

# Sustainable quarterly report

## Q1 2025



These funds are adopting the Sustainability Focus label. We are updating the relevant fund material and will publish these once ready.

Excluding RL Global Sustainable Credit Fund.

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# Introduction

Sustainable investing is a modern and inclusive method of embedding values in investing.

The conceptual difference compared to responsible investing is that the screening is positive – rather than ‘screening out’, we ‘screen in’. It is about doing good, rather than avoiding bad.

# Performance

	Q1 2025 (%)	1 year (% p.a.)	3 year (% p.a.)	5 year (% p.a.)	Since inception (% p.a.)	Fund size (£m)	Inception date
<b>Fixed Income</b>							
<b>Global Sustainable Credit Fund (USD)</b>	<b>1.69</b>	<b>5.19</b>	<b>1.55</b>	-	<b>-0.72</b>	USD 460.4	10.02.21
Bloomberg Barclays Global Aggregate Corporate Index Hedged USD	1.76	5.41	1.98	-	-0.27		
Morningstar EAA OE Global Corporate Bond - USD Hedged	1.59	4.88	1.41	-	-0.36		
Relative	0.10	0.31	0.14	-	-0.36		
<b>Sustainable Short Duration Corporate Bond Fund</b>	<b>1.76</b>	<b>5.75</b>	-	-	<b>6.47</b>	149.1	23.11.22
ICE BofAML Sterling Non-Gilt (1-5 Y) (GBP Unhedged)	1.39	4.92	-	-	5.07		
IA Sterling Corporate Bond Sector	1.01	3.16	-	-	4.73		
Relative	0.75	2.59	-	-	1.74		
<b>Sustainable Corporate Bond Trust</b>	<b>1.63</b>	<b>4.30</b>	<b>0.42</b>	<b>0.99</b>	<b>2.96</b>	225.5	07.12.12
iBoxx Sterling Non-Gilt All Maturities Index	0.70	2.36	-0.82	-0.21	2.48		
IA Sterling Corporate Bond Sector	1.01	3.16	0.14	1.04	2.63		
Relative	0.62	1.14	0.28	-0.05	0.33		
<b>Mixed Asset</b>							
<b>Sustainable Managed Growth Trust</b>	<b>0.50</b>	<b>2.97</b>	<b>1.44</b>	<b>3.47</b>	<b>4.90</b>	712.6	04.12.12
IA Mixed Investment 0%-35% Shares Sector	0.58	3.50	1.45	3.10	2.91		
Relative	-0.08	-0.53	-0.01	0.37	1.99		
<b>Sustainable Diversified Trust</b>	<b>-1.34</b>	<b>0.83</b>	<b>2.38</b>	<b>6.37</b>	<b>8.38</b>	3,475.4	24.07.09
IA Mixed Investment 20%-60% Shares Sector	0.17	3.76	2.38	5.81	5.40		
Relative	-1.51	-2.93	0.00	0.56	2.98		
<b>Sustainable Growth Fund</b>	<b>-3.72</b>	<b>0.00</b>	-	-	<b>7.15</b>	146.2	24.05.22
IA Mixed Investment 40-85% Shares Sector	-1.05	3.42	-	-	5.16		
Relative	-2.67	-3.42	-	-	1.99		
<b>Sustainable World Trust</b>	<b>-4.38</b>	<b>-0.24</b>	<b>3.47</b>	<b>9.27</b>	<b>10.94</b>	3,178.5	21.09.09
IA Mixed Investment 40%-85% Shares Sector	-1.05	3.42	3.26	7.54	6.46		
Relative	-3.33	-3.66	0.21	1.73	4.48		
<b>Equity</b>							
<b>Global Sustainable Equity Fund</b>	<b>-7.71</b>	<b>-4.42</b>	<b>4.76</b>	<b>12.85</b>	<b>10.52</b>	377.6	25.02.20
MSCI All Countries World Net Total Return Index GBP	-4.26	4.87	7.62	14.25	10.59		
IA Global Sector	-5.08	0.93	5.30	10.85	8.42		
Relative	-2.63	-5.35	-0.54	2.00	2.10		
<b>Sustainable Leaders Trust</b>	<b>0.52</b>	<b>3.82</b>	<b>4.62</b>	<b>9.89</b>	<b>9.48</b>	2,833.2	29.05.90*
FTSE All-Share Index	4.51	10.46	7.21	12.03	7.28		
IA UK All Companies Sector	0.53	6.08	4.62	10.50	7.09		
Relative	-0.01	-2.26	0.00	-0.61	2.39		

