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This fund uses the Sustainability Focus label which is for funds that invest mainly in assets that focus on sustainability for people or the planet.

Sustainability Focus

Royal London Sustainable Short Duration Corporate Bond Fund

Quarterly Investment Report

30 June 2026

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 30 June 2026

The purpose of this report is to provide an update on the Royal London Sustainable Short Duration Corporate 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

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's financial objective is to achieve a total return and outperform, after the deduction of charges, the ICE Bank of America Merrill Lynch Sterling Non-Gilt (1-5 Years) Total Return (GBP Unhedged) over rolling 5-year periods. The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard". 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 Corporate Bond sector (the "IA Sector").

Fund value

	Total £m
30 June 2026	147.64

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	99.01	99.12
Conventional gilts	0.99	-
Conventional foreign sovereigns	-	0.88

Fund analytics

	Fund	Benchmark
Fund launch date	23 November 2022	
Fund base currency	GBP	
Benchmark	ICE BofA 1–5 Year Sterling Non-Gilt Index (Total Return, GBP)	
Duration (years)	3.60	2.50
Redemption yield (%)	5.46	4.84
Number of holdings	228	566
Number of issuers	157	285

Past performance is not a guarantee or reliable indicator of future returns. Please refer to the glossary for a description of the yield used.

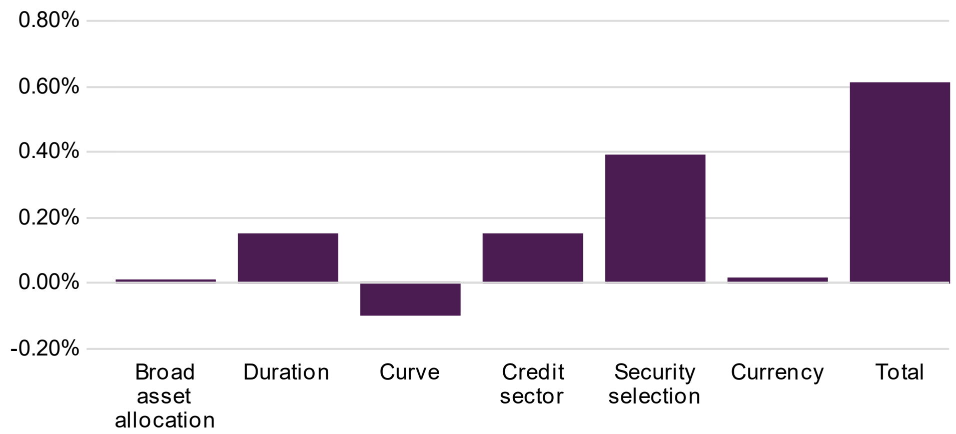
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	2.79	1.93	0.86
YTD	2.44	1.28	1.17
1 Year	6.07	4.01	2.06
3 Years (p.a.)	8.00	6.44	1.56
Since inception (p.a.)	6.77	5.03	1.73

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 23 November 2022.

Attribution over the quarter



Performance commentary

The fund's sustainability objective is to invest in companies that make a positive contribution to one or more of the Sustainability Themes – clean, healthy, safe, and inclusive. Our sustainable credit funds combine our long-standing credit philosophy with our heritage in sustainable investing, and most notably provide access to critical sectors that are not available via equity markets. These areas can include not-for-profit UK housing associations providing homes at social and affordable rents, building societies providing basic financial services to households, and privately held regulated utilities enabling the transition to a lower-carbon economy. Our sustainable funds have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

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 yields and supportive credit markets driving returns. The overall impact of our duration and curve positioning was positive.

The combination of stock and sector selection was positive over the quarter. Our longstanding underweight position in supranationals was the largest positive allocation effect, while overweight positioning in insurance also added value.

Looking more closely at security selection, there were strong contributions across the portfolio. Within banks, we have a bias towards high quality, well capitalised issuers that better align to our inclusive sustainability theme through the provision of basic financial services. There were strong contributions from AT1 holdings in Lloyds, Nationwide, and Coventry Building Society as financial subordinated debt rallied in the second quarter in the spread tightening environment. In insurance, performance was driven primarily by subordinated holdings such Aviva, with RT1 bonds Athora also performing well.

