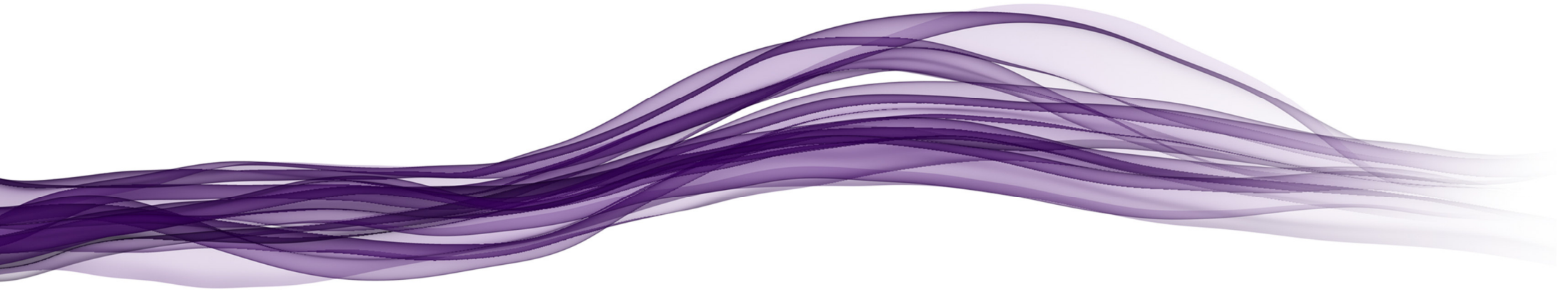


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Royal London GMAP Diversified Bond Fund

Quarterly Investment Report

31 March 2024



Quarterly Report

The fund as at 31 March 2024

The purpose of this report is to provide an update on the Royal London GMAP Diversified 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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The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve a total return over the course of a market cycle, which should be considered as a period of 6-7 years, by investing at least 80% in other funds, known as collective investment schemes. The Fund aims to achieve the lowest level of risk and return relative to the other funds in the Royal London Global Multi-Asset Portfolio (GMAP) range. The IA Sterling Strategic Bond sector and the Fund's custom composite benchmark are considered appropriate benchmarks for performance comparison.

