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# Royal London Asset Management

## Sustainable Fund Commentary

**31 May 2026**



Funds that have a Sustainability Focus Label investing mainly in assets that focus on sustainability for people or the planet. Excluding RL European Sustainable Credit Fund, RL Global Sustainable Credit Fund & RL Global Sustainable Equity Fund (IRL).



# Fund Commentary

31 May 2026

The purpose of this report is to provide an update on the Royal London Sustainable Funds. The report has been produced by Royal London Asset Management. All content within this report is at the report date unless otherwise stated.

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# Sustainable

## Royal London European Sustainable Credit Fund

The fund saw a positive return over the month in euro terms, and was broadly in line with the benchmark index. Ongoing Middle East events were again the focus in May, with central banks and markets seeming to pause while looking for signs of resolution. Global government bond yields were generally flat or slightly higher over the month as fears of energy-driven inflation have not dissipated, with moves again less volatile than seen at the outbreak of hostilities in March. However, there were positive returns across credit markets, where the negative impact of higher yields was more than outweighed by the positive impact of tighter credit spreads and the higher income on the asset class.

New issuance remained high over the month, providing opportunities for the fund to add yield and diversification. Examples include the new 20-year bond from Google owner Alphabet, 30-year bonds from US electricity distributor Oncor and 20-year bonds from industrial gases company Linde.

Financials also remained a key element in fund activity, adding subordinated bonds from HSBC, Commonwealth Bank of Australia and Italian insurance giant Generali.

## Royal London Global Sustainable Credit Fund

The fund saw a positive return over the month in dollar terms, and was broadly in line with the benchmark index. Ongoing Middle East events were again the focus in May, with central banks and markets seeming to pause while looking for signs of resolution. Global government bond yields were generally flat or slightly higher over the month as fears of energy-driven inflation have not dissipated, with moves again less volatile than seen at the outbreak of hostilities in March. However, there were positive returns across credit markets, where the negative impact of higher yields was more than outweighed by the positive impact of tighter credit spreads and the higher income on the asset class.

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Financials also remained a key element in fund activity, adding subordinated bonds from HSBC, Commonwealth Bank of Australia and Italian insurance giant Generali.

# Sustainable

## Royal London Global Sustainable Equity Fund

Global equities continued to do well in May, driven particularly by very strong performance in the information technology sector, as well as the evolving US-Iran conflict and ceasefire negotiations.

The fund underperformed in May and was positioned in the fourth quartile. Positive contributors included Nextpower, which provides equipment for solar energy projects, and Texas Instruments, a manufacturer of analogue semiconductors, which are both benefiting from the AI infrastructure buildout driving demand for power electronics and energy storage. Detractors included Intuit, a US accounting software provider which suffered from continued investor concerns around AI disruption and Raia Drogasil, a Brazilian pharmacy chain which saw slightly softer earnings than expected for the first quarter, together with pressure on the Brazilian market more broadly.

Notable trades in the month included adding to positions in Sabesp and Visa, as well as trimming Comfort Systems and TSMC.

## Royal London Global Sustainable Equity Fund (IRL)

Global equities continued to do well in May, driven particularly by very strong performance in the information technology sector, as well as the evolving US-Iran conflict and ceasefire negotiations.

The fund underperformed in May and was positioned in the fourth quartile. Positive contributors included Nextpower, which provides equipment for solar energy projects, and Texas Instruments, a manufacturer of analogue semiconductors, which are both benefiting from the AI infrastructure buildout driving demand for power electronics and energy storage. Detractors included Intuit, a US accounting software provider which suffered from continued investor concerns around AI disruption and Raia Drogasil, a Brazilian pharmacy chain which saw slightly softer earnings than expected for the first quarter, together with pressure on the Brazilian market more broadly.

Notable trades in the month included adding to positions in Sabesp and Visa, as well as trimming Comfort Systems and TSMC.

## Royal London Sustainable Corporate Bond Trust

Global government bonds generated positive returns despite a volatile geopolitical backdrop. Gilts proved to be stronger than the global average and yields rose sharply into mid-May before easing towards month-end. Long-dated yields remained elevated relative to levels seen prior to the Iran conflict. Sterling investment grade credit spreads tightened more than the global average, narrowing during May to match spread levels seen at the beginning of 2026.

The fund saw positive returns for May and outperformed its benchmark, benefitting from a longer duration position as government bond yields decreased. Overall, sector allocation supported returns over the month, with our overweight in the insurance sector proving beneficial. Stock selection was a detractor during period.

We believe that all-in yields remain attractive and we continue to find investment opportunities. We remain confident that we can further achieve an attractive yield premium in our sterling credit portfolios while providing clients with downside protection through our bias for secured and covenanted issues.

# Sustainable

## Royal London Sustainable Diversified Trust

Global equities continued to do well, with the MSCI ACWI up in May, driven particularly by very strong performance in the information technology sector. The sterling credit market also saw positive returns in May, driven by both a fall in gilt yields and the outperformance of corporate bonds over their government-issued equivalents.

The Trust delivered positive returns but was positioned in the fourth quartile. Positive contributors included Nextpower, which provides equipment for solar energy projects and Infineon, a German producer of power semiconductors. Both stocks are direct beneficiaries of the same structural theme: the enormous and growing power requirements of AI data centres. Detractors included SSE and Rentokil. While SSE's results in the month slightly missed estimates, the company signalled confidence in its investment plan which was encouraging. Rentokil's underperformance was driven by persistent concern around its US operations.

During the month the Trust added to its holdings in Compass and Visa.

