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

Royal London Index Linked 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 Index Linked 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 aims to provide a return greater than that of FTSE Actuaries UK Index Linked Gilts (All Stocks) Total Return 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 UK Index Linked Gilts sector (the "IA Sector").

Fund value

	Total £m
31 March 2026	452.57

Asset allocation

	Fund (%)	Benchmark (%)
Index linked gilts	91.52	100.00
Index linked foreign sovereigns	4.89	-
Conventional gilts	2.21	-
Index linked credit bonds	1.38	-

Fund analytics

	Fund	Benchmark
Fund launch date	15 February 1990	
Fund base currency	GBP	
Benchmark	FTSE Actuaries UK Index Linked Gilts (All Stocks) Total Return GBP Index	
Duration (years)	14.21	13.45
Real yield (%)	1.55	1.39
Redemption yield (%)	1.66	5.08
Number of holdings	44	34

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.68	1.26	(0.58)
1 Year	3.58	4.09	(0.51)
3 Years (p.a.)	(3.03)	(3.08)	0.05
5 Years (p.a.)	(6.46)	(6.85)	0.38
10 Years (p.a.)	(0.28)	(0.70)	0.42
Since inception (p.a.)	3.05	2.56	0.49

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 30 April 2010.

Performance commentary

Index linked bonds recorded positive absolute returns for the quarter. This strong performance was largely driven by the relative outperformance of index link bonds compared to conventional gilts particularly at the shorter end of the market.

The fund produced a positive absolute return for the quarter, but lagged the benchmark on an underlying basis, which removes timing differences between fund and index pricing, with official returns also behind benchmark over the quarter. The fund's performance was driven primarily by strategic and tactical duration positioning and selected breakeven positions during the quarter, while our curve and cross-market positioning had a negative impact.

We have held a strategic long duration position for some time. This position is based on our belief that UK inflation has been stickier than expected and is likely to remain so, with the BoE therefore unlikely to cut rates dramatically. With short-dated UK real yields falling over the quarter, this was positive for returns. We enhanced this through tactical positioning, as the scale of market moves increased dramatically during this period, and our active approach was helpful for returns, mitigating the impact of the increase in real during March.

Curve positioning was negative for performance. In overall terms, we had a curve flattening bias, on the basis that we felt long-dated bonds were much better value than the medium end given rate and inflation expectations. However, the swing in market sentiment meant that shorter dated real yields performed strongly, leading to a steeper curve over the period. We again mitigated the impact through tactical positioning – effectively creating a small barbell position with a long very short-dated position in two-to-three year linkers, an underweight in five-year equivalents and long in over 10-year bonds – which did well in March.

Cross market positioning was negative for performance over the period. Over the long term, we aim to add value to portfolios by reducing UK exposure and adding to favoured markets when yield spreads reach attractive levels. Our key position over the period was in Australian real yields. These underperformed the UK due to two rate hikes from the Reserve Bank of Australia, alongside guidance that it expects inflation to remain above target for some time that pointed to further rate hikes. We also tactically traded US TIPS to take advantage of changing spreads relative to the UK. This was a small positive for performance.

Performance and activity

Fund activity

We maintained a long duration stance across the quarter, in line with our strategic view that real yields were attractive. Tactically, we trimmed duration in January after real yields fell back from the highs seen at the end of 2025. Stronger economic data then started to push yields higher once more and we added to duration in early February, before taking profits on stronger demand and scarce supply for index linked gilts. This left us with a modest long position heading into March. The outbreak of hostilities led to sharp increases in real yields and while this hurt performance, we felt that the scale of the sell-off was overdone, and hence used this weakness to add to our position to end the quarter with a longer duration stance compared to the start of the year.

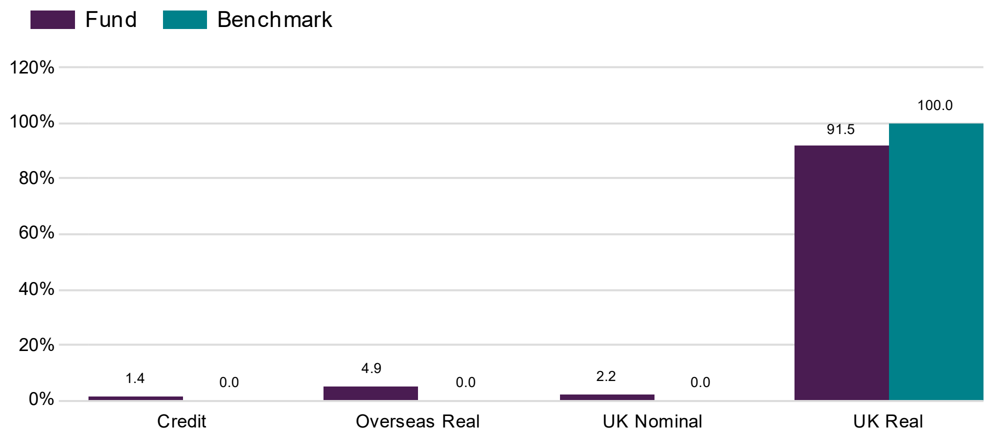
Cross market positioning at the start of the period was focused on a long position in Australia. We maintained the Australia position during the period, but did alter the scale of this – using volatility to add to our stance when the spread relative to gilts widened. We instigated a position in US Treasury Inflation-Protected Securities (TIPS) as US real yields reached their highest levels in around a year.