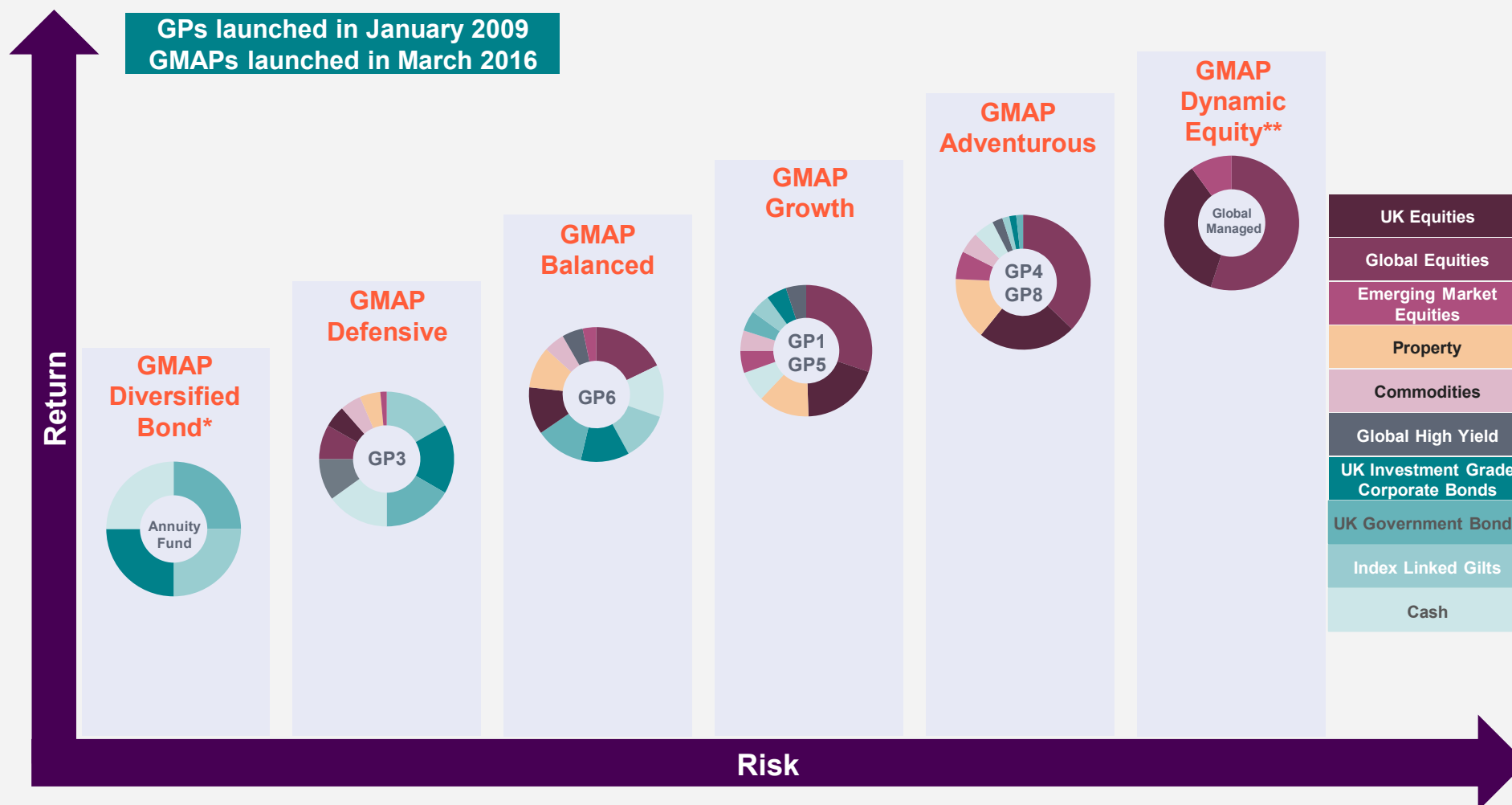
Benchmark: GMAP Diversified Composite Benchmark. The benchmark has been designed with the aim of maximising long run return in excess of inflation for a given level of risk.

FTSE Actuaries UK Conventional Gilts (All Stocks) Total Return GBP Index 20.00%
 FTSE Actuaries UK Index Linked Gilts (All Stocks) Total Return GBP 20.00%
 Bloomberg UK Government Inflation Linked Bond 1-10 year Total Return GBP Index 1.50%
 Bloomberg World Government Inflation Linked Bond (ex UK) 1-10 year (GBP Hedged) 3.50%
 Bloomberg Global Aggregate Corporate Total Return Index GBP Hedged 7.50%
 iBoxx Sterling Non-Gilt Total Return GBP Index 17.50%
 JPM Global ex-UK Traded Index GBP Hedged 5.00%
 Bank of England Sterling Overnight Index Average (SONIA) 25.00%

Fund value

	Total £m
31 March 2024	486.28
Fund launch date	14 March 2016

RL GMAP range



For illustrative purposes – reflects Strategic Asset Allocation weightings, may vary in accordance with tactical asset allocation.
 Our fund range is designed to span the risk return spectrum, with each fund aiming to maximise the long-term real return for its given level of risk through a broadly diversified portfolio of investments

* Fund name changed from Conservative to Diversified Bond on 15 March 2024

** Fund name changed from Dynamic to Dynamic Equity on 15 March 2024

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.21)	(0.36)	0.15
1 Year	2.75	1.94	0.81
3 Years (p.a.)	(1.78)	(2.63)	0.85
5 Years (p.a.)	0.34	(0.59)	0.93
Since inception (p.a.)	1.75	1.17	0.57

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on RL GMAP Diversified Fund (M Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the shareclass is 14 March 2016.

