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Royal London UK Government Bond Fund

Quarterly Investment Report

30 September 2026

ROYAL LONDON
ASSET MANAGEMENT

Quarterly Report

The fund as at 30 September 2026

The purpose of this report is to provide an update on the Royal London UK Government 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.

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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund aims to provide a return greater than that of the FTSE® Actuaries UK Conventional 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 Gilts sector (the "IA Sector").

Fund value

	Total £m
30 September 2026	1,285.39

Fund analytics

	Fund	Benchmark
Fund launch date	8 February 1990	
Fund base currency	GBP	
Benchmark	FTSE Actuaries UK Conventional Gilts All Stocks Index (Total Return, GBP)	
Duration (years)	8.31	6.97
Redemption yield (%)	5.31	5.18
Number of holdings	33	71

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(3.29)	(2.53)	(0.76)
YTD	(2.82)	(2.43)	(0.38)
1 Year	0.53	0.59	(0.07)
3 Years (p.a.)	2.77	2.31	0.46
5 Years (p.a.)	(3.54)	(4.33)	0.79
10 Years (p.a.)	(1.06)	(1.62)	0.56
Since inception (p.a.)	1.93	1.76	0.17

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. 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 30 April 2010.

Performance commentary

Government bond yields rose sharply over the third quarter, and while there was some volatility in the period, the 10-year gilt yield began the period at its lowest point and ended at its highest. Yields rose sharply in July, were broadly unchanged in August, before rising again in September.

Against this backdrop, we gradually added to the fund's duration exposure. We believe markets have priced in too much monetary policy tightening over the coming 12 months, leaving yields at attractive levels and supporting our conviction in a strategic long-duration position.

The government bond sell-off was global, with US Treasury and French government bond yields experiencing notable weakness. Relative performance was more resilient in the UK, with gilts outperforming other major government bond markets and reinforcing our positive view on valuations.

This relative resilience partly reflected the significant repricing already seen in gilts during the first half of the year. As a result, the front end of the gilt curve saw less repricing of rate expectations in the third quarter than the US and Europe. Overseas markets also faced their own domestic pressures, including debt-financing concerns in Europe, particularly France with an upcoming election, a more hawkish US Federal Reserve, and growing capital demands in US debt markets as technology hyperscalers increased issuance.

The Bank of England's September quantitative tightening announcement also provided gilts with some respite. The Bank permanently ended active sales of gilts maturing beyond 2049 and suspended all active gilt sales until April 2027. Longer-dated bonds outperformed decisively in response, improving the technical backdrop at the long end of the curve. To read more on this see our blog on 'Our Views' page from Sep 21.

Economic activity was stronger than expected over the period, while inflation surprised to the downside, helping limit moves at the front end of yield curves. Markets nevertheless continued to price more monetary policy tightening than economists expect, with three to four rate hikes priced for 2027, compared with no more than two in consensus forecasts.

Domestic politics were comparatively stable during the quarter, although the fourth-quarter Budget remains a potential source of volatility. Early indications suggest the Budget will remain fiscally disciplined, providing support for bond markets.

The fund underperformed its benchmark during the quarter, principally because of its long duration positioning as yields rose.

Performance and activity

Fund activity

We increased duration by 0.4 years, ending each month with a longer duration position than we started and finishing the quarter at 1.25 years long. We added exposure as yields rose and tactically took profits during periods of market strength, predominately trading 7-year gilts.

The fund added 2033 gilts after their yields moved above 5% and then further out on the curve, we sold ultra-long (50 year) gilts and increased exposure to 30-year gilts as yields reached 6%.

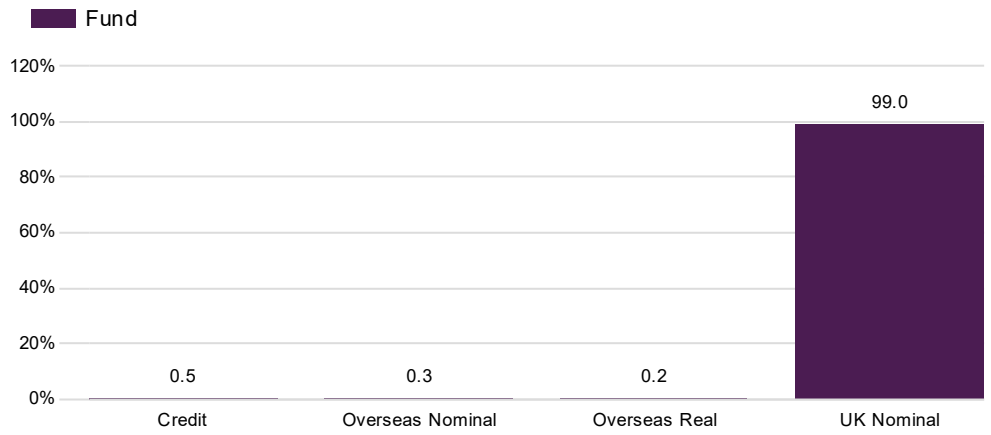
With rate increases already well priced, curves steep and yields close to their peaks, we believe the all-in yield and carry available from longer-maturity exposure have become increasingly compelling and will continue to actively trade this position.