Away from financials, a strong contributor to performance during the quarter was rolling stock leasing company Eversholt. Following its acquisition by Beacon Rail earlier in the year, the company announced that by the end of 2026, all existing debt would be repaid early at a significant premium to market pricing. Rolling stock companies are well-aligned to our clean sustainability theme, due to both their role in enabling lower-carbon transport and the fund continues to hold Great Rolling Stock (Angel Trains).

Performance and activity

Top 10 holdings

	Weighting (%)
HSBC Bank Fund 5.844% VRN Perp	2.41
Sage AR Funding FRN 17/11/2051	1.62
Bazalgette Finance Plc 2.375% 29/11/2027	1.54
British Land 5.357% 31/03/2028	1.38
Natwest Group PLC 2.105% VRN 28/11/2031	1.37
Aviva PLC 4% 05/06/2032	1.34
Principality Building Society 8.625% 12/07/2028	1.34
Virgin Money UK PLC 7.625% VRN 23/08/2029	1.22
Yorkshire Water 6.454% 28/05/2027	1.17
Juturna Euro Loan Conduit 5.0636% 10/08/2033	1.14
Total	**14.53**

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 financials supply. This was slightly above last year’s issuance during the same period (£10.3bn).

In real estate, we 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. The asset holds a BREEAM In-Use rating of “Excellent”, reflecting high standards of operational management and environmental efficiency.

Beyond this headline rating, Westfield Stratford reported a 30% reduction in energy use and a 29% reduction in carbon emissions since 2019, achieved through ongoing optimisation and energy efficiency initiatives. Given tenants’ own sustainability ambitions, we view these initiatives as key to ensuring that Westfield Stratford remains a key destination for retailers – ultimately mitigating potential risks to cash flow stability and the value of the underlying security.

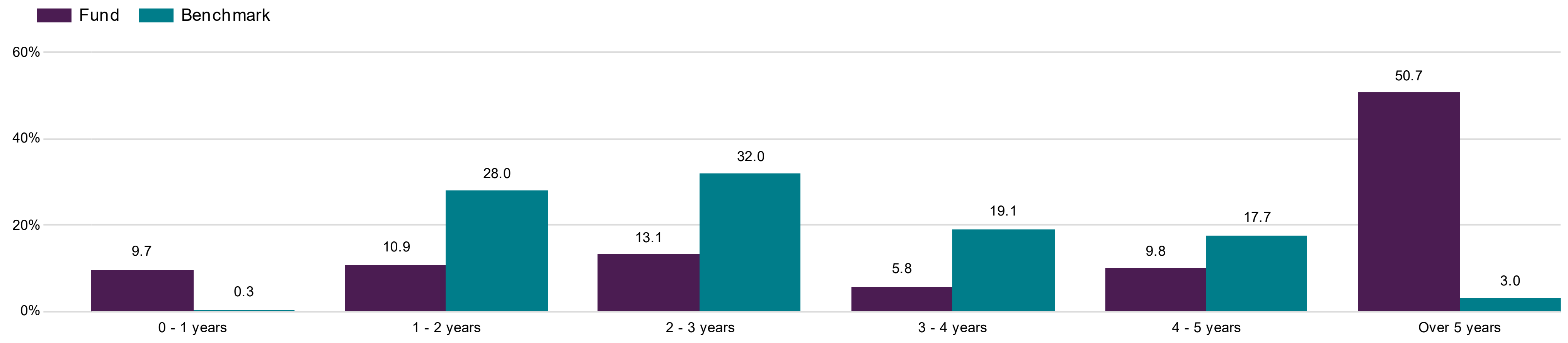
In real estate, Vonovia, one of Europe’s largest residential real estate companies headquartered in Germany, came to market with a sterling-denominated 12-year bond. While the company is an important contributor to addressing fundamental social need for access to housing – and demonstrates a focus on maintaining affordability in its portfolio and providing high quality homes to tenants. The issue came at an attractive spread for fundamental risks.

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.