## Royal London Sustainable Growth Fund

Global equities continued to do well, with the MSCI ACWI up in May, driven particularly by very strong performance in the information technology sector, as well as the evolving US-Iran conflict and ceasefire negotiations. The sterling credit market saw positive returns, driven by both a fall in gilt yields and the outperformance of corporate bonds compared to their government-issued equivalents.

The fund delivered positive returns but was positioned in the fourth quartile. Positive contributors included Fortinet, a provider of cyber security solutions, and Nextpower, which provides equipment for solar energy projects. Both benefited from the AI driven market backdrop and raised profits guidance. The top detractors included HCA Healthcare, a US hospital chain, and Sabesp, a Brazilian water utility. Neither benefited from the AI and technology tailwinds that drove the month's best performers.

The fund started a new position in JD Health. The company is China's leading online pharmacy.

## Royal London Sustainable Leaders Trust

The FTSE All-Share Index was up modestly in the month, with the dominant macro theme being the ongoing US-Iran war and evolving ceasefire negotiations. Oil prices fell on de-escalation hopes. By sector, information technology and consumer discretionary did well and energy and utilities lagged.

The Trust underperformed the index and was positioned in the fourth quartile. The biggest detractors to performance were holdings in Rentokil, Ferguson and SSE which suffered from the rotation in away from defensive, rate-sensitive names. The strongest positive contributors to performance came from UK bank Standard Chartered and Dutch semiconductor equipment maker ASML.

The Trust exited Unite Group to fund other more attractive infrastructure holdings, BT, Segro and National Grid.

# Sustainable

## Royal London Sustainable Managed Growth Trust

Global government bonds generated positive returns despite a volatile geopolitical backdrop. Gilts proved to be stronger than the global average and yields rose sharply into mid-May before easing towards month-end. Long-dated yields remained elevated relative to levels seen prior to the Iran conflict. Sterling investment grade credit spreads tightened more than the global average, narrowing during May to match spread levels seen at the beginning of 2026.

The trust saw positive returns for May. The fixed income exposure saw positive performance, helped by our positioning in the structured and social housing sectors. In equities, positive contributors included clean energy technology company Nextpower and German semiconductor manufacturer Infineon Technologies.

We believe that all-in yields remain attractive and we continue to find investment opportunities. We remain confident that we can further achieve an attractive yield premium in our sterling credit portfolios while providing clients with downside protection through our bias for secured and covenanted issues.

## Royal London Sustainable Short Duration Corporate Bond Fund

Global government bonds generated positive returns despite a volatile geopolitical backdrop. Gilts proved to be stronger than the global average and yields rose sharply into mid-May before easing towards month-end. Long-dated yields remained elevated relative to levels seen prior to the Iran conflict. Sterling investment grade credit spreads tightened more than the global average, narrowing during May to match spread levels seen at the beginning of 2026.

The fund saw positive returns for May and outperformed its benchmark, benefitting from a longer duration position as government bond yields decreased. Overall, credit allocation supported returns over the month – benefitting from our overweight in the insurance sector – while stock selection marginally detracted from performance.

We believe that all-in yields remain attractive and we continue to find investment opportunities. We remain confident that we can further achieve an attractive yield premium in our sterling credit portfolios while providing clients with downside protection through our bias for secured and covenanted issues.

## Royal London Sustainable World Trust

Global equities continued to do well, with the MSCI ACWI up 6% in May, driven particularly by very strong performance in the information technology sector. The sterling credit market returned 1.7% in May, driven by both a fall in gilt yields and the outperformance of corporate bonds over their government-issued equivalents.

The trust delivered positive returns but was positioned in the fourth quartile. Positive contributors included Fortinet, a provider of cyber security solutions, and Nextpower, which provides equipment for solar energy projects. Both benefited from the AI driven market backdrop and raised profits guidance. The top detractors included HCA Healthcare, a US hospital chain, and Sabesp, a Brazilian water utility. Neither benefited from the AI and technology tailwinds that drove the month's best performers.

The Trust started a new position in JD Health. The company is China's leading online pharmacy.

# Disclaimers

## Important information

For professional investors only, not suitable for retail clients. This marketing communication is a financial promotion and is not investment advice.

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice. Telephone calls may be recorded. For further information please see the privacy policy at [www.rlam.com](http://www.rlam.com).

### **RL Sustainable Leaders Trust, RL Sustainable World Trust, RL Sustainable Diversified Trust, RL Sustainable Managed Growth Trust, RL Sustainable Corporate Bond Trust.**

The Trusts are authorised unit Trust schemes. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

### **RL Global Sustainable Equity Fund, RL Sustainable Growth Fund**

The Funds are sub-Funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-Funds, incorporated in England and Wales under registered number IC000807. 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.

### **RL European Sustainable Credit, RL Global Sustainable Credit Fund, RL Global Sustainable Equity (IRL):**

The Fund is a sub-Fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-Funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is Fund Rock Management Company SA, Registered office: Airport Center Building, 5 Heienhaff, L-1736 Senningerberg, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited.

The Prospectus and Key Investor Information Document (KIID) are available in English. A summary of investor rights is also available in English. RLAM may terminate the arrangements made for marketing of the Fund pursuant to Article 93a of Directive 2009/65/EC.

### **RL Sustainable Short Duration Corporate Bond Fund**

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](http://www.rlam.com).

### **Notice for UK Investors:**

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised Fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

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# Risk 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 stock market 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.

## Derivative risk

Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

## Efficient portfolio management (EPM) techniques

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.

## 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.

## 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.

## Responsible investment style 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.

## 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.