Performance commentary

Equities

Global equity indices ended the quarter at all-time highs. Resilient macro data, strong corporate earnings results, and expectations of policy loosening this year all contributed to market optimism. Our Investment Clock moved into equity-friendly Recovery phase and technical factors remained supportive, which saw us continue to hold an overweight equity position. Our overweight position added value over the quarter.

Bonds

One major development over the quarter saw markets aggressively change their pricing for expected central bank cuts over this year. At the end of last year markets had expected 1.7% of cuts from the BoE, three months later and markets now only expect just over 0.7%. This repricing saw negative returns for bond markets over the quarter. We started the quarter at a neutral position but moved moderately underweight and benefitted as yields started to rise.

Equity regions

The best performing region over the quarter was Japan, which recorded close to 20% return over the quarter, moving to all-time highs for the first time in 34 years. Japanese equities have been benefitting from a weaker yen, loose monetary policy and improving corporate profits. We benefitted from a continued overweight allocation to the region. Elsewhere, we benefitted from an underweight tactical allocation to UK shares, which lagged other regions over the quarter.

Equity sectors

The US technology sector, which led gains last year on the back of the hype around AI and hopes for steep 2024 rate cuts, continued to outperform. This was followed by a broadening in performance, with cyclical sectors in the likes of industrials, financials and energy also posting double-digit returns. We continued to prefer growth sectors, given supportive macro environment, but lost value amid underperformance of the consumer discretionary sector.

Property

We remain positive on the long-term prospects for property within a diversified multi asset portfolio. However, in the near term, we see downside risks to the asset class as growth slows. We remained tactically underweight property over the period; commercial property was flat, with rental income offsetting losses on capital values. Lingering recession fears and the sluggish UK economy have continued to weigh on property relative to other risky assets, while hints of potential BoE rate cuts this year are seen as a positive signal for the asset class.

Performance and activity

Top 10 holdings

	Weighting (%)
RL UK Government Bond Fund	20.02
RL Index Linked Fund	20.01
ROYAL LON SUST COR BDT-D ACC	13.53
RL Short Term Money Market Fund	12.69
RL Global Sustainable Credit Fund	7.50
RL Short Duration Global High Yield Bond Fund	6.10
RL Absolute Return Government Bond Fund	5.16
RL Short Duration Global Index Fund	4.96
RL International Government Bond Fund	4.96
RL Ethical Bond Fund	4.01
Total	98.94

