

For professional clients only, not suitable for retail clients.



# **Royal London Short Duration Emerging Markets Corporate Bond Fund**

Quarterly Investment Report

**31 March 2025**



# Quarterly Report

## The fund as at 31 March 2025

The purpose of this report is to provide an update on the Royal London Short Duration Emerging Markets Corporate 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.

# Contents

The fund	3
Performance and activity	4
Fund breakdown	6
Market commentary	8
Further information	10
Disclaimers	11
Performance net and gross	13
Glossary	14

# The fund

## Fund performance objective and benchmark

The investment objective of the Fund is to provide income, primarily by investing in emerging market corporate bonds. The Fund will seek to achieve its objective on an active basis. The Fund's performance target is to outperform the Federal Funds Rate.

## Fund value

	Total \$m
31 March 2025	36.71

## Fund analytics

	Fund
Fund launch date	18 April 2023
Fund base currency	USD
Benchmark	Federal Funds Rate
Duration to expected	1.65 years
FX adjusted yield (%)	6.58

# Performance and activity

## Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.68	1.05	0.63
1 Year	7.55	4.90	2.65
Since inception (p.a.)	7.38	5.07	2.32

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 Z Acc USD. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 18 April 2023.

## Performance commentary

The fund saw strong performance in the first couple months of the year, continuing on from the themes seen in the second half of 2024. Spreads were rangebound and primary markets were open, where buying opportunities were readily available.

As the quarter progressed, however, there were signs that the market was beginning to wobble. The policy path from Donald Trump's administration in the US was beginning to affect markets as the threat of tariffs became a reality – impacting equity markets initially, then sub-investment grade credit markets, while US treasury yields rallied consistent with a risk off environment before moving higher as inflationary concerns picked up.

For the fund, our overweight in Brazil was beneficial in January – with Brazilian credits rebounding from a weak fourth quarter on concerns Lula would increase deficits. The market rallied after these concerns were overstated.

The fund's Turkish holdings saw strong performance in January and February. However, March saw a sell-off of Turkish risk assets following the arrest of Ekrem Imamoglu, President Erdogan's main political rival. We remain comfortable with Turkiye risk due to the continued orthodox monetary policy path reducing inflation, and the fundamentally strong corporates in the country.

Global growth concerns saw volatility in oil prices which negatively impacted energy names in March. Energy name weakness, coupled with weak Turkish risk saw March's performance eat into the Fund's strong returns in the first two months of the quarter. With sub-investment grade assets underperforming, our bias to high yield bonds in the fund was a further detractor for performance in March.

Our bias for Central & Eastern Europe, Middle East & Africa bonds was a contributor in the quarter, as was our preference for the Latin America region.

By sector, our consumer and technology, media & telecom holdings were the best performers.

The fund is short duration, but this was extended slightly in the period.

# Performance and activity

## Top 10 holdings

	Weighting (%)
ENDEAVOUR MINING PLC 5 14 Oct 2026	2.62
BRF GMBH 4.35 29 Sep 2026	2.28
ARCELIK AS 8.5 25 Sep 2028	1.98
UZAUTO MOTORS AO 4.85 04 May 2026	1.89
MTN (MAURITIUS) INVESTMENTS LTD 6.5 13 Oct 2026	1.85
DNO ASA 7.875 09 Sep 2026	1.82
ARCELIK AS 3 27 May 2026	1.79
FIRST QUANTUM MINERALS LTD 6.875 15 Oct 2027	1.79
HIKMA FINANCE USA LLC 3.25 09 Jul 2025	1.78
TURKCELL ILETISIM HIZMETLERI AS 5.8 11 Apr 2028	1.77
<b>Total</b>	<b>19.57</b>

## Fund activity

Primary market activity slowed towards the end of the quarter, with the threat of tariffs looming and causing corporates to rethink coming to the market. With the heightened volatility, the fund was highly selective in buying new names in the back half of March.

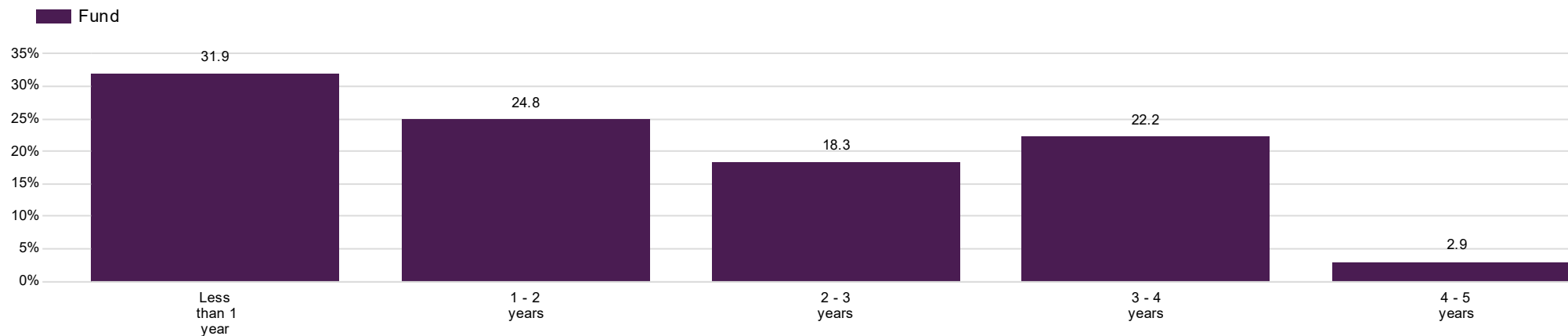
We continue to see value in the Latin America region – in both high yield and investment grade bonds – and continue to position the fund to take advantage of this.

The fund is overweight Central & Eastern Europe, Middle East & Africa (CEEMEA) – as we see attractive higher yielding opportunities in the region.