Curve positioning remained focused on flatteners, but we added to short-dated exposure following the start of the attacks on Iran, anticipating that these would benefit from rising inflationary expectations.

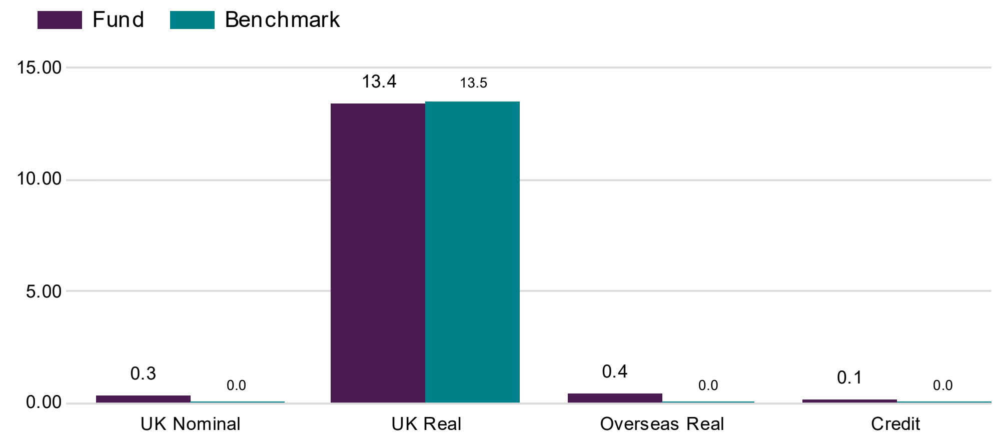
Breakevens also presented an opportunity to add value during the quarter. The spike in the oil price led to a sharp increase in both levels and volatility for breakevens. We felt that the market was overshooting in inflation expectations and were happy to sell breakevens in early March and adjust positioning through the month.

