

For professional clients only, not suitable for retail clients. This is a marketing communication.



Royal London Short Term Fixed Income Fund

Quarterly Investment Report

31 March 2026



Quarterly Report

The fund as at 31 March 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.

Contents

The fund	3
Performance and activity	4
Market commentary	8
Further information	9
Disclaimers	10
Performance net and gross	12
Glossary	13

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
31 March 2026	3,369.86

Fund analytics

	Fund
Fund launch date	15 June 2011
Benchmark	Sterling Overnight Index Average (SONIA)
Weighted average maturity (years)	0.19
Number of issuers	46
Redemption yield (%)	4.26

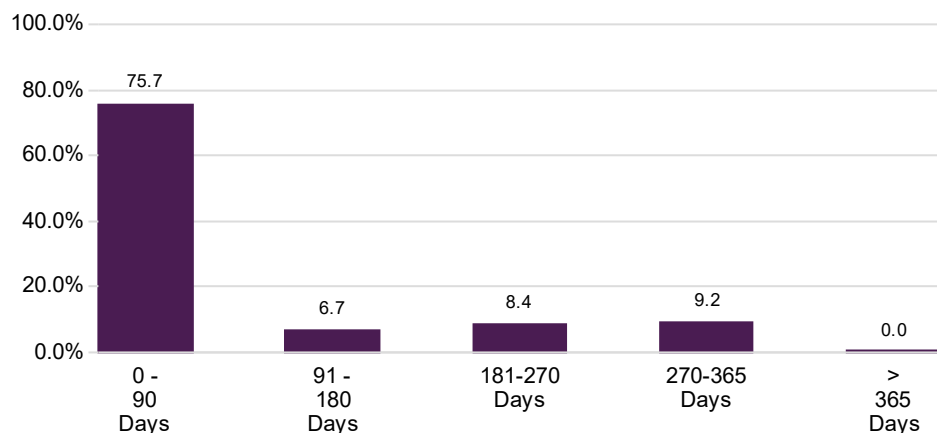
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.90	0.91	(0.01)
1 Year	4.50	4.01	0.49
3 Years (p.a.)	5.24	4.62	0.62
5 Years (p.a.)	3.56	3.23	0.33
10 Years (p.a.)	2.18	1.77	0.41
Since inception (p.a.)	1.82	1.38	0.45

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

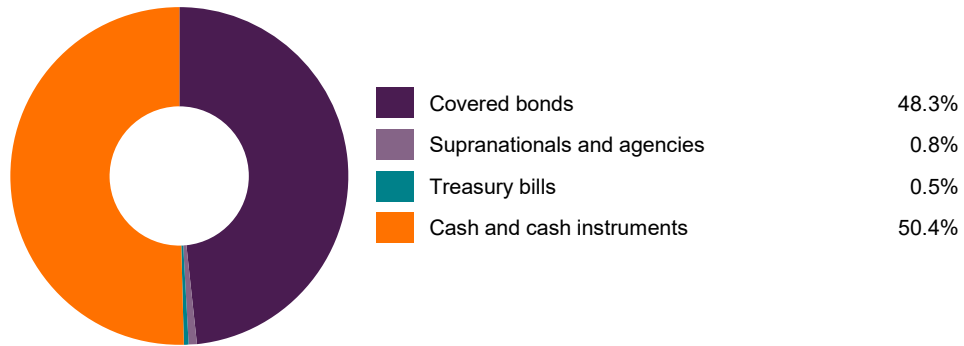
The first quarter of 2026 can be split into two distinct periods: before the breakout of war in the Middle East and the fallout stemming from sharply increased commodity prices, in particular oil afterwards. The conditions in January and February were supportive for strong performance while March then lagged on the heightened geopolitical volatility and the lack of a clear end in sight due to mixed messaging from the US administration.

Money market rates ended the quarter higher. While SONIA was unchanged – reflecting unchanged Bank of England interest rates – short-dated rates on CDs and similar money market instruments were trending lower early in the quarter on expectations of interest rate cuts. The outbreak of conflict in Iran, and the forecast increase in inflation, led to a sharp increase in money market rates.