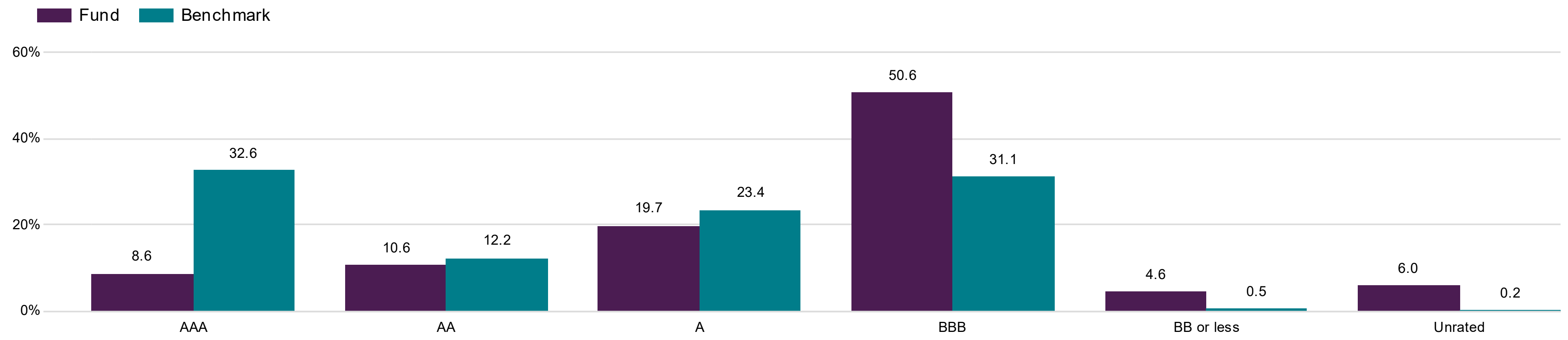
We continue to seek to diversify the portfolio when we believe that attractive opportunities arise. One of these was education publisher Pearson, issued with a yield premium which we felt more than compensated for the perceived AI disruption risk. We also added IDS, which owns Royal Mail and the GLS parcel business.

Fund breakdown

Maturity profile

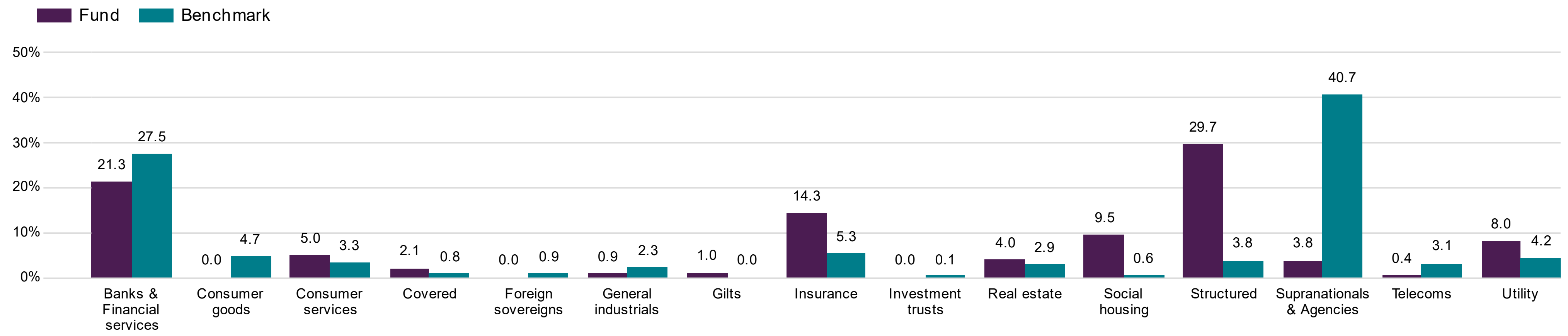


Credit ratings



Fund breakdown

Sector breakdown



Characteristics and climate

Sustainability approach

The Fund's sustainability objective is to invest in companies or issuers that make a positive contribution to one or more of the "Sustainability Themes" (Clean, Healthy, Safe, Inclusive), through their products or services as determined by the Investment Manager using its "Sustainability Standard". The Sustainability Standard requires 50% of a company or issuer's revenues to be derived from product or services aligned to one or more of the four Sustainability themes.

Overall, at least 70% of the Fund is invested in sustainable companies or Iisuers. Up to 30% may be held in non-sustainable companies or Issuers that do not conflict with the sustainability objective for any of the four sustainability themes of the Fund.

