

Royal London Global Bond Opportunities Fund: 10 years of active credit management

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Over the past decade, the Royal London Global Bond Opportunities Fund has remained anchored to a simple but powerful conviction: that structural inefficiencies within the credit markets can be consistently exploited through rigorous security selection, close attention to covenants and structure, and a deliberately unconstrained approach to portfolio construction. Our focus is on returns, not relative performance. We are not beholden to a benchmark, instead looking for the best opportunity set.

This allows the fund to smoothly navigate between investment grade and high yield markets, where we can increase and decrease exposure as market conditions change. We don't focus on a bond's external rating, rather on whether or not we consider it an attractive investment. The fund is opportunistic.

With an ever-changing opportunity set, the fund can look to invest where we see value without compromising returns and income generation. In the current market, the makeup of all-in yields is very different to what it has been in the past – but the fund can continue to excel in this yield environment.

Targeted opportunity set

Narrowing down the universe to areas with attractive income

Investment grade issuers

High yield and unrated issuers

Financials

- Invest across the whole capital structure
- Focus on national champion banks & insurance, and specialist lenders
- Structure analysis
- Regulations

Corporate hybrids

- Investment grade rated at issuer level
- Yield pick up over senior bonds
- Structure and rating methodology analysis
- Low default risk

Asset rich sectors

- Structure, security and covenants
- Different liquidity profile
- Overlooked issuers
- Exposure to energy and shipping sectors

For illustrative purposes only. Source: RLAM.

For professional clients/qualified investors only, not suitable for retail investors.

The decade in context: markets we navigated

The fund's first ten years spanned a diverse and often challenging market environment, marked by shifting interest-rate regimes, evolving geopolitical developments and substantial market movements. Volatility emanated largely from government bond markets, whereas credit markets frequently absorbed macroeconomic shocks after initial adjustments. Despite changing yield compositions and expectations, demand for credit income persisted, supported by broadly stable corporate fundamentals.

The idea that anchored us: exploiting credit inefficiencies

In concept, the fund is simple. We believe that credit markets offer investors long-established inefficiencies. Our emphasis on covenants (legal constraints), structure (position in the capital structure) and security (claim on specific assets) seek to improve the balance of risk and return and this help contributes to strong performance over the medium term.

The fund focuses firmly on uncovering value through detailed credit research and comparative analysis across markets, and its unconstrained nature has allowed it to avoid holding securities purely due to index representation. This flexibility extends to securities outside traditional benchmarks too, including unrated and smaller issues, where the absence of a rating serves only as one of many data points rather than a decisive indicator of quality.

What differentiated the strategy over ten years

Over the decade, several defining features have set the strategy apart. A sustained emphasis on structure and covenants enabled the fund to pursue opportunities aligned with better downside protections, especially during more unsettled phases of the market. The selective use of non-benchmark and unrated securities provided genuine diversification and opened avenues often invisible to more index-driven strategies. Income generation remained at the heart of the approach, though never pursued without regard for quality or risk. The fund also retained the flexibility to allocate to low-income or zero-coupon structures where medium-term total-return potential justified their inclusion. Floating rate notes play a big part in our flexible approach, serving as a valuable tool for navigating evolving interest rate cycles, but it's also important to note that these funds are not made up of quirky names. We generally hold recognisable names, with the funds not made up entirely of esoteric unheard-of companies.



Investing through the cycle: unconstrained sector and structure dynamics

The strategy has found recurring opportunities within the financials sector, where post-crisis regulatory reforms strengthened capital structures and enhanced credit quality. Asset-rich sectors also played a meaningful role during periods of uncertainty, offering additional resilience. Although the portfolio generally tilted toward developed markets, this orientation reflected ongoing assessments of relative value rather than any structural limitation. Exposures shifted when market conditions warranted, ensuring that the portfolio remained aligned with evolving risk-reward conditions.

No fund will see long-term success without diversification playing a big part of an investment philosophy. The fund aims to mitigate stock specific risk by holding a diversified portfolio of investments, so that no individual investment can, in isolation, have an excessive impact on overall fund performance.

The people behind the track record

Since inception, the fund has been managed by Rachid Semaoune and Eric Holt, both of whom have brought substantial experience across the credit spectrum. Their capacity to identify secured and covenant-rich opportunities, supported by a collegiate investment culture and deep credit-analyst expertise, has been instrumental in shaping the fund's development. Their philosophy emphasises consistent assessment of value alongside the flexibility to pursue a broader opportunity set where justified by fundamentals. Recognising this philosophy, the managers were awarded Investment Week's Fund Manager of the Year Awards 2025 in the Global Bond category.



Awards are not a recommendation or guide to future returns.

Outcomes aligned with investment approach

Over ten years, the strategy has focused on outcomes aligned with the objectives of income-oriented and total-return-focused investors. Income has served as a central component of overall return, driven by disciplined security selection rather than yield-chasing. Throughout, the strategy has maintained a long-term orientation, allowing it to look past short-term market shifts and focus on durable sources of value. As always, the best way to navigate volatile markets, is to focus on asset rich sectors which has been a pillar for us since these funds launched.