Cross-market positioning remained active. We bought long-dated US TIPS at the start of the quarter, before rotating that inflation exposure into nominal US Treasuries, UK gilts and Australian government bonds as we felt nominal yields offered more attractive value. We subsequently re-established a position in US TIPS towards the end of the period. The fund therefore finished the quarter with Australian government bond exposure and a combination of nominal Treasury and TIPS holdings in the US.

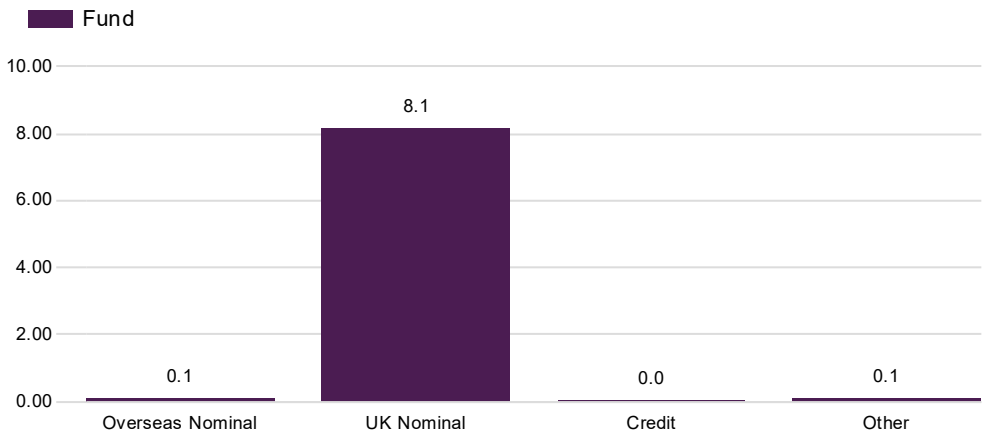
We also added a small amount of corporate credit exposure during the quarter, participating in a new Amazon bond issue. We viewed the spread as attractive given the company's strong balance sheet and credit fundamentals and saw an opportunity to enhance portfolio returns while maintaining a high-quality risk profile.

