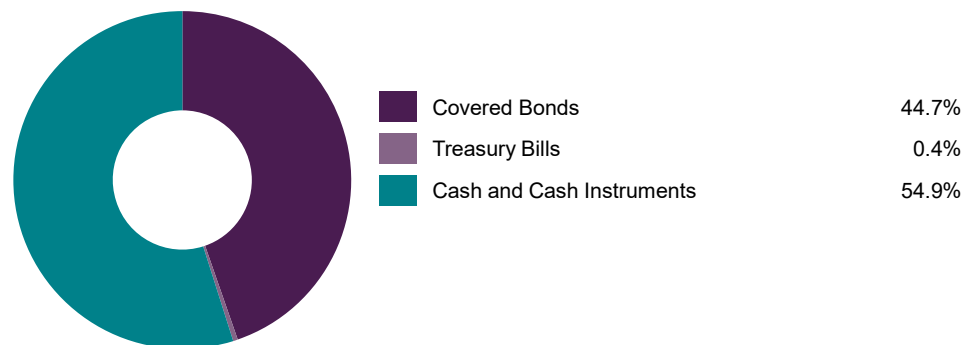
Performance commentary

The underlying trend of note during the quarter was longer money market rates easing lower as concerns that higher oil prices would translate directly into swift and severe central bank rate hikes dissipated. This was a gradual drift lower in early months, and then a shift lower towards the end of the quarter on news of a ceasefire between Iran and the US. Credit spreads – both on an all-maturities and short-dated sterling credit indices - were slightly tighter over the quarter.

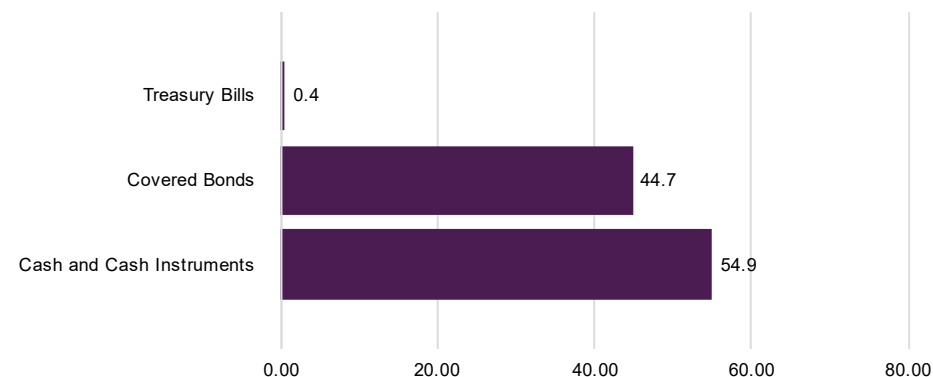
Performance was ahead of the SONIA benchmark over the quarter. There were strong returns from the two main components within the fund, namely money market exposure and holdings in covered bonds. Money market exposure was the main driver of returns, reflecting that this is the largest asset class in the portfolio. We had added to overall portfolio duration earlier in the year through the selective addition of six-month paper in the first quarter and the early part of the second quarter, and this produced attractive income for the portfolio. Covered bond exposure was also helpful, again producing strong income, although returns were generally lower than on fixed rate instruments given the fall in yields.