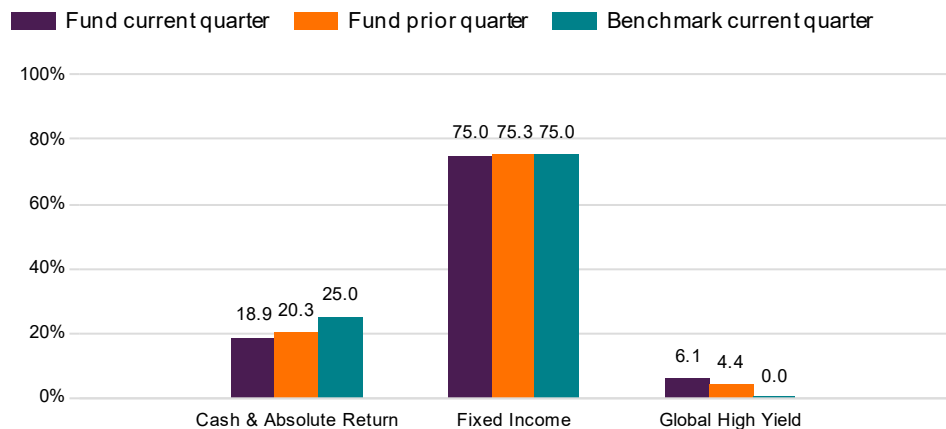
Fund activity

Asset allocation overview

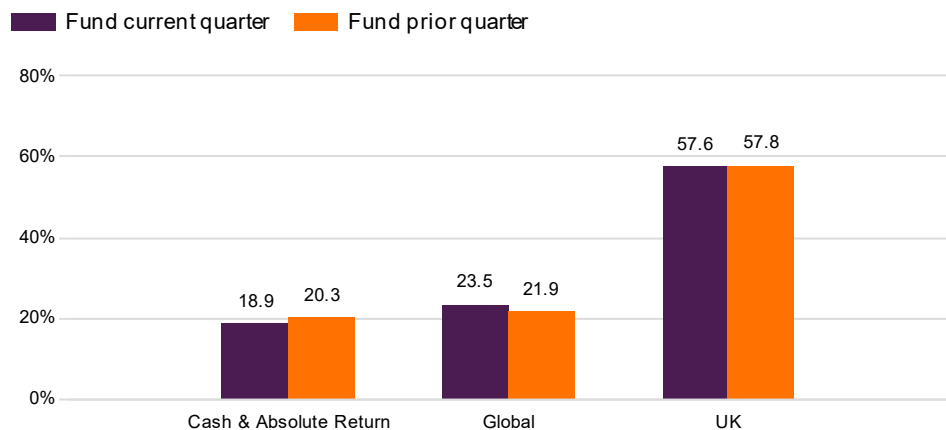
At the tactical asset allocation level, we maintained an overweight position in equities over the quarter, a position which continued to benefit us as it did for most of 2023. In the regional template, we added value from an overweight position in Japanese equities, funded from an underweight in UK stocks. With much uncertainty around the macroeconomic environment, we continue to see great benefits in a well-diversified multi asset approach which aims to deliver positive risk-adjusted returns over the medium to long term.

Fund breakdown

Asset split



Geographical breakdown



Market commentary

Market review

A key theme to emerge during the quarter was indication of a more favourable global macro backdrop. Despite some mixed signals, the US economy remains resilient, while Europe and the UK show signs of gradually exiting their recessions. Activity in China also seems to be stabilising. At the same time, core central banks are still confident that the disinflation trend remains intact, despite some recent setbacks in inflation prints. Policymakers have often highlighted that they are in no rush to cut rates – with markets now generally pricing the start of the easing cycles to begin this summer. The Federal Reserve, European Central Bank and Bank of England all left interest rates unchanged over the quarter.

One major development over the quarter is that markets have recalibrated their pricing for expected central bank cuts over this year. At the end of last year, markets were pricing in an aggressive rate cutting cycle, but then swiftly move to temper those forecasts. This re-pricing contributed to negative returns for global government bond markets over the quarter. Despite the belief of many that it was the anticipation of a 'Fed-pivot' that contributed to the rally in equity markets in late 2023, equity markets proved to be immune to this bond market sell-off as global growth and business confidence showed signs of resilience and investors focused on the potential offered by AI.

Data released in the first quarter confirmed that the UK experienced a technical recession in the second half of 2023 but painted a picture of stronger economic activity in the first quarter, with falling inflation and more signs of softening underlying domestic inflationary pressure. Fourth quarter GDP fell 0.3% quarter-on-quarter in real terms after falling 0.1% in the third quarter. Meanwhile, CPI inflation fell a bit further to 3.4% year-on-year in February from 3.9% for the November release.

The US Federal Reserve continued to keep rates on hold at 5.25-5.50% over the quarter against a still resilient labour market backdrop, and after a couple of stronger than expected inflation prints. As of their March meeting, the median forecast of participants still had 75bps of rate cuts in or 2024, but with the number of cuts pencilled in for 2025 being reduced from four cuts to three. Over the quarter, CPI inflation was broadly stable, at 3.2% year-on-year in February, from 3.1% in November (briefly 3.4% in December). However, core CPI inflation rose a stronger than expected 0.4% month-on-month in both January and February. The core PCE measure of inflation fell over the quarter in year-on-year terms, but came in above 0.2% month-on-month in both January and February. Fourth quarter GDP recorded a strong 3.4% quarter-on-quarter annualised, weaker than in the third quarter but still well above trend.