Fund breakdown

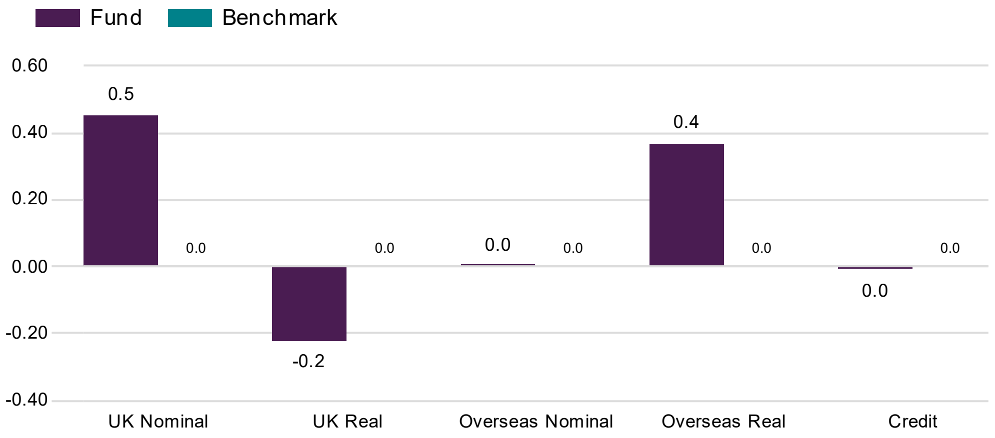
Asset split by percentage



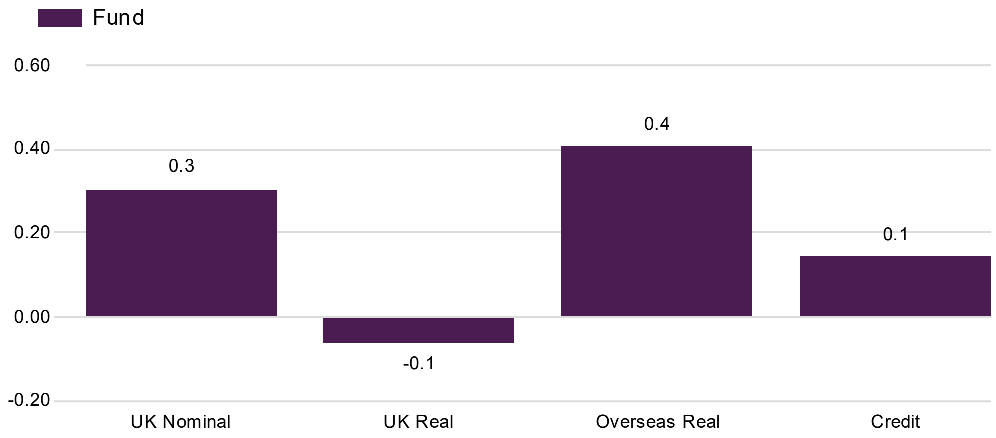
Asset split by duration



Asset split by duration change on quarter

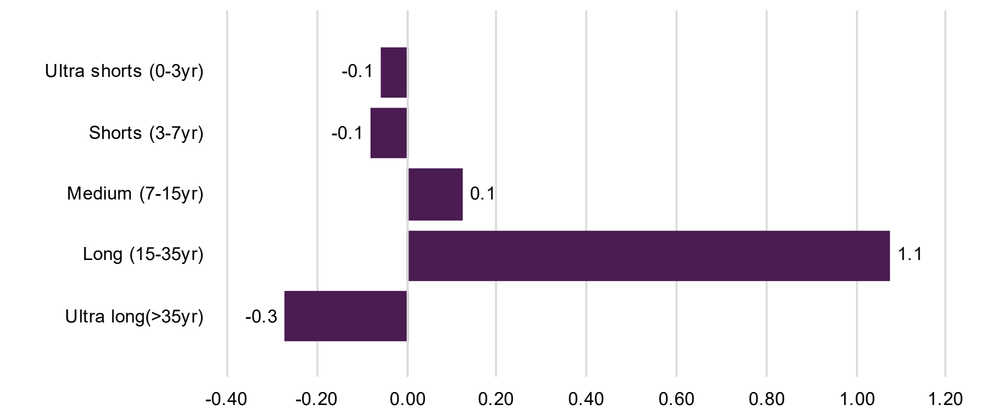


Asset allocation relative to benchmark (duration)



Fund breakdown

Maturity profile relative to benchmark



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.

As a net importer and more exposed to gas prices, the eurozone faced a tougher growth–inflation trade-off, even as incoming data still pointed to modest expansion and easing headline inflation. The ECB kept its policy unchanged with the deposit rate at 2%, but the broader oil and gas price shock pushed markets to reassess the path of European rates. 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.

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.

Index linked bonds recorded positive absolute returns for the quarter. This strong performance was largely driven by the relative outperformance of index link bonds compared to conventional gilts particularly at the shorter end of the market. The heightened inflation concerns following conflict in the Middle East contributed to this trend, with significant increases in energy prices observed throughout the period. UK real yields fell at the short end, the 10-year rallying from the 1.61% at the end of 2025 to end March at 1.37%, while the 30-year real yield ended unchanged at 2.10% - having been as low as 1.86% at the end of February, before the Iran conflict pushed yields higher through March. US and German real yields saw similar moves – with 30-year yields falling through January and February before selling off through March.

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 has led to a shift in expectations, with the possibility of insurance-type rate increases now being considered as a means to counter rising inflationary pressures. Despite this shift, we do not believe that interest rates will rise as much as the markets have currently priced in. Higher oil prices will feed into inflation, but in a mechanical sense, while inflation numbers for the next 12 months will be elevated, this will only persist if oil rises another 20% in the following 12 months. That appears very unlikely in our view. In the short term, higher inflation should provide support for index-linked bonds, although breakeven rates – particularly in the UK – appear elevated. In response to these conditions, we are maintaining a long duration position across our funds.

With other markets also showing value at times, we continue to believe our approach – creating diversified exposure around a pragmatic strategic view and then tactically taking advantage of market inefficiencies – is the right one. Market volatility remains exceptionally high, creating opportunities to capitalise on exaggerated price movements as short-term investors are compelled to liquidate positions. This environment allows our index linked strategies to benefit from these oversized swings.

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

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.

FTSE indexes and data are an intellectual property of FTSE International Limited ("FTSE"). "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. The Index is calculated by FTSE or its agent.

FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Index for the purpose to which it is being put by Royal London Asset Management.

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.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

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.

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.

Performance to 31 March 2026

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	0.68	4.55	3.58	(8.83)	(28.42)
Fund (net)	0.61	4.39	3.27	(9.65)	(29.53)

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	(3.03)	(6.46)
Fund (net)	(3.32)	(6.76)

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)	3.58	(6.80)	(5.56)	(24.91)	4.56
Fund (net)	3.27	(7.08)	(5.84)	(25.14)	4.19

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 Index Linked 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.

Index-linked bonds

Have returns that are closely tied to an index of consumer prices/ inflation.

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.

Real yield

Real yield shows the inflation-adjusted redemption yield for the underlying fund and therefore does not include the impact of fees. For share class level yields, please see the latest factsheet.

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.