Performance and activity

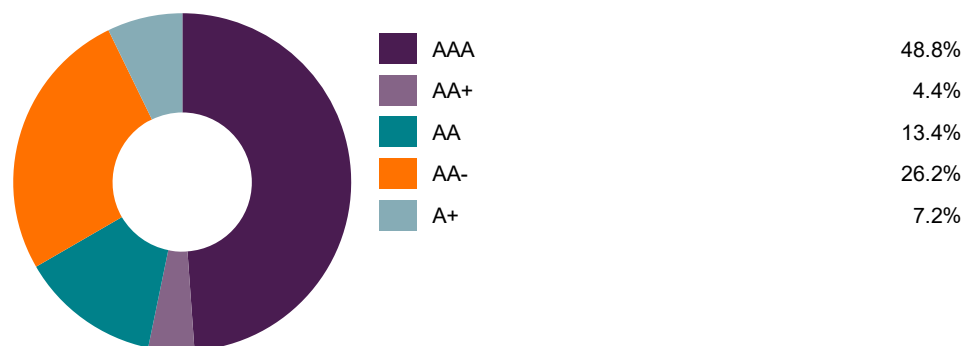
Asset allocation profile



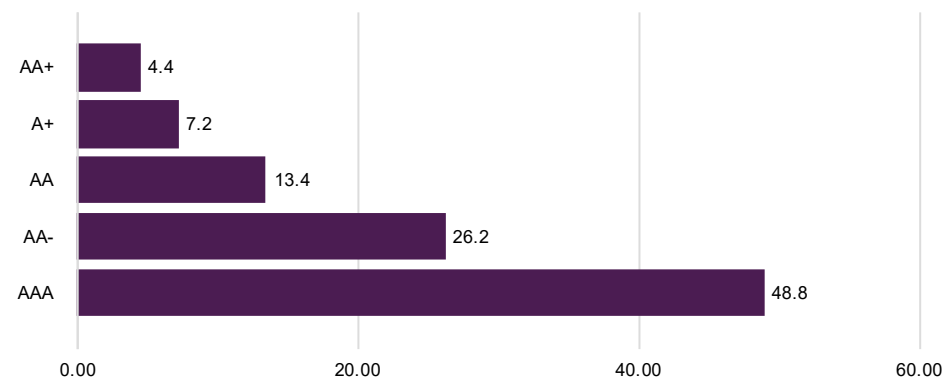
Change since last quarter (asset allocation) %



Credit rating profile

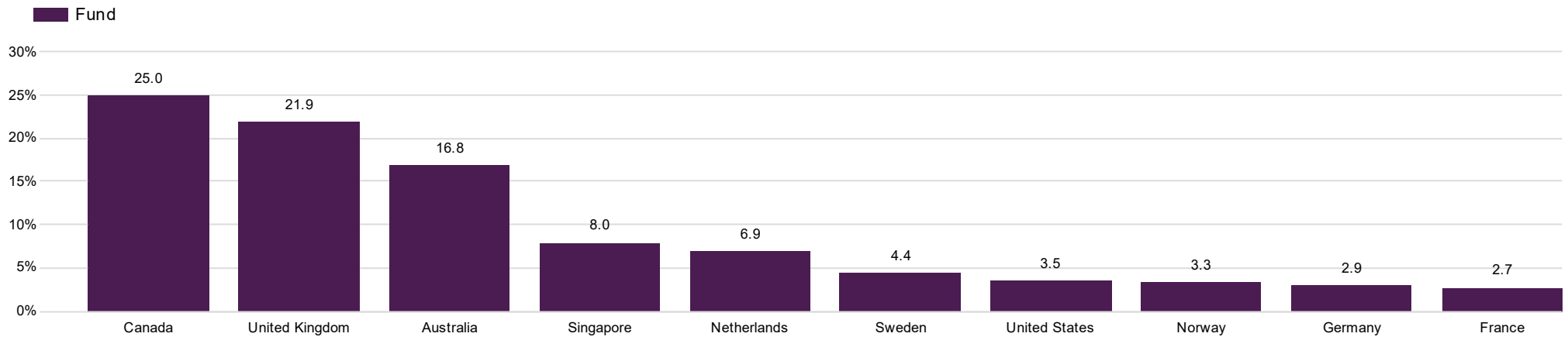


Change since last quarter (rating) %

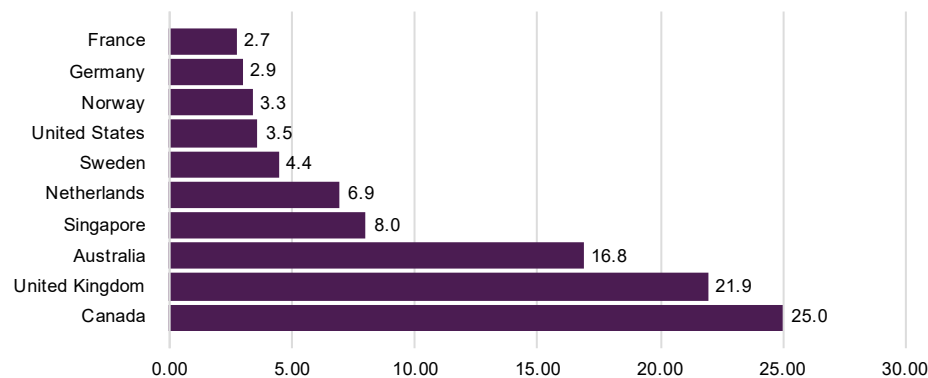


Performance and activity

Top ten geographic allocation (ex gilts) %



Change since last quarter (geographic) %



Performance and activity

Fund activity

We felt that while rising inflation would garner headlines, it was very unlikely to result in significant rate increases from the Bank of England. With market pricing in significant rate increases and pushing yields sharply higher, for example with 100bps increase in one-year CD yields, we felt that there were opportunities to selectively add to longer-dated exposure.

This increase and subsequent retracement in yields available on money market instruments provided opportunities for fund activity over the quarter. Through the first part of the quarter, with yields still looking high and therefore offering value against our models, we were happy to pick up limited issuance of one-year paper from issuers that scored well on our credit and ESG criteria, such as six-month CDs in DZ Bank and one-year CDs in Goldman Sachs, National Westminster and Standard Chartered, all at yields well over SONIA.