Over the first quarter, the European Central Bank kept rates on hold. As of the March meeting, the staff inflation forecasts were more consistent with sustainably hitting the target and President Christine Lagarde continued to emphasise that they wanted more data, more evidence, before cutting rates. She said that they would know a "little more in April, but we will know a lot more in June." Various ECB speakers have signalled that they think a rate cut is likely/possible in June. Euro area CPI rose in December but fell back to 2.6% by February. Core CPI fell gradually over the same period too to 3.1% year-on-year. The euro area economy (GDP) was flat in Q4 at 0.0% quarter-on-quarter. Business surveys, however, were consistent with the economy remaining in (mild) recessionary territory, even if the composite PMI improved over the quarter.

For the first quarter, the MSCI World and MSCI All Countries World Index (ACWI – which also includes 26 emerging markets) produced positive returns for the quarter in US dollar terms. Looking at national MSCI indices, the strongest market was Ireland, while the weakest was Portugal. In terms of style, the MSCI World Growth Index produced stronger returns versus the MSCI World Value Index.

Government yields rose in all the major markets. In the US, 10-year treasury yields rose from 3.88% to 4.21%, while German 10-year bunds similarly saw yields rise from 2.01% to 2.30%. Mirroring this backdrop of rising yields, UK government bonds produced a return of -1.62% (FTSE Actuaries) over the first quarter, with the benchmark 10-year gilt yield rising from 3.54% to 3.94%. Global corporate bonds saw mixed effects during the quarter. In the US, euro zone and UK, the negative impact of rising underlying government bonds was offset by credit spread tightening and positive carry, to leave returns roughly flat (local terms).

The price of WTI crude oil gained 15% over the quarter to \$83 a barrel, reversing the losses of the prior quarter amid attacks on Russian refineries and OPEC signalling production cuts. Copper futures meanwhile gained 2.85% in US dollar terms.

Outlook

While we expect headline inflation to continue to fall, we are not expecting a return to the previous disinflationary world. We see a more normal new regime characterised by periodic spikes in inflation and short boom-bust cycles. Tactical asset allocation is important when business cycles are shorter given inflation causing more movement in interest rates. We have benefitted from an overweight position in equities so far in 2024 as the macro backdrop has proved more resilient than expected. Macro conditions remain supportive, with the prospect of interest rates cuts boosting hopes of a recovery in activity. We remain vigilant. More defensive positioning could be necessary later this year. Geopolitical risk or disappointment around the number of interest rate cuts this year could cause a correction in markets.

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

For professional clients only, not suitable for retail clients.

The portfolio has no index as a comparison.

This is a financial promotion and is not investment advice.

Telephone calls may be recorded. For further information please see the Privacy Policy at www.rlam.com.

Issued in April 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Multi-Asset Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001058.

The Company is a non-UCITS retail scheme. 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 Non-UCITS retail scheme Key Investor Information Document (NURS KII Document), available via the relevant Fund Information page on www.rlam.com.

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.

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

This fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

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.

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. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

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.

Fund investing in funds risk

The Fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stockmarket conditions and the Fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the Fund itself, may be deferred or suspended.

Liquidity and dealing risk

The Fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the Fund, or receive less than may otherwise be expected when selling your investment.

Performance to 31 March 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	(0.21)	6.29	2.75	(5.25)	1.72	(1.78)	0.34
Fund (net)	(0.36)	5.97	2.13	(6.93)	(1.26)	(2.36)	(0.25)

Annualised (%)

Year on year performance (%)

	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020
Fund (gross)	2.75	(7.23)	(0.59)	4.39	2.83
Fund (net)	2.13	(7.78)	(1.18)	3.77	2.24

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.

Source: RLAM as at 31 March 2024. All figures are mid-price to mid-price in GBP for the RL GMAP Diversified Fund (M Acc).

Glossary

Asset allocation

Based on RLAM's holistic approach to fixed income management and fund weights relative to their respective benchmarks. May not reflect tactical exposures.

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Geographical breakdown

Breakdown of assets by geographical regions. 'Global' region includes global fixed income and overseas securities exposures, which are sterling hedged and commodity exposures.

Performance

Performance is calculated using the signed off NAV per share. 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 the return.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.