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.

Pornography production	✓
Non-health animal testing	✓
Armament manufacturing	✓
Fossil fuel extraction	✓
Gambling establishments	✓
Nuclear-power generation	✓
Tobacco manufacturing	✓

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	1,610	n/a	n/a
Financed emissions coverage	49.37%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	8.38	8.79	(4.68)
Carbon footprint coverage	49.37%	88.95%	(44.50)
Weighted average carbon intensity (tCO2e/$M sales)	21.53	26.21	(17.86)
Weighted average carbon intensity coverage	93.03%	93.77%	(0.78)

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	46.09	56.63	(18.62)
% of portfolio below 2°C ITR	29.87	35.19	(15.11)
% of portfolio below 1.5°C ITR	15.44	13.71	12.61

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	9.16	6.65	37.85
SBTi Near-Term committed	5.53	3.53	56.72
SBTi Near-Term targets set	9.17	11.97	(23.40)

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	4	17
Number of engagements	4	45

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	5
Climate - Physical Risk	2
Climate - Transition Risk	3

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.

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 dominated by 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 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 the key driver of markets over the quarter.

Higher oil and gas prices pushed up headline inflation across most economies, primarily via fuel and energy-related components. Business surveys also pointed to a squeeze on input costs and a deterioration in delivery times, reflecting supply chain disruptions. By June, however, there were signs of easing supply chain disruptions following increased shipping flows through the Strait of Hormuz.

The US Federal Reserve kept rates on hold in both April and June. The June participant projections, however, showed nine out of 18 participants pencilling in a 2026 rate hike alongside upward revisions to the median inflation forecast, although the projections would not have fully reflected the fall in the oil price seen later in the quarter. Kevin Warsh replaced Jerome Powell as chairman of the US Federal Reserve and in June held his first press conference, striking a more hawkish tone than many anticipated.

The European Central Bank (ECB) raised rates by 25bps in June as the inflation impact of higher energy prices showed signs of broadening. Euro area GDP fell 0.2% quarter-on-quarter in Q1, although the fall was exaggerated by GDP volatility in Ireland. The Bank of England (BoE) kept rates on hold with two members voting for a rate hike. By the end of the quarter, given lower oil prices, markets had lowered expectations of future rate hikes from both the ECB and BoE from levels seen earlier in the quarter.

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.

Global investment grade credit markets saw positive returns over the quarter. Credit spreads were tighter over the period – reflecting the rebound from the widening initiated by the breakout of conflict in Iran. US dollar, euro and sterling markets all saw positive returns, with sterling the relative outperformer.

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. We 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. The geopolitical situation that has been a major impact on performance in the first half of 2026 is far from resolved, and further volatility can be expected.

Corporate bond markets enter the third quarter with spreads having retraced some of the widening seen earlier in the year. We continue to view credit spreads compensating for downgrade risk and that all-in yields remain attractive. While headlines in the next few months will undoubtedly lead to swings in prices, we believe that the long-term outlook for the asset class remains positive.

We continue to find attractive investment opportunities, partly through the new issue market but also by focusing on exploiting market inefficiencies. By focusing on bottom-up analysis, we continue to build overall portfolios that we believe offer attractive risk / return profiles.

While near-term absolute performance is likely to be heavily influenced by movements in the yields of underlying government bond markets, we believe that continued emphasis on income generation, will continue to support returns as has been the case through the present environment of volatile yields.

Further Information

Please click on the links below for further information:

- Stewardship and Responsible Investment at RLAM
- Responsible Investment
- Royal London Credit & ESG Activity Report
- 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

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 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.

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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.

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.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 30 June 2026

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	2.79	2.44	6.07	25.99	26.60
Fund (net)	2.71	2.29	5.74	24.83	25.20

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	8.00	6.77
Fund (net)	7.66	6.44

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)	6.07	7.48	10.51	-	-
Fund (net)	5.74	7.15	10.17	-	-

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 Sustainable Short Duration Corporate Bond Fund Z Acc GBP share class. Since inception date 23 November 2022.

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.

Environmental, social and governance
A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

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.

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.

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.

Top 10 holdings
Top 10 assets held by market value, excluding derivatives and cash.

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.