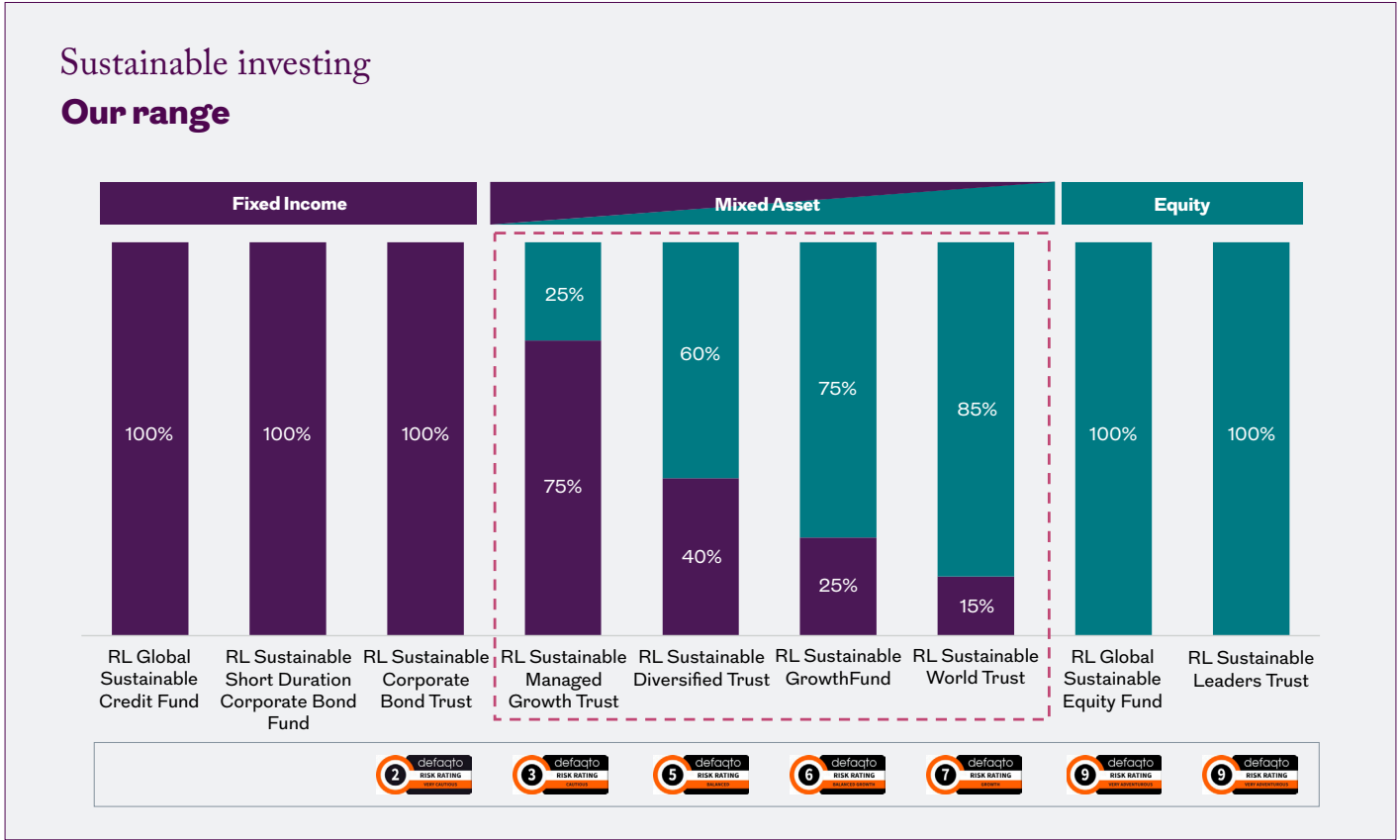
**Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.**

Source: Royal London Asset Management as of 31 March 2025. All figures supplied are net of fees and of tax. Fund performance shown is based on the C Acc share class, which is the clean share launched post RDR except for RL Sustainable Diversified Trust which is C Inc share class and RL Global Sustainable Equity Fund, RL Sustainable Growth Fund and RL Sustainable Short Duration Corporate Bond Fund RL

Global Sustainable Credit Fund which are based on the M Acc share class. All IA Sector performance shown is for the median.

\* The inception date of the RL Sustainable Leaders Trust is 29 May 1990, inception figures shown are since 1 January 2004 when we implemented the sustainable investment process.

# Range overview



**Past performance is not a guide to future performance.**

A Risk Rating of 1 indicates that a proposition represents the lowest risk; a Risk Rating of 10 indicates the highest level of risk. Currently, no funds are mapped to level 1. These bands have been created in partnership with Moody’s Analytics, and Defaqto have a robust process that reviews funds and the levels that they map to on a quarterly basis. For illustrative purposes – reflects approximate percentage asset allocation, weightings may vary.

Source: RLAM as at 31 March 2025.

# Key data

## RL Global Sustainable Credit Fund

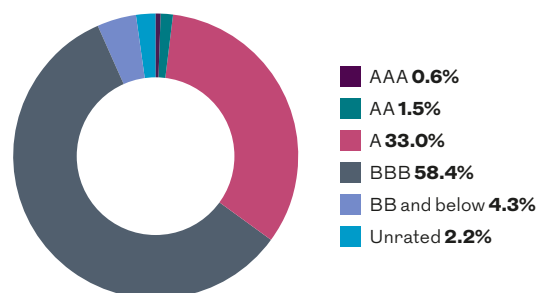
### Fund facts

<b>Fund size</b>	USD 460.4m
<b>Inception date</b>	10.02.2021
<b>No. of holdings</b>	297
<b>Gross redemption yield<sup>†</sup></b>	5.6%

### Ten largest holdings

	Fund (%)
Lloyds Banking Group Plc 7.953% 2033	1.4
HSBC Holdings Plc 7.39% 2028	1.0
Legal & General Group 5.25% 2047	1.0
Republic Services Inc 2.3% 2030	1.0
NN Group 4.625% 2048	1.0
Deutsche Telekom International 8.75% 2030	0.9
Prudential Financial Inc 5.375% 2045	0.9
Phoenix Group Holdings Plc 5.375 2027	0.9
M&G Plc 6.5% 2048	0.9
Avista Corporation 4.35% 2048	0.8
<b>Total</b>	<b>9.8</b>

### Credit rating



### Sector breakdown

	Fund (%)	Index (%)
Banks and Financial Services	31.6	27.9
Consumer Goods	5.2	14.0
Consumer Services	6.5	15.0
General Industrials	5.3	17.3
Insurance	17.8	5.2
Real Estate	6.1	4.2
Social Housing	1.8	0.3
Structured	4.9	0.3
Telecommunications	6.5	6.7
Utilities	14.3	9.0

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Source: Royal London Asset Management as at 31 March 2025. Figures may be subject to rounding.