Lessons learnt

Several lessons have emerged from the fund's first ten years. Operating free from benchmark constraints has repeatedly demonstrated its value, especially during periods when indices became dominated by highly indebted issuers. The importance of covenants and structural protections has been consistently reinforced, particularly during market stress. External ratings proved helpful but insufficient on their own, requiring integration into a broader assessment rooted in fundamentals. Experience also reaffirmed that headline yield is only meaningful when supported by strong underlying characteristics and a balanced risk-reward profile. Finally, genuine diversification must be embedded from inception rather than applied superficially, contributing materially to the portfolio's resilience.

Looking ahead: applying ten years of experience

As the fund enters its second decade, the principles that shaped its first ten years continue to guide its investment approach. Although the composition of all-in yields has changed and the opportunity set continues to evolve, the strategy remains well positioned to navigate these shifts. The team will continue to seek inefficiencies, apply rigorous research, maintain diversification and invest with a long-term mindset. With a decade of experience behind it, the fund is well placed to continue applying its disciplined, value-driven philosophy to the dynamic landscape of global credit markets.



Royal London Global Opportunities Z Inc GBP (launched 8 December 2015)

Cumulative performance	6 Months	1 Yr	3 Yr Ann.	5 Yr Ann.	Since inception
Royal London Global Bond Opportunities (Z Inc) NET	4.10%	8.41%	9.29%	5.25%	5.53%
Percentile Rank (Morningstar EAA Fund Global Flexible Bond - GBP Hedged)	13	25	4	2	2
Morningstar EAA Fund Global Flexible Bond - GBP Hedged Median	3.24%	7.17%	6.20%	2.13%	2.73%
Bloomberg Global Aggregate - Corporate (GBP Hedged)	3.07%	7.00%	6.08%	0.04%	2.42%
ICE BofA Global High Yield (GBP Hedged)	3.84%	8.39%	9.73%	3.49%	5.06%

Discreet performance	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Royal London Global Bond Opportunities (Z Inc) NET	8.41%	9.67%	9.83%	-7.13%	6.52%	3.13%	8.86%	0.56%	9.99%	7.71%
Percentile Rank (Morningstar EAA Fund Global Flexible Bond - GBP Hedged)	25	4	17	38	1	75	40	5	3	29
Morningstar EAA Fund Global Flexible Bond - GBP Hedged Median	7.17%	5.06%	7.64%	-9.44%	0.48%	5.57%	8.29%	-2.30%	4.20%	5.70%
Bloomberg Global Aggregate - Corporate (GBP Hedged)	7.00%	3.29%	8.02%	-15.26%	-0.98%	7.24%	10.60%	-2.66%	4.55%	5.83%
ICE BofA Global High Yield (GBP Hedged)	8.39%	8.94%	11.92%	-12.58%	2.78%	5.10%	12.32%	-3.61%	6.73%	15.66%

Royal London Global Opportunities Z Acc USD (launched 18 February 2019)

Cumulative performance	6 Months	1 Yr	3 Yr Ann.	5 Yr Ann.	Since inception
Royal London Global Bond Opportunities (Z Acc) (USD Hedged) NET	4.20%	8.55%	9.61%	5.59%	5.87%
Percentile Rank (Morningstar EAA Fund Global Flexible Bond - USD Hedged)	9	18	5	3	5
Morningstar EAA Fund Global Flexible Bond - USD Hedged Median	3.22%	7.07%	6.73%	2.33%	3.31%
Bloomberg Global Aggregate - Corporate (USD Hedged)	3.17%	7.08%	6.59%	0.64%	3.03%
ICE BofA Global High Yield (USD Hedged)	3.94%	8.49%	10.21%	4.10%	5.26%

Discreet performance	2025	2024	2023	2022	2021	2020
Royal London Global Bond Opportunities (Z Acc) (USD Hedged) NET	8.55%	9.92%	10.42%	-6.59%	6.68%	4.15%
Percentile Rank (Morningstar EAA Fund Global Flexible Bond - USD Hedged)	17	6	16	37	3	67
Morningstar EAA Fund Global Flexible Bond - USD Hedged Median	7.06%	5.65%	8.27%	-8.38%	0.38%	5.50%
Bloomberg Global Aggregate - Corporate (USD Hedged)	7.08%	3.68%	9.10%	-14.11%	-0.79%	8.24%
ICE BofA Global High Yield (USD Hedged)	8.49%	9.23%	12.97%	-11.39%	3.04%	6.59%

Past performance is not a guide to future performance. 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 return. Changes in currency exchange rates may affect the value of investment

Source: RLAM as at 31 December 2025. All figures are close of business prices.

Investment risks

Past performance is not a guide to future performance. 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.

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.

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.

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.

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.

Sub-Investment Grade Investment Risk: Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Unrated Bond Risk: Non-rated bonds may have the characteristics of either investment or sub-investment grade bonds. Market activity in unrated securities and instruments may be low for a considerable period of time and this may impact on liquidity.

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