

# Royal London

# Investment update

Quarter 3 2025



# Market update

YEAR	2022	2023	2024	YTD
1	Commodities 30.7%	Global Stocks 16.0%	Global Stocks 20.2%	UK Stocks 16.6%
2	Cash 1.4%	Global HY 11.9	Mixed Asset 10.0%	Global HY 10.6%
3	UK Stocks 0.3%	Corp Bonds 8.6%	UK Stocks 9.5%	Global HY 7.0
4	Mixed Asset -6.9%	UK Stocks 7.9%	Global HY 8.9%	Mixed Asset 6.4%
5	Global Stocks -7.8%	Mixed Asset 7.6%	Commodities 7.3%	Corp Bonds 4.2%
6	Property -8.8%	Cash 4.7%	Cash 5.2%	Cash 3.3%
7	Global HY -12.6%	Gilts 3.7%	Corp Bonds 1.7%	Gilts 1.9%
8	Corp Bonds -17.7%	IL Gilts 0.9%	Property 1.6%	Commodities 1.8%
9	Gilts -23.8%	Property -0.7%	Gilts -3.3%	Property 1.2%
10	IL Gilts -33.6%	Commodities -13.1%	IL Gilts -8.3%	IL Gilts -1.9%

Source: Lipper, Royal London, as at 30 September 2025.

Past performance isn't a guide to the future. Prices can go down as well as up. Investment returns may fluctuate and aren't guaranteed, you/clients could get back less than the amount paid in.

Mixed Asset return = Governed Portfolio Growth. Governed Portfolio returns are net of 1% Annual Management Charge.

All indices are total return in £ Sterling except Commodities which is in US dollars. Global Stocks are ex UK.

Equity markets continued to rally over the quarter, as investors shrugged off tariff concerns and geopolitical tensions. Growth stocks, particularly in technology, communications, and discretionary sectors, led the charge as markets soared higher. These sectors in particular were supported by better-than-expected earnings and broadly resilient macro data (Chart 1). The S&P 500, Nasdaq, and Russell 2000 all hit fresh all-time highs in September in local currency terms. Summer returns have historically been subdued for equity markets but a strong September drove the S&P 500 to its strongest third quarter since 2020.

In most major economies, government bond yields continued to drift higher, especially at longer dated levels.

Concerns around the fiscal situations in Europe and the UK seemed to be key drivers of this theme, while political uncertainty and a more hawkish sounding BoJ saw yields trend higher in Japan too. US treasuries performed much better with yields falling, even at the longer end. This came despite fresh attacks on Fed independence as Trump moved to fire Lisa Cook from the Fed's Board of Governors. Weaker labour market data which gave way to Fed rate cuts was one key driver of US bond outperformance.

## Governed Range update as at Q3 2025

On a tactical level, we maintained our overweight in US equities and growth sectors, which continued to outperform amid strong earnings. Our Investment Clock has moved into Recovery, a phase where stocks typically offer their best returns. The global macro backdrop remains supportive, earnings remain strong and central banks are cutting rates.

# Market outlook

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The Investment Clock is moving into Recovery and monetary policy is easing. This is typically a positive backdrop for stocks, and we have been overweight, with a focus on Japan, the emerging markets and US growth sectors. Political and policy worries are sapping the dollar and fuelling gold.

There are echoes of the late 1990s. The AI boom is raising corporate earnings, but valuations are near levels last seen in the dot com era. Historically, most new innovations get overblown in the short term. We are tactically bullish while the Fed is cutting rates, but strategically cautious - as evidenced by our more diversified asset mix.



# Governed Range strategy

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We consider the following aspects to help the Governed Range position us for the future:

**Strategic Asset Allocation (SAA) & Tactical Asset Allocation (TAA):** The SAA of the Governed Range is monitored on a quarterly basis and reviewed annually. This aims to ensure the portfolios remain appropriate for the long-term objectives of maximising returns after inflation, for a given risk level. We recently increased portfolio diversification via the SAA process.

We aim to add value through TAA irrespective of the market direction by utilising the Investment Clock, and other investment models, to make tweaks to our multi asset and regional equity allocations.

**Diversification:** The portfolios have exposure to Emerging Market and Global Equities as well as holdings in asset classes such as Commodities which are a useful hedge against inflation.

**Active Management:** It's crucial to design portfolios that match individual risk attitudes. Younger investors can take greater risks for higher returns, as their future pension contributions are yet to be invested, while older investors tend to be more risk-averse. Therefore, different portfolios are built to suit varying risk levels.

We think it's very important to be an active investor and we would actually argue there's no such thing as a passive multi-asset fund. The choice of asset classes to include in the first place is an active choice. You should be adjusting the asset mix, as the investing environment changes, both in terms of the valuation, which gives you a view of longer term returns, but also shorter term developments, and, for example, the business cycle.

**Investing for the long-term in the UK:** Investors in the Governed Range will typically be pension customers retiring into a UK economy so it makes sense to have long term outcomes relative to UK pension savers and UK inflation.

## Our approach

We believe that a well-diversified portfolio is the most effective way of maximising risk-adjusted return and mitigate uncertainty over both the short and longer term. Our multi-asset portfolios are designed to optimise performance and better withstand shocks, manage volatility and downside risk. A typical pensions customer will be invested for years, if not decades and, as such, we position the portfolios to maximise performance over the long-term.

# Additional Material

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[Governed Range Factsheets](#)

[RLAM Fund Commentaries and Quarterly Reports](#)

[Investment Clock Updates](#)

[Latest Investment Performance](#)

[RLAM Outlook 2025](#)



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