<sup>†</sup> Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, net of relevant fund management costs and gross of tax.

# Key data

## RL Sustainable Short Duration Corporate Bond Fund

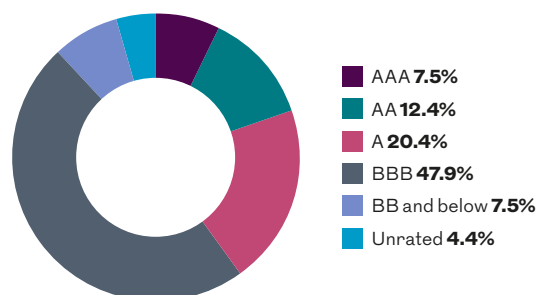
### Fund facts

Fund size	£149.1m
Inception date	23.11.22
No. of holdings	225
Benchmark index	ICE BofAML GBP Non-Gilt (1-5 Yrs)
Investment Association Sector	IA Sterling Corporate Bond
Gross redemption yield <sup>†</sup>	6.1%

### Ten largest holdings

	Fund (%)
Legal & General Group Plc 5.375% 2045	2.2%
International Finance Facility for Immunisation 2.75% 2025	1.9%
SGSHR_21-1X 4.95% 2051	1.7%
HSBC Bank Funding Sterling LP 5.844% 2079	1.5%
Bazalgette Finance Plc 2.375% 2027	1.5%
UNITE (USAF) II PLC 3.921 30 Jun 2025	1.5%
Legal & General Group Plc 5.5% 2064	1.4%
NatWest Group Plc 2.105% 2031	1.3%
Yorkshire Water Finance 6.454% 2027	1.2%
Nationwide Building Society 5.769% 2079	1.2%
<b>Total</b>	<b>15.3%</b>

### Credit rating



### Sector breakdown

	Fund (%)	Index (%)
Banks & Financial Services	25.0	29.7
Consumer Goods	-	6.7
Consumer Services	5.3	2.6
Foreign Sovereigns	-	0.8
General Industrials	0.2	3.5
Insurance	16.5	4.8
Investment trusts	-	0.1
Covered	2.7	1.9
Real Estate	4.0	2.5
Social Housing	7.7	0.6
Structured	29.2	4.0
Supranationals & Agencies	3.6	35.7
Telecommunications	0.3	2.7
Utilities	5.6	4.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

□ Denotes sector with element of security, covenant etc

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<sup>†</sup> Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, net of relevant fund management costs and gross of tax.

# Key data

## RL Sustainable Corporate Bond Trust

### Fund facts

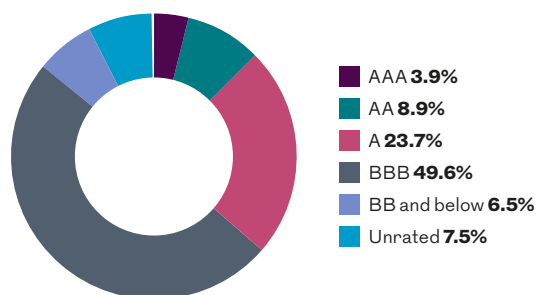
<b>Fund size</b>	£225.5m
<b>Inception date</b>	07.12.12
<b>No. of holdings</b>	253
<b>Benchmark index</b>	Markit iBoxx GBP Non Gilts
<b>Investment association sector</b>	IA Sterling Corporate Bond
<b>Gross redemption yield†</b>	6.2%

### Ten largest holdings

	Fund (%)
Legal & General Group Plc 5.5% 2064	2.3%
Co-operative Bank 6.0% 2027	2.1%
HSBC Bank Funding Sterling LP 5.844% 2079	1.6%
HSBC Bank 5.375% 2030	1.4%
NatWest Group Plc 2.105% 2031	1.4%
Legal & General Group Plc 5.375% 2045	1.3%
Guinness Trust 7.5% 2037	1.2%
Harbour Funding Plc 5.28% 2044	1.2%
SHGFIN_05-01 6.38% 2042	1.1%
Nationwide Building Society 5.769% 2079	1.1%
<b>Total</b>	<b>14.6%</b>

Please note that the fund name changed from RL Sustainable Managed Income Trust to RL Sustainable Corporate Bond Trust on 27 March 2024.