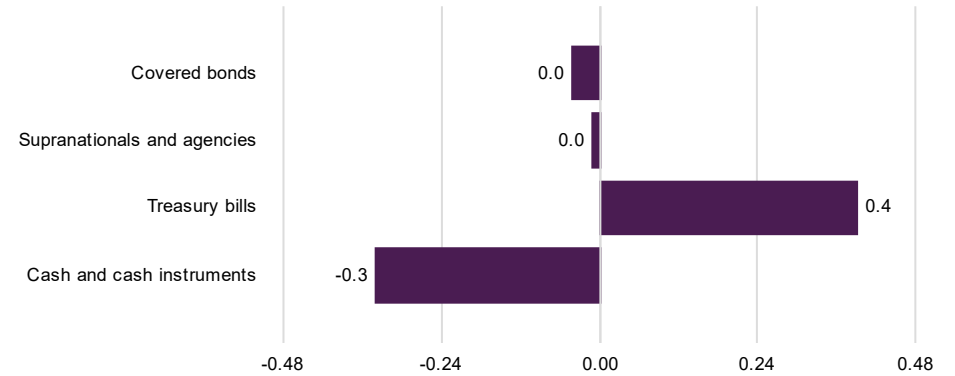
Performance was broadly in line with its SONIA benchmark. At a portfolio level, we had built up a yield premium to the benchmark, and this was positive for performance. Longer-dated fixed rate paper was a small negative given the increase in yields, although we expect this mark-to-market effect to wash out as these approach maturity. Covered bond exposure was the main driver of returns over the period. The majority of these assets are floating rate in nature, which provided a level of insulation from rising yields.

Performance and activity

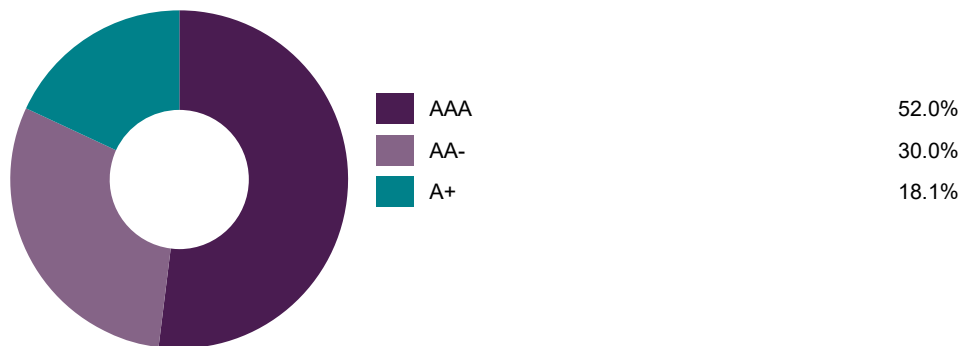
Asset allocation profile



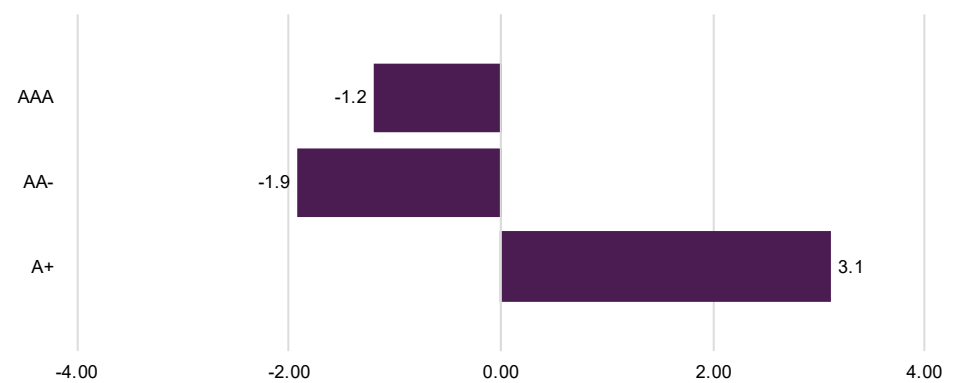
Change since last quarter (asset allocation) %