Fund breakdown

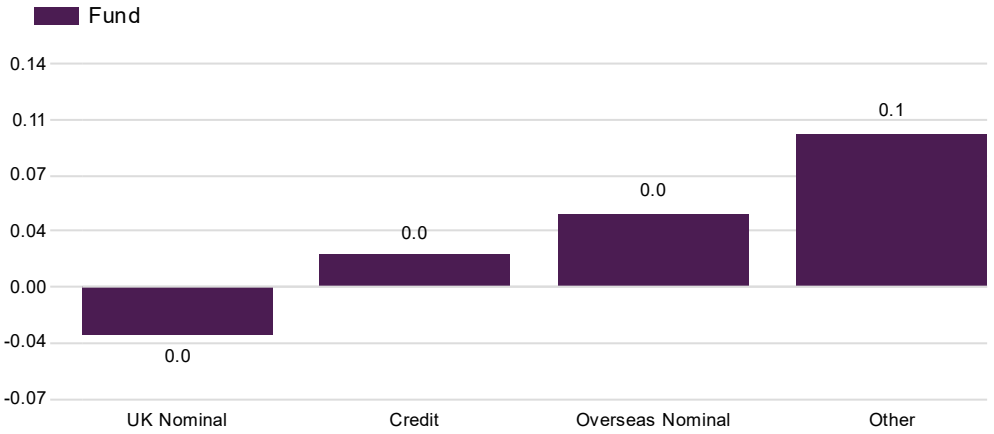
Asset split by percentage



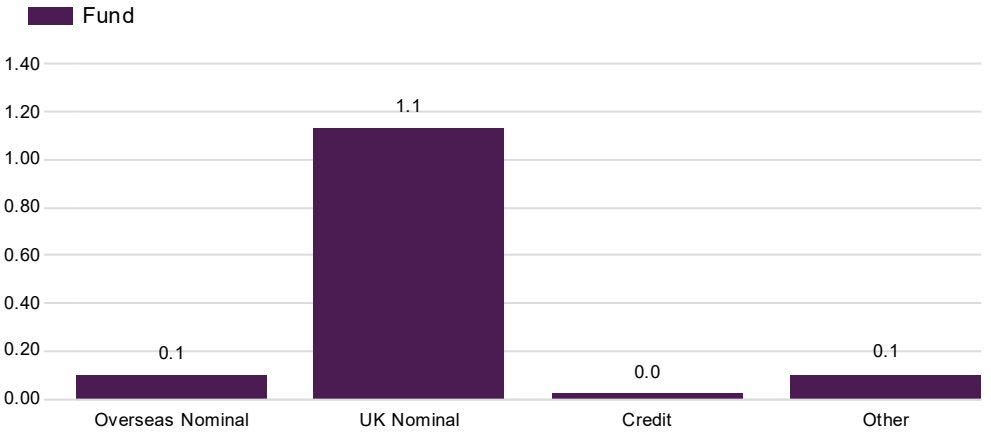
Asset split by duration



Asset split by duration change on quarter

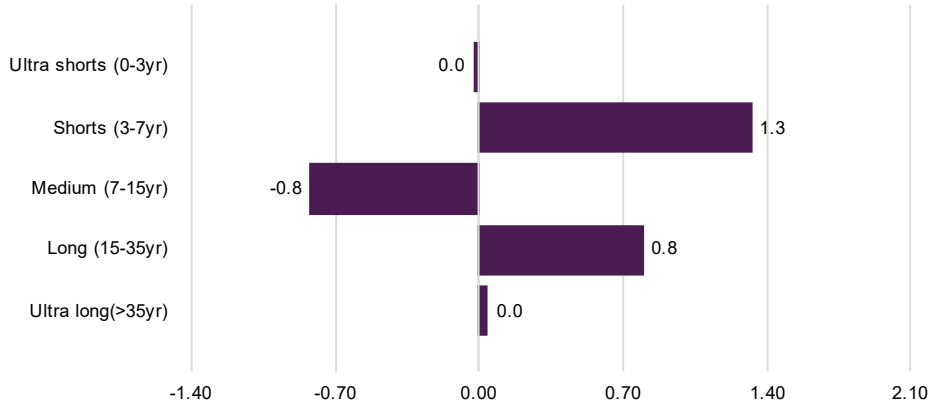


Asset allocation relative to benchmark (duration)



Fund breakdown

Maturity profile relative to benchmark



Market commentary

Market overview

Global economic activity remained resilient over the third quarter amid a more challenging backdrop of higher energy prices, rising government bond yields and renewed monetary policy tightening. Despite ongoing conflict in the Middle East and higher energy prices, business surveys and recent GDP figures look consistent with resilient global activity growth, with some indicators showing some improvement in Q3. US growth continued to be supported by robust household spending and a relatively firm labour market. The euro area also performed more strongly than expected, with second-quarter GDP recording its fastest quarterly expansion in four years, supported by consumption, exports and manufacturing activity.

Oil prices rose over the quarter, ending near $100 per barrel after starting at around $75 per barrel. Increasingly, however, attention shifted to refined products, where price pressures have been even more pronounced over the conflict. Towards the end of the quarter, news broke that US President Trump was contemplating a diesel export ban, adding to European energy price pressure. Given higher energy prices and with indications growing of a strong El Nino event and very dry and hot European summer, worries also grew around the outlook for food prices.

During the quarter, Andy Burnham became UK Prime Minister. The government reaffirmed commitment to the fiscal rules which, alongside higher inflation and higher bond yields weighing on the fiscal headroom, leaves little room for manoeuvre in the October budget. Towards the end of the quarter, Burnham proposed changes to the pension triple lock to help fund new social care policy and indicated a willingness to reassess the UK's relationship with Europe. However, the proposals were light on details and not expected to take effect until after the next election, likely from 2030.

Fixed income markets weakened over the period as persistent inflationary concerns and elevated energy prices prompted investors to reassess the path of monetary policy. Government bond yields rose sharply, particularly at shorter maturities, as markets priced a higher path for policy rates, while longer-dated bonds weakened on fiscal concerns and rising issuance. In the UK, the government's Debt Management Office sold £4.25 billion of July 2036 gilts at an average yield of 5.383% at the end of September, the highest 10-year borrowing cost since 1999. Demand for higher yields reflected ongoing inflation concerns and expectations of increased fiscal spending ahead of the forthcoming Autumn Budget. UK monetary policy expectations also shifted over the quarter and markets started pricing in a 25bps rate hike in November, with roughly four increases priced in by the middle of next year.

In the UK, 10-year gilt yields ended September at 5.43% compared to 4.76% at the end of June. US treasury yields also moved higher over the quarter, with the 10-year treasury yield ending September at 5.28%, having closed at 4.44% at the end of June. Across Europe, government bond yields similarly pushed upwards. The German 10-year bund was 3.55% at the end of September, up from 2.87% three months prior.

The sterling investment grade credit market (iBoxx non-gilt index) returned -1.74% over the period under review. Spreads ended the quarter at 0.80% (iBoxx), compared to 0.76% (iBoxx) at the end of June.