### Credit rating



### Sector breakdown

	Fund (%)	Index (%)
Banks and Financial Services	20.0	21.6
Consumer Goods	-	6.2
Consumer Services	3.6	5.5
Foreign Sovereigns	-	0.6
General Industrials	0.4	3.6
Gilts	0.6	-
Insurance	14.8	5.8
Covered	0.5	1.0
Investment Trusts	-	-
Real Estate	3.1	2.9
Social Housing	15.8	4.8
Structured	33.0	7.1
Supranationals & Agencies	2.2	25.5
Telecommunications	0.4	4.4
Utilities	5.7	11.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

□ Denotes sector with element of security, covenant etc

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# Key data

## RL Sustainable Managed Growth Fund

### Fund facts

<b>Fund size</b>	£712.6m
<b>Inception date</b>	04.12.12
<b>No. of holdings</b>	281
<b>Underlying yield†</b>	3.1%

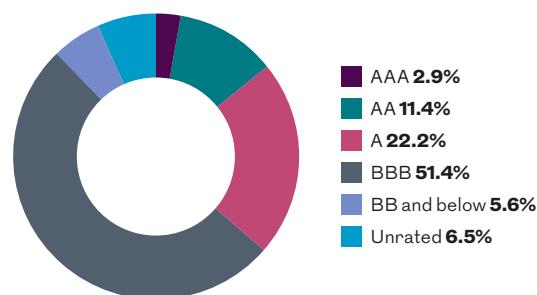
### Ten largest holdings

	Fund (%)
Legal & General Group	1.6
Aviva	1.4
M&G Plc	1.2
UK Conventional Gilt	1.2
HSBC Bank Funding	1.0
Rothsay Life	0.9
Virgin Money UK	0.8
HSBC Holdings	0.8
Freshwater Finance Plc	0.8
SGSHR	0.7
<b>Total</b>	<b>10.5</b>

### Equity sector breakdown

	Equity (%)
Basic Materials	0.7
Consumer Discretionary	1.9
Consumer Staples	0.7
Energy	-
Financials	5.8
Health Care	3.5
Industrials	6.0
Real Estate	-
Information Technology	3.6
Communication	0.3
Utilities	0.4
<b>Total</b>	<b>22.9</b>

### Credit rating



### Fixed Income sector breakdown

	Fixed Income (%)
Banks & Financial Services	13.9
Consumer Goods	-
Consumer Services	4.0
General Industrials	0.2
Gilts	2.3
Insurance	14.9
Covered	0.7
Real Estate	3.3
Social Housing	10.6
Structured	20.2
Supranationals & Agencies	1.9
Telecommunications	0.6
Utilities	3.8
Cash	0.8
<b>Total</b>	<b>77.1</b>

□ Denotes sector with element of security, covenant etc

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Source: Royal London Asset Management as at 31 March 2025. Figures may be subject to rounding.

† The underlying yield is for the C Acc share class.

The underlying yield reflects the annualised income net of expenses of the Fund as a percentage (calculated in accordance with the relevant accounting standards). The yields is calculated as a percentage of the mid price of the Fund as at the date shown and are month end snap shots of the portfolio on that day and do not include any preliminary charges. Investors may be subject to tax on distributions. Reported yields reflect Royal London Asset Management's current perception of market conventions around timing of bond cash flows.

# Key data

## RL Sustainable Diversified Trust

### Fund facts

<b>Fund size</b>	£3,475.4m
<b>Inception date</b>	24.07.09
<b>No. of holdings</b>	314
<b>Underlying yield†</b>	1.7%

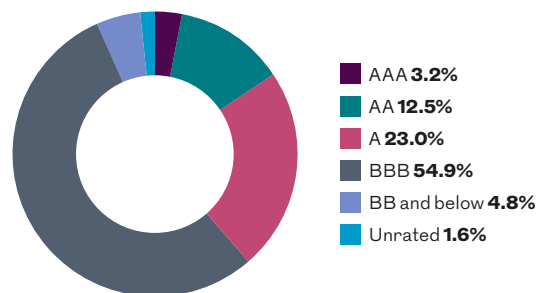
### Ten largest holdings

	Fund (%)
London Stock Exchange Group	1.9
RELX Plc	1.8
Standard Chartered	1.8
Visa	1.8
Compass Group	1.8
Linde Plc	1.8
Experian Plc	1.7
Westinghouse Air Break Technologies	1.7
Schneider Electric	1.7
Microsoft	1.7
<b>Total</b>	<b>17.7</b>

### Equity sector breakdown

	Equity (%)
Communication	0.9
Consumer Discretionary	4.8
Consumer Staples	1.9
Energy	-
Financials	14.7
Health Care	9.1
Industrials	15.7
Information Technology	9.5
Materials	1.8
Real Estate	-
Utilities	1.1
<b>Total</b>	<b>59.5</b>

### Credit rating



### Fixed Income sector breakdown

	Fixed Income (%)
Banks & Financial Services	8.4
Consumer Services	2.6
Index Linked Bonds	-
General Industrials	0.1
Gilts	1.1
Insurance	7.4
Covered	0.9
Real Estate	1.1
Social Housing	4.1
Structured	7.9
Supranationals & Agencies	1.0
Telecommunications	0.4
Utilities	4.4
Cash	1.1
<b>Total</b>	<b>40.7</b>

□ Denotes sector with element of security, covenant etc

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† The underlying yield is for the C Inc share class.

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# Key data

## RL Sustainable Growth Fund

### Fund facts

Fund size	£146.2m
Inception date	24.05.22
No. of holdings	240
Underlying yield†	1.4%

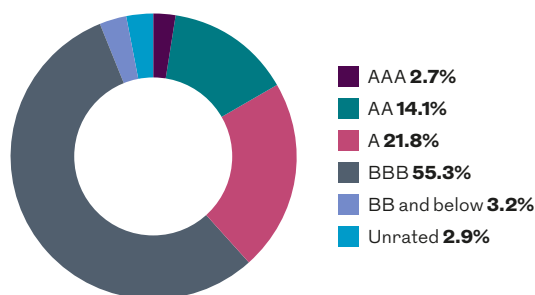
### Ten largest holdings

	Fund (%)
Amazon	2.7
Visa	2.7
Mercado Libre	2.7
HCA Healthcare	2.7
Core & Main Inc	2.6
Standard Chartered	2.6
Alphabet	2.5
Linde Plc	2.5
Broadcom Inc	2.4
IMCD NV	2.3
<b>Total</b>	<b>25.7</b>

### Equity sector breakdown

	Equity (%)
Communication	2.5
Consumer Discretionary	8.1
Consumer Staples	1.6
Energy	-
Financials	19.1
Health Care	9.9
Industrials	17.0
Information Technology	13.5
Materials	2.5
Real Estate	-
Utilities	-
<b>Total</b>	<b>74.2</b>

### Credit rating



### Fixed Income sector breakdown

	Fixed Income (%)
Banks & Financial Services	6.1
Consumer Goods	-
Consumer Services	1.6
General Industrials	-
Insurance	3.9
Covered	0.2
Real Estate	0.9
Social Housing	1.8
Structured	5.3
Supranationals & Agencies	1.3
Telecommunications	0.1
Utilities	3.2
Cash	1.3
<b>Total</b>	<b>25.7</b>

□ Denotes sector with element of security, covenant etc

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† The underlying yield is for the M Acc share class.

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# Key data

## RL Sustainable World Trust

### Fund facts

Fund size	£3,178.5m
Inception date	21.09.09
No. of holdings	250
Underlying yield†	1.1%

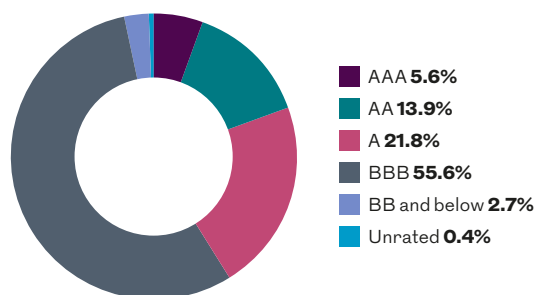
### Ten largest holdings

	Fund (%)
Visa	3.1
Amazon	3.1
Mercado Libre	3.0
Core & Main Inc	3.0
HCA Healthcare	3.0
Standard Chartered	3.0
Alphabet	2.8
Linde Plc	2.8
Broadcom Inc	2.7
IMCD NV	2.7
<b>Total</b>	<b>29.2</b>

### Equity sector breakdown

	Equity (%)
Communication	2.8
Consumer Discretionary	9.2
Consumer Staples	1.8
Energy	-
Financials	21.8
Health Care	11.3
Industrials	19.5
Information Technology	15.4
Materials	2.8
Real Estate	-
Utilities	-
<b>Total</b>	<b>84.6</b>

### Credit rating



### Fixed Income sector breakdown

	Fixed Income (%)
Banks & Financial Services	3.1
Consumer Goods	-
Consumer Services	1.0
General Industrials	-
Gilts	0.2
Insurance	3.0
Covered	0.7
Real Estate	0.3
Social Housing	1.4
Structured	3.1
Supranationals & Agencies	0.6
Telecommunications	0.2
Utilities	1.2
Cash	0.7
<b>Total</b>	<b>15.4</b>

□ Denotes sector with element of security, covenant etc

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† The underlying yield is for the C Acc share class.

The underlying yield reflects the annualised income net of expenses of the Fund as a percentage (calculated in accordance with the relevant accounting standards). The yields is calculated as a percentage of the mid price of the Fund as at the date shown and are month end snap shots of the portfolio on that day and do not include any preliminary charges. Investors may be subject to tax on distributions. Reported yields reflect Royal London Asset Management's current perception of market conventions around timing of bond cash flows.

# Key data

## RL Global Sustainable Equity Fund

### Fund facts

<b>Fund size</b>	£377.6m
<b>Inception date</b>	25.02.20
<b>No. of holdings</b>	42
<b>Historic yield†</b>	0.5%

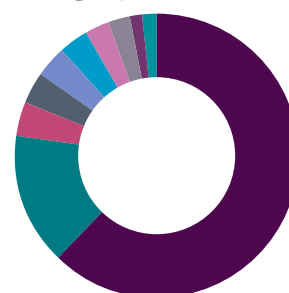
### Ten largest holdings

	Fund (%)
Microsoft	4.2
Taiwan Semiconductor Manufacturing Co	3.9
Mercado Libre	3.8
Standard Chartered	3.5
Westinghouse AirBrake Technologies	3.5
Schneider Electric	3.5
HDFC Bank	3.3
Comfort Systems USA	3.3
WR Berkley	3.3
HCA Healthcare	3.2
<b>Total</b>	<b>35.5</b>

### Sector breakdown

	Fund (%)	Index (%)
Communication	2.2	8.2
Consumer discretionary	13.4	10.6
Consumer Staples	2.4	6.3
Energy	-	4.2
Financials	22.0	18.1
Health Care	12.3	10.3
Industrials	22.5	10.6
Information technology	22.9	23.4
Materials	-	3.6
Real estate	2.2	2.1
Utilities	-	2.7

### Geographic allocation



United States	62.4%
United Kingdom	15.0%
Taiwan	4.0%
Netherlands	3.7%
France	3.5%
India	3.4%
Japan	2.8%
Hong Kong	2.6%
Denmark	1.4%
Indonesia	1.4%

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Source: Royal London Asset Management as at 31 March 2025. Figures may be subject to rounding.

† Historic yield is for the M Acc share class.

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Reported yields reflect Royal London Asset Management's current perception of market conventions around timing of bond cash flows.

# Key data

## RL Sustainable Leaders Trust

### Fund facts

<b>Fund size</b>	£2,833.2m
<b>Inception date</b>	1990 (unit launch date 26.11.12)
<b>Index</b>	FTSE All-share
<b>No. of holdings</b>	40
<b>Historic yield<sup>†</sup></b>	1.6%

### Ten largest holdings

	Fund (%)
RELX Plc	5.9
London Stock Exchange Group	5.9
AstraZeneca	5.7
Standard Chartered	5.6
Compass Group	5.5
Experian	5.0
Prudential	4.8
HSBC Holdings	4.6
Sage Group	4.4
Lloyds Banking Group	3.8
<b>Total</b>	<b>51.1</b>

### Sector breakdown

	Fund (%)	Index (%)
Basic Materials	1.5	5.5
Consumer Discretionary	8.0	7.7
Consumer Staples	7.7	14.5
Energy	-	10.1
Financials	27.3	27.0
Health Care	14.7	11.5
Industrials	22.1	12.0
Real Estate	1.6	2.3
Technology	13.5	4.2
Telecommunications	-	1.2
Utilities	3.6	3.8

**Past performance is not a guide to future performance.**

**Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation. For information purposes only.**

Source: Royal London Asset Management as at 31 March 2025. Figures may be subject to rounding.

† The underlying yield is for the C Acc share class.

The underlying yield reflects the annualised income net of expenses of the Fund as a percentage (calculated in accordance with the relevant accounting standards). The yields is calculated as a percentage of the mid price of the Fund as at the date shown and are month end snap shots of the portfolio on that day and do not include any preliminary charges. Investors may be subject to tax on distributions. Reported yields reflect Royal London Asset Management's current perception of market conventions around timing of bond cash flows.

# Executive summary

Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

While the sustainable funds have different mandates, risk profiles, asset mixes and geographical exposures, equity exposure is driven by the same underlying team, philosophy and process. Similarly, our corporate bond exposure is driven by a common underlying process that combines our sustainable criteria with our sterling credit team's established philosophy. As a result, many of our key stocks will be held across several portfolios.

The backdrop for the Sustainable range was mixed over the quarter – with both UK corporate bond and UK equity markets seeing positive returns. However, global equity market returns were negative.

Our mixed asset funds – the Sustainable World, Sustainable Growth, Sustainable Diversified and Sustainable Managed Growth funds – all offer exposure to both equity and sterling credit markets. The split between equity and fixed income holdings was maintained over the quarter. The funds produced a negative return over the quarter, with a positive return from our allocation to sterling corporate bonds partially offsetting the negative return from our equity exposure.



# Performance

## Sustainable equity exposure

Our sustainable strategies are orientated to those companies that have a net benefit to society and create value for investors through their products and services and the way they manage environmental, social and governance (ESG) issues. Areas such as healthcare and technology remain at the core of the equity portfolios, complemented by engineering, utilities, selected financial services, and companies that lead their industries in ESG performance. This means that we do not invest in some sectors, such as oil & gas, extractive industries, or tobacco. We believe that the exposure to those sectors which offer a positive contribution to society is consistent with outperformance over the medium term.

We continue to apply our tried and tested investment process focusing on finding the most attractive companies from a sustainability and financial standpoint as we believe these companies can offer high and more durable long-term growth as well as being more resilient.

The **Sustainable Leaders trust** underperformed the FTSE All Share Index during the first quarter. This was largely due to the lack of exposure to the energy and defence sectors.

Oil majors BP and Shell accounted for much of the underperformance with both providing better than expected updates and benefitting from re-allocation of flows towards more value-oriented sectors. Defence stocks such as British Aerospace and Rolls-Royce were also headwinds to performance. The shares rallied on expectations of higher defence spending in Europe. The fund does not hold these stocks. The holding in Greggs was also a negative contributor to performance. The company has grown rapidly in recent years, and despite announcing record sales figures in the fourth quarter, there have been concerns that the rate of growth is slowing. There are also worries about the company's exposure to the stagnating UK economy and the effects of higher wages and inflation.

On the positive side in terms of performance, holdings in the financial sector, including Standard Chartered, Lloyds Banking Group and Prudential outperformed. All are beneficiaries of the higher interest rate environment as well as demonstrating solid operational performance. Prudential also benefited from improved sentiment towards China and Asian markets.

The **Global Sustainable Equity fund** underperformed the MSCI All-Countries World Index (ACWI) benchmark during the first quarter. During the quarter, we saw the more value-oriented end of the market perform well, with sectors trading on lower earnings multiples including energy, financials and materials performing better. Financials continue to benefit from the higher interest rate environment, especially European banks where interest rate expectations have become more elevated as Europe has begun to talk more positively around reindustrialisation. However, the technology sector underperformed on the back of concerns around the returns on investment in AI and the large amount of capex being spent on it by large technology companies. The fund was generally negatively impacted by its exposure to technology names despite being slightly underweight the technology sector, while our industrial names (particularly those where an element of their future growth was expected to come from areas such as data centres) also underperformed. A lack of exposure towards utilities and energy sectors also impacted the fund.

Financial companies were the most notable positive contributors. W. R. Berkley, a new position for the fund, proved resilient as full year financial results showed strong growth in its underwriting volumes and improving returns from the investment portfolio which it holds to pay future claims. Standard Chartered, a pan-Asian UK-listed bank continued to do well, benefiting from the higher rate environment. Solid economic growth in Asia has supported loan and earnings growth for the business, while its wealth management franchise has seen continued successes. The management team are also continuing to execute on a restructuring plan for the business.



## Sustainable sterling credit

All issuers within our sustainable holdings offer a net benefit to society through either their products/services or their operations. As well as reducing risk, we seek out opportunities that are under-researched e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets. Key themes in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

The first quarter was a strong one for our sustainable sterling credit strategy. We saw spreads begin to widen towards the end of the quarter, after two years of near-constant tightening, but it was a relatively calm three months for sterling debt investors. The sterling corporate debt market found a path between the larger US and euro markets – which have seen greater volatility in the period.

Amidst this volatility, sterling credit markets have, so far, been able to avoid this, with the main attraction being the all-in yield this asset class continues to offer. While sterling investment grade all-in yields are attractive, their make-up has changed; a larger component of the yield is from government bond yields. The volatility we are seeing in fixed income markets is coming from government bond yields.

The **Sustainable Corporate Bond Trust and Sustainable Short Duration Corporate Bond fund** saw a positive return during the quarter, despite a small move higher in gilt yields and the widening in credit spreads, outperforming their benchmarks. Gilt yields ended slightly higher on concerns over UK public finances, while the credit spreads were wider on a mixture of concerns over the global economy as well as some profit-taking follow a sustained period of tightening spreads.

Credit sector positioning and stock selection were the main drivers of performance. For structured bonds, exposure to the sector was helpful in a quarter where these generally outperformed the market. In this sector, the fund benefitted from exposures to critical infrastructure such as bonds issued by Telereal Securitisation Plc, a transaction secured on a pool of telephone exchanges operated by BT Group plc that are a critical component of the UK fixed-line telecommunications network serving communities across the UK.



# Market overview

The year kicked off with relative stability, following a turbulent fourth quarter of 2024, with the global economy seeing modest growth and central banks easing monetary policy. As the quarter progressed, however, we have seen heightened volatility, primarily due to elevated policy uncertainty in the US, with President Donald Trump pivoting away from Europe; the spectre of aggressive tit-for-tat tariffs; and Europe's fiscal regime change, led by Germany looking to alter decades of fiscal policy stability and ramp up spending.

A very uncertain US policy backdrop and related disruptions to global trade seem likely to weigh on growth in the US and beyond. Fiscal stimulus may provide something of a shield in economies like the euro area and China. A few more rate cuts seem likely in major economies (except in Japan), albeit more gradual, careful ones, as the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

The result of this environment was global equity indices seeing weaknesses particularly in the US with technology stocks selling-off following the release by Chinese company, DeepSeek, of a large language model, which claimed to have been trained at a significantly lower costs than comparable US models. UK and European stocks gained ground, benefiting from a rotation away from the US and helped also by over indexing towards financial companies. During the quarter, the European Stoxx 600 index delivered a total return of nearly 6%, while the S&P 500 index of the largest US companies fell by 4.6% in local currency terms. Relative weakness in the dollar further lowered returns on US stocks for UK investors.

Central banks remain cautious overall, and if inflation continues to trend downward, they will continue to lower interest rates. But stickier than expected inflation, substantial policy uncertainty, and rates being closer to neutral suggests that at least some slowing of the pace makes sense beyond just the US.

Government bond markets also saw heightened volatility over the quarter, amid ongoing political noise across Europe and the US. In the US, 10-year treasury yields fell to 4.21% from 4.57%, while German 10-year bunds yields rose to 2.70% from 2.36%. Benchmark 10-year gilt yields increased to 4.68% from 4.57%.

The sterling investment grade credit market (iBoxx non-gilt index) returned 0.70% over the quarter, with the average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) widening over the period from 0.85% to 0.95% (iBoxx). Most sectors saw positive returns, with the exceptions of utilities, consumer services and social housing. These exceptions were driven more by the greater exposure to long-dated bonds than issues with the sectors themselves.



# Outlook

The last few weeks have seen a significant dislocation in equity markets from the trends of recent years. This rotation can be thought of as the belief that US exceptionalism and US growth are weakening, at the same time as Europe is awakening from its slumber and China is emerging from a property bust. Most investors are not positioned for a world where Europe and China lead equity returns and were this to continue and will need to make significant adjustments.

We have begun to see this with European equities seeing their biggest weekly inflow in 10 years. 'Will this trend continue?' is the question every investor is trying to answer. No one knows for sure of course but here are some observations which may inform.

The consensus view today is the US is waning, Europe is rising and China is re-emerging. As investors, the questions are what are our views relative to this, and how does this look in the future? A reasonable view would be too much caution is now baked into view on the US economy, but perhaps not enough optimism regarding a real positive change in Europe and China where investment allocations remain low. If true, this suggests that investors are too cautious about all key regions of US, China and Europe over the long term, and that would be a positive thing for future equity returns.

In our view, what we are witnessing is a fundamental re-ordering of the global economy, from which there will be significant investment opportunities. Understanding this re-ordering and the economic framework that will come out from it will be critical. Although it is early days, there are some comments which can be made about this. It would appear we are moving to a multi-polar world, where three economic regions (North America, Europe and Asia) trade more within themselves than with each other.

This suggests investors should think about these three regions separately rather than interlinked. Investing regionally as opposed to globally, even if investing globally, will be skillset that many investors will have to learn and relearn. Globalisation isn't completely gone, but it may now matter which markets a company is listed on and operating in, in a way that it hasn't for some time.

Amidst global geopolitical and macroeconomic uncertainties affecting global government bond markets, sterling credit still offers attractive sources of value for those prepared to look carefully. In a diversified portfolio, we believe that we can generate good levels of income by taking appropriate levels of risk but ensuring, where possible, mitigation of those risks.

At the margin, we have taken advantage of further spread tightening to reduce risk, primarily through selling financials into structured bonds. We remain underweight banks with targeted exposure to subordinated bonds. We will continue to take a pragmatic view – trimming exposure if spreads reach levels where we feel they offer no reasonable risk-adjusted return, whilst also switching gilts back into selective opportunities when they present themselves.

While near term absolute performance is likely to be largely influenced by movements in the yields of underlying government bond markets, we would expect relative performance to be influenced by relative exposure to supranational bonds and to more economically sensitive or cyclical industrial and consumer sectors. However, continued emphasis on diversification and towards secured and collateralised debt to help mitigate default risk, and on income, will support returns.



# Sustainable fund themes





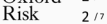



































When looking at our portfolios, certain themes emerge. It is important to remember that themes come out of stock selection rather than the other way around. Each stock or bond in our sustainable funds has to meet our sustainable and financial criteria – we will not buy because a stock or bond represent a theme. We think it important to have the flexibility to evolve as society evolves, ensuring that at all times we are investing in the most relevant themes and those most likely to deliver strong investment returns. Our current themes are as follows.



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Source: Royal London Asset Management internal sustainable themes, for illustrative purposes only.  
As at 31 March 2025.

# Risk mapping

	Defaqto Risk	Dynamic Planner	EValue <sup>‡</sup>	FinaMetrica	Oxford Risk	Defaqto Diamonds
<b>Global Sustainable Credit Fund</b>	Fund launched February 2021.					
<b>Sustainable Short Duration Corporate Bond Fund</b>	Fund launched November 2022.					
<b>Sustainable Corporate Bond Trust</b>					Oxford Risk 2 / 5 	
<b>Sustainable Managed Growth Trust</b>					Oxford Risk 2 / 5 3 / 7 	
<b>Sustainable Diversified Trust</b>					Oxford Risk 3 / 5 4 / 7 	
<b>Sustainable Growth Fund</b>					Oxford Risk 4 / 5 5 / 7 	
<b>Sustainable World Trust</b>					Oxford Risk 4 / 5 5 / 7 	
<b>Global Sustainable Equity Fund</b>			-		Oxford Risk 4 / 5 6 / 7 	-
<b>Sustainable Leaders Trust</b>					Oxford Risk 4 / 5 6 / 7 	

Defaqto Risk Rating as at March 2025. The Dynamic Planner Risk Profile assessment of the fund is correct as at Q1 2025 and is reviewed independently by Dynamic Planner on an ongoing quarterly basis; and, if necessary, may change in future. Dynamic Planner is the brand name of the software system powered by Distribution Technology (DT). Copyright© Distribution Technology Ltd 2018 onwards.

‡ EValue Q1 2025 Report. Risk Ratings (Scale 1-10) data generated by Fund Risk Assessor on a 10-year time horizon.

The FinaMetrica Risk Tolerance Toolkit™ helps advisors and enterprises create lifetime relationships, through better advice that results in clients who refer more, invest more and remain suitably invested through market highs and lows. At Q1 2025, Finametrica scores are for each of the funds considered in isolation and are based on “OK Risk”. Please refer to the Finametrica Risk Tolerance Score Mapping document on the Royal London Asset Management website.

Oxford Risk Rating as at March 2025.

Defaqto 5 Diamond rating as at March 2025.

## Platform availability

Please note not all trusts are available on all platforms.

Share class availability may vary from platform to platform, please contact your preferred platform for details. Adding funds to platforms is a demand driven process, so should your

chosen RL fund not be available via your preferred platform, we would encourage you to contact your platform representative to request access.

# Investment risks

Past performance is not a guide to future performance.

**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.

**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:** Changes in currency exchange rates may affect the value of your investment.

**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.



# Important information

## **For professional clients only, not suitable for retail clients.**

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## **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. For more information on the trust 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).

## **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. 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).

## **RL Global Sustainable Credit Fund**

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 FundRock 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. 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). Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

## **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).

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All information is correct at March 2025 unless otherwise stated.

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