Credit rating profile

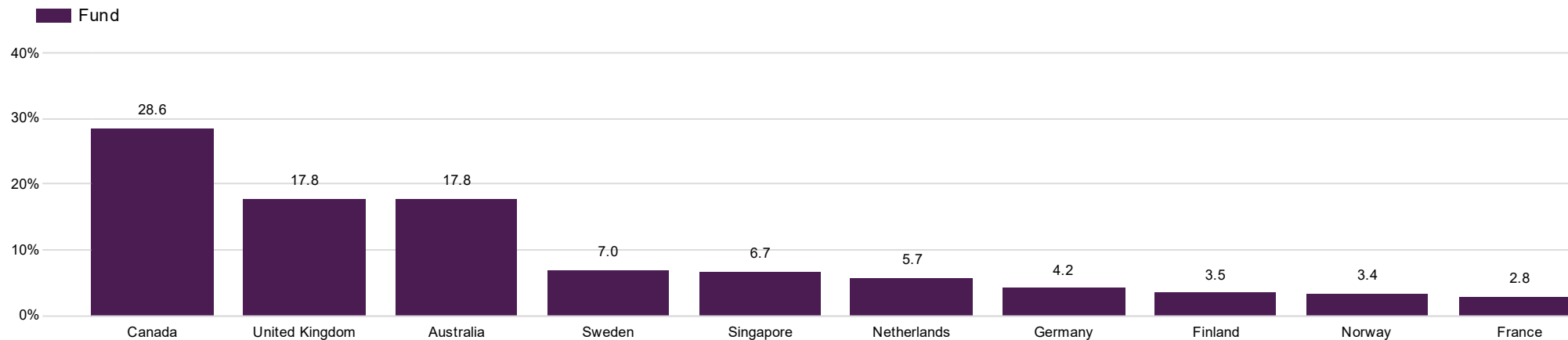


Change since last quarter (rating) %

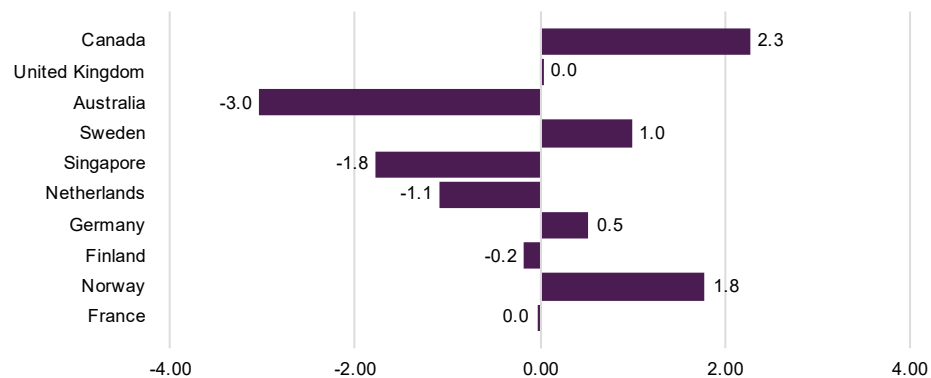


Performance and activity

Top ten geographic allocation (ex gilts) %



Change since last quarter (geographic) %



Performance and activity

Fund activity

Following the traditional year-end lull at the end of the previous quarter, market activity picked up in the new year. Our activity pivoted with the change of sentiment and market rates at the start of March. For the first two months of the quarter, the fund focused on shorter-dated CDs from preferred issuers that score well on our credit and ESG factors, adding some longer-dated paper such as one-year CDs from NatWest Markets and Standard Chartered. After March, with higher yields on offer for longer-dated paper, we looked for prudent ways to take advantage of these but without taking excessive risk. While we felt it was clear that inflation will be higher than previously thought, there were points when the market was pricing in several rate hikes in 2026 – a view that we think is overly pessimistic. We were therefore happy to add further to one-year exposure through the likes of Royal Bank of Canada and Bank of Nova Scotia.

Covered bonds from favoured issuers are always attractive for the fund, and remain a significant part of the portfolio, with these particularly attractive when rate expectations are less clear given the minimal interest rate on these floating rate securities. There was some new issue activity, in the market both pre and post market volatility, and we added five-year covereds from favoured issuers Principality Building Society, Toronto Dominion and Bank of Nova Scotia. In the secondary market, we effected a switch in Westpac Banking, selling 2028 bonds into 2030 for a materially higher spread over SONIA.

Market commentary

Market overview

The first quarter of 2026 was dominated by a sudden regime shift as geopolitics moved to the centre of the macro picture. Escalating tensions in the Gulf region came to a head in late February with the US-Israel offensive against Iran. The escalation added an additional layer of uncertainty and triggered concerns over oil and gas supplies, energy prices and near-term inflation risks. Brent crude hit more than 105 US dollars per barrel at the end of March as supply through the Strait of Hormuz was restricted and gas prices also surged, leading to a quickly deteriorating risk sentiment.