Covered bonds from favoured issuers are always attractive for the fund, and remain a significant part of the portfolio given the AAA rated, dual recourse nature of the bonds. Their eligibility as collateral means that some buyers are less price sensitive, and we therefore take a very selective approach. Over the period, we bought a new issue of five-year covered bonds from Bank of Montreal, also adding Standard Chartered and Korea Housing Finance Corp - new issues late in the period – the latter a government owned issuer providing mortgages to support low- to middle-income households in South Korea, which came at an attractive credit spread compared to UK covered bonds.

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.

During the second quarter of 2026, UK economic news was dominated by the Bank of England's need to balance easing domestic inflation against renewed uncertainty created by higher global energy prices and the potential impact on growth, with the Bank deciding to leave rates unchanged throughout the period. At its June meeting, the Monetary Policy Committee voted 7–2 to keep Bank Rate unchanged at 3.75%, with two members favouring an immediate increase to 4.0%, highlighting growing concern that energy-related inflation pressures could prove more persistent than expected. Although CPI inflation eased to 2.8%, policymakers warned that inflation was likely to rise again later in the year as higher energy costs feed through to the economy. At the same time, signs of a loosening labour market and softer economic growth argued against further tightening, leaving the Bank in a cautious wait-and-see position.

Money market conditions reflected this policy stability. SONIA, the Sterling Overnight Index Average, remained steady throughout the quarter, starting and ending at 3.73%. Market expectations shifted during the quarter, however. Investors entered 2026 anticipating further interest rate cuts, reversing this view and pricing in material rate hikes following the spike in oil prices. Over the course of the second quarter, those expectations have eased, with markets now pricing in a single rate hike from the Bank this year. Two-year gilts, often seen as a proxy for market expectations of BoE rates, therefore moved lower, particularly in June on ceasefire news, falling from 4.41% to 4.18%.

Outlook

The global impact of the conflict in the Middle East is not yet fully visible. Even with a ceasefire, it will take some time for normal traffic to pass through the Strait of Hormuz, and oil prices may therefore take some time to return to pre-conflict levels. The first-round impact on inflation is really simple to predict, with price rises feeding through into elevated headline inflation this year and then falling back in 2027 due to the base effects of year-on-year comparisons. The short and medium-term impact on growth is harder to predict, but historically, sudden sharp increases in energy prices have had a negative impact on global growth. While the quantum of that change may be different today due to increased variation in energy sources, we still expect a negative impact.

With inflation higher on a technical basis, and second-round effects also likely to push inflation higher as workers look for higher wages to offset higher cost of living, central banks are likely minded to increase interest rates from current levels. Against that, however, the negative impact on growth means that central banks are likely to be cautious about raising rates and exacerbating the impact on growth. A key determinant will be whether central banks view current policy stances as accommodative or restrictive.

For the UK, the Bank of England has an additional consideration due to political uncertainty. At the time of writing, Starmer has announced an intention to step down as Prime Minister, with little expectation of prolonged contest to replace him. The apparent speed of the change at the top of Government means that there is little known about many areas of potential policy decisions under Burnham leadership, and hence the impact on public spending, tax and borrowing. Until there is greater clarity, we expect higher volatility. This makes a strong directional positioning difficult to justify.

While we target an attractive yield in the portfolios, we are mindful of liquidity and security as well, therefore preferring to look for value on a case-by-case basis using our models, rather than implementing large-scale macro or interest rate calls. We continue to believe that the overall yields in our liquidity and short-term fixed income funds remain attractive for investors.

Further Information

Please click on the links below for further information:



Find out more

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

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

Disclaimers

Important information

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

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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.

The "SONIA" mark is used under licence from the Bank of England (the benchmark administrator of SONIA), and the use of such mark does not imply or express any approval or endorsement by the Bank of England. "Bank of England" and "SONIA" are registered trademarks of the Bank of England.

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.

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.

Inflation risk

Where the income yield is lower than the rate of inflation, the real value of your investment will reduce over time.

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)	1.19	2.10	4.49	16.68	20.48	5.27	3.79
Fund (net)	1.19	2.08	4.46	16.57	20.29	5.24	3.76

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)	4.49	5.29	6.05	3.25	0.00
Fund (net)	4.46	5.26	6.02	3.22	(0.03)

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 Short Term Fixed Income Fund Z 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.

Covered bonds

Bonds or notes that are backed by cash flows from mortgages or other debt.

Derivatives

A financial instrument whose price is dependent upon or derived from one or more underlying asset.

Efficient Portfolio Management (EPM) techniques

The Fund may engage in EPM techniques including holdings of derivative instruments. The use of these instruments may expose the Fund to volatile investment returns and increase the volatility of the net asset value of the Fund. EPM techniques may involve the Fund entering into transactions with counterparties where there may be a risk of counterparty default. The Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Floating rate notes

Bonds that pay a variable rate of interest. The interest rate is tied to a benchmark and adjusted periodically.

Money market instruments

Investments that pay interest, have a short duration and are designed to maintain a stable value.

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.

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.

Weighted average maturity

The average length of time to maturity of all underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid.