Stocks in the spotlight

Royal London Asset Management sustainable fund range

Views from the desk

We support the change to a more sustainable society by investing in companies based on what they do and how they do it. This positive contribution can be through the products and services they provide and operationally through ESG leadership i.e. how a company looks after its operational assets, the environment, its stakeholders and the role it plays within its industry.

Our stocks in the spotlight showcases holdings across the Royal London Asset Management Sustainable fund range that we deem to be making a positive contribution towards a clean, healthy, safe and inclusive society. In this edition, from an equity perspective we look at Dutch semiconductor equipment manufacturer. Fixed income can provide access to sectors not available to equity investors and in this edition we highlight holdings in debt issued by data centre provider Yondr.

EQUITY

Company name: ASML

Headquarters	Netherlands
Sector	Semiconductors
Theme	Clean, Safe, Inclusive
Portfolios held	RL Sustainable World Trust RL Sustainable Diversified Trust RL Sustainable Growth Fund RL Global Sustainable Equity RL Sustainable Leaders Trust

Summary

- A Dutch semiconductor equipment company whose lithography systems are essential to manufacturing the world's most advanced microchips.
- ASML's innovation-led model helps in achieving net-zero Scope 1 & 2 emissions, positioning it as a key enabler of a cleaner, safer and more inclusive digital economy.

Company overview

ASML develops lithography tools used by semiconductor foundries and integrated device manufacturers to print chip patterns onto silicon wafers. It is the sole provider of EUV (Extreme ultraviolet) lithography and also holds strong positions in DUV (Deep ultraviolet) systems, with revenues generated from both new systems and installed base products, alongside its services business.

Using 2025 end-market estimates, around 68% of revenues can be aligned to Royal London's Clean, Safe and Inclusive themes, including data centers and storage, smartphones, wired and wireless infrastructure, plus service and field option sales linked to refurbishment and re-use.

The case for the digital economy

In our view, ASML sits at the heart of the digital economy, enabling more powerful and energy-efficient semiconductors that support cloud computing, AI, connectivity and safer, lower-emission transport. Its service model also contributes to the circular economy. Around 95% of systems sold over the past 30 years remain in use or have been refurbished, while 90% of returned parts were reused in 2025.[1] Operationally, ASML also demonstrates leadership, having achieved net-zero Scope 1 and 2 emissions in 2025, using 100% renewable electricity. It aims decarbonise its supply chain and product use by 2040, thereby neutralising all Scope 3 emissions by 2040.[2]

1. Extending the Lifespan of Semiconductor Equipment Through Module Upgrades and Remanufacturing Circular Taiwan Network
2. ASML 2025 Annual Report

Investment thesis

ASML is a leader in the technology sector with a unique position in the semiconductor industry. Lithography tools are some of the most complex machines ever built and are critical for semiconductor manufacturers, such as TSMC, to make more efficient and more powerful chips. ASML is the clear market leader in lithography and enjoys a de facto monopoly on the latest generation of EUV tools.

ASML anticipates strong growth driven by AI adoption across various applications. The company projects a 2030 revenue opportunity between EUR 44 billion and EUR 60 billion, with gross margins expected to range from 56% to 60%. This growth is supported by the semiconductor industry's overall strength, which is expected to surpass $1 trillion in revenue by 2030.[3]

The main risks around ASML's outlook include the cyclicality of the semiconductor industry, particularly in memory markets, meaning demand can fall sharply in downturns. It also faces customer concentration, relying heavily on a small number of large chipmakers such as TSMC and Samsung. Geopolitical tensions and export controls, especially US-China restrictions, can also potentially create uncertainty.

However, in our opinion, the current valuation looks fair. This is based on its earnings outlook and unique industry position, which offers a differentiated way to gain exposure to semiconductor growth.

FIXED INCOME

Company name: Yondr

Security held	Yondr sterling corporate bond
Headquarters	UK
Sector	IT and digital infrastructure sector
Contributing factor	Digital World
Portfolios held	RL Sustainable Corporate Bond Trust RL Sustainable Short Duration Corporate Bond Fund RL Sustainable Managed Growth Trust RL Sustainable World Trust RL Sustainable Diversified Trust RL Sustainable Growth Fund

Summary

- The bond is secured against two hyperscale data centres in Slough
- Critical infrastructure increasingly underpins modern life, and this theme is becoming more prominent across our portfolios.
- In our view, the bond offers an attractive risk-adjusted opportunity, supported by a complexity premium and structural downside protection.

Company overview

Yondr Group develops and operates hyperscale data centres globally, providing the physical infrastructure that supports everything from music streaming to essential functions like the storage of electronic health records and the execution of financial transactions. Yondr came to the sterling market in 2026 with a secured transaction backed by two purpose-built hyperscale data centre buildings in Slough. The two facilities have 61.6MW in total capacity and are designed to meet the requirements of hyperscalers – large cloud service providers such as Alphabet and Microsoft. Unlike colocation facilities, where multiple customers share space, hyperscalers typically lease large, dedicated data halls or occupy entire buildings. In this case, both facilities are fully let under long-term lease agreements to a leading, highly rated hyperscaler.

The case for hyperscale capacity

In today's digital world, the systems hosted in data centres make them a vital component of the infrastructure that makes modern-day life possible. Recognising their role in underpinning critical services and the wider economy, in 2024 the UK government formally designated data centres as critical national infrastructure.

Beyond the key role played by large-scale cloud infrastructure in the economy, there are also decarbonisation benefits associated with this technology. While acknowledging the significant power required by data centres, large-scale cloud infrastructure can be more energy efficient than traditional servers. This is partly because demand from many users can be pooled and computing power allocated dynamically, reducing wasted capacity and supporting higher utilisation rates. The industry is also working to improve data-centre efficiency and increase the use of low-carbon electricity, with hyperscalers having a number of initiatives to source renewable power and improve the overall energy efficiency of their cloud infrastructure, including through flexible computing strategies that shift workloads to locations and times where renewable energy is more readily available. These improvements will be important in mitigating the environmental impact of the substantial increase in electricity demand driven by AI.

Investment thesis

The asset's role within critical infrastructure makes this secured transaction a strong fit for our sustainable funds. Beyond this, the sponsor of the transaction, Yondr, has a commitment to sustainability that is reflected in the environmental credentials of the two assets. For example, the two buildings have a strong energy efficiency performance, targeting a power usage effectiveness (PUE) — the industry-wide metric for energy efficiency — that is better than the average for UK data centres. The assets also employ water-free air-chilled cooling systems, thereby mitigating concerns around water usage.

Beyond the sustainable credentials, this transaction is also a good example of how, as fixed income investors, we aim to get exposure to some of the structural trends created by the advent.

3. [ASML outlook bullish through 2030 due to AI boom -CEO says | Reuters]

Investment risks

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.

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

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For more information about our range of products and services, please contact us.

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Issued in July 2026 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY.
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Ref: ART 00G