In the US, the spike in oil prices was a headwind, but the economy's energy sensitivity proved lower than in past shocks and the US benefits from being a major producer, helping US equities show relative resilience even as the quarter ended weakly. Investors also had to digest policy uncertainty after legal constraints changed the scope for tariffs announced in April 2025 and new tariff proposals reintroduced volatility, complicating the outlook for inflation and limiting the Federal Reserve's room to cut rates. Markets weighed the risk of a prolonged energy shock elevating recession likelihood later in 2026, even if the base case remained for a modest growth hit and higher near-term inflation.

In the UK, the macro backdrop was similarly shaped by the energy price shock, but equities proved comparatively more defensive than some global peers, echoing patterns seen in prior commodity-driven events. In sterling credit, spreads that had tightened through 2025 began to widen in early 2026, with concerns over US private credit having a greater influence than Iran developments, while higher underlying gilt yields further lifted all-in yields.

Government bond markets bore the brunt of the repricing. Front end yields jumped, and curves reset higher as investors moved from expecting rate cuts to pricing fewer cuts, or even hikes, with higher energy costs seen as an inflationary impulse that central banks could not ignore. Moves in short-dated yields were especially pronounced as markets tried to map the oil shock into policy reaction functions, while longer dated yields also swung as markets attempted to price the risks of any or all of higher inflation, lower growth and even potentially larger government borrowing.

UK 10-year gilt yields shot up to 4.92%, up from 4.48% at the end of December and surpassing their highest levels seen last year (4.89% in January 2025). In the US, 10-year treasury yields rose to 4.31% in March from 4.14% at the end of December. The German 10-year bund yield was 2.98% at the end of the first quarter, rising from 2.82% three months prior.

The Bank of England did not change rates over the quarter. Having started the period at 3.72%, SONIA did not change over the quarter. Two-year gilts, often seen as a proxy for market expectations of BoE rates, started the quarter at 3.71%, reaching a low of 3.51% by the end of February as investors expected the Bank of England to consider cutting rates in the Spring. However, the Iran situation and associated rise in energy prices meant that inflation expectations changed dramatically, and as a result the market started to price in rate increases rather than cuts, pushing two-year gilt yields from their low to end the quarter at 4.41%.

Outlook

The ongoing global macro environment remained unsettled in the first quarter. Geopolitical risks, fiscal uncertainty and divergence in global monetary policy drove volatility in both nominal and real yields. More specifically the recent escalation in tensions around Iran add an additional layer of uncertainty to the inflation and growth outlook. While the immediate market focus tends to be on energy prices and near-term inflation risks, history suggests that prolonged geopolitical shocks are ultimately negative for global growth as higher input costs, tighter financial conditions and weaker confidence begin to bite. In this scenario, inflation may prove stickier than central banks would like, even as growth momentum fades.

This makes the outlook for policy rates unusually volatile, and there are arguably credible arguments for higher, lower and flat rates. As at the end of March, markets had switched from pricing in two rate cuts in 2026 to pricing in three hikes instead. Obviously the underlying UK economy has not changed due to events in Iran and higher energy prices. But as the BoE acknowledged its March meeting, inflation will be higher – and monetary policy cannot influence global energy prices.

This makes a strong directional positioning difficult to justify. However, we think the growth outlook is worse whether or not the BoE hikes rates as higher energy prices will act as a tax on growth. At the margin, we therefore think it unlikely that the BoE moves to an aggressive rate hike cycle as this would increase the risk of pushing the economy into a recession. Hence where market pricing is pricing in aggressive rate hikes, we will look to add longer maturity assets to benefit from the higher yields on offer, but do so selectively and in a limited fashion given the potential for further volatility.

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.

Telephone calls and written communications may be recorded and monitored. For further information please see the Privacy Policy at www.rlam.com.

Issued in April 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 31 March 2026

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	0.90	2.05	4.50	16.57	19.12	5.24	3.56
Fund (net)	0.89	2.03	4.47	16.47	18.94	5.21	3.53

Year on year performance (%)

	31/03/2025 - 31/03/2026	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022
Fund (gross)	4.50	5.54	5.69	2.29	(0.09)
Fund (net)	4.47	5.51	5.66	2.25	(0.12)

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 31 March 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.