Economic overview

US Q2 GDP (released in Q3) grew a respectable 2.2% quarter-on-quarter annualised, after 2.6% in Q1. Business surveys look consistent with robust GDP growth in Q3. UK GDP growth continued to look strong by UK standards, rising by 0.5% quarter-on-quarter (non-annualised) in Q2. Euro area GDP rose 0.6% quarter-on-quarter (non-annualised) in Q2, after being flat in Q1. The PMI business surveys look consistent with moderate positive European GDP growth in Q3.

Headline inflation remained elevated in most economies, reflecting higher energy prices. In the US, CPI and PCE measures of inflation were both 3.4% year-on-year by the August figures, remaining above target consistent levels. UK CPI inflation rose from 2.6% year-on-year to 2.9% year-on-year in July, reflecting higher energy bills following the updated Ofgem price cap, before edging up to 3.1% year-on-year in August. In the euro area, higher energy prices kept inflation elevated at 2.9% year-on-year in July and 3.2% year-on-year in August.

Labour market trends have continued to diverge somewhat. In the US, payrolls continued to signal employment growth, picking up in August, albeit relatively modest on average over recent months. Claims and other labour market indicators have on average been pointing to a low-hire, low-fire labour market. The Euro area unemployment rate remained near historically low levels. However, the UK labour market remained soft. The number of UK payrolled employees fell in each of the seven months to August; vacancies continued to fall and the employment PMI indicator remained weak compared to other countries.

Against a backdrop of rising inflationary pressures, major central banks adopted a more hawkish monetary policy stance over the quarter. The ECB hiked rates once again in September, while the Fed also delivered its first rate hike since 2023, with the median FOMC participant indicating another hike later in the year in their forecasts. The Bank of England left rates unchanged in both July and September, but expressed growing concern about elevated energy prices and signalled an openness to tighten policy later in the year if energy prices don't fall significantly.

Market commentary

Outlook

We remain comfortable maintaining a long-duration position despite the challenging market backdrop and often uncomfortable headlines. With government bond yields at levels not seen for many years, we believe investors are once again being adequately compensated for taking duration risk. Importantly, higher starting yields provide a meaningful carry cushion, helping to offset the impact of rising yields on total returns.

In our view, this combination of attractive income and elevated yields continues to support the case for holding duration, particularly as markets appear to be pricing a more aggressive path for monetary policy than we currently expect.

The desk expects the Bank of England to raise interest rates once before the end of 2026, followed by a further increase in the first quarter of 2027. This view is based on the assumption that there is no near-term resolution to the conflict in Iran and that inflationary pressures remain elevated.

Importantly, we believe both of these rate rises are already largely reflected in market pricing. Beyond that, our expectation is that the Bank will keep policy rates unchanged through the remainder of 2027 before eventually returning to a rate-cutting cycle in 2028.

We continue to monitor developments ahead of the UK Budget in the fourth quarter. While fiscal headroom has narrowed and gilt issuance is expected to increase, much of this has already been signalled by the Chancellor and appears to be well understood by markets. As a result, we expect the Budget to be a relatively benign event from a bond market perspective.

Any increase in borrowing is likely to be modest in scale, with additional flexibility expected to come through the Debt Management Office's issuance programme and greater use of medium-dated gilt syndications rather than a significant shift in overall supply.

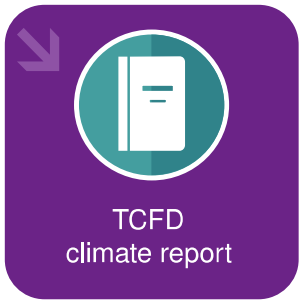
On inflation, we expect price pressures to begin rising again during the fourth quarter and remain elevated through the remainder of the year. While this may keep central banks cautious in the near term, we believe market expectations for future policy tightening remain broadly consistent with our outlook, leaving gilt yields attractive from a medium-term investment perspective.

In relative terms, we believe that gilts offer compelling value versus other developed market government bonds, but have started to see value emerge in overseas markets such as the US and Australia.

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

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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.

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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.

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.

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.

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.

Performance to 30 September 2026

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(3.29)	(0.74)	0.53	8.56	(16.52)
Fund (net)	(3.35)	(0.86)	0.27	7.75	(17.59)

Annualised (%)

3 Years (p.a.)	5 Years (p.a.)
2.77	(3.54)
2.52	(3.79)

Year on year performance (%)

	30/09/2025 - 30/09/2026	30/09/2024 - 30/09/2025	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022
Fund (gross)	0.53	(1.08)	9.17	(1.13)	(22.22)
Fund (net)	0.27	(1.33)	8.90	(1.38)	(22.45)

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.

Source: RLAM as at 30 September 2026. All figures are mid-price to mid-price for the Royal London UK Government Bond 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.

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.

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.

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.