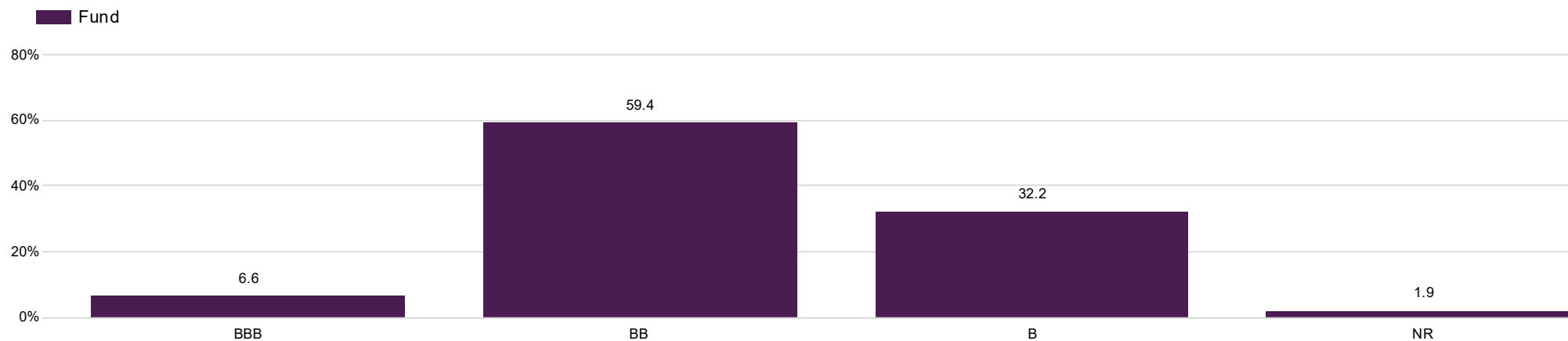
The fund remains underweight Asia – believing there is better value elsewhere with the spread and yield on offer in Asia too expensive, particularly in investment grade.

# Fund breakdown

## Maturity profile

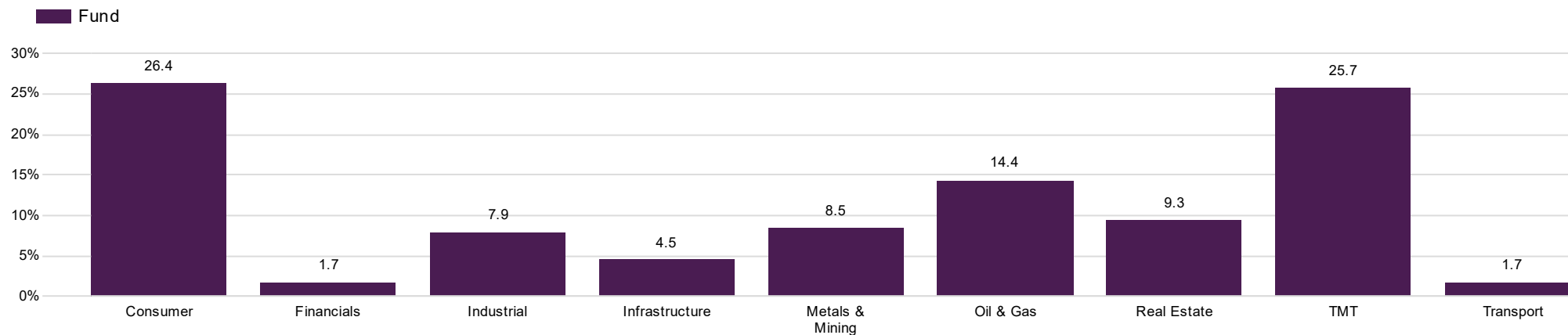


## Credit ratings

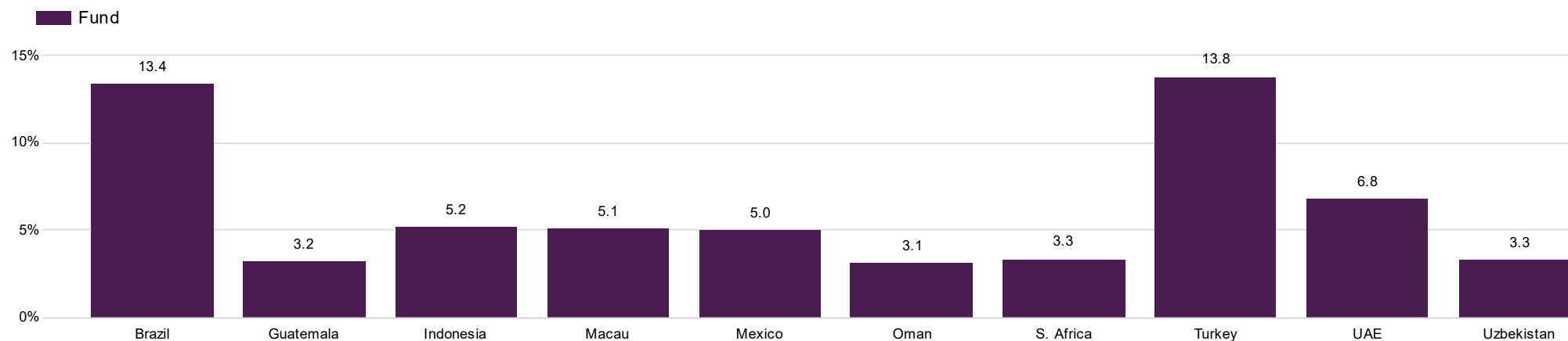


# Fund breakdown

## Sector breakdown



## Geographical breakdown



# Market commentary

## 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 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, but the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

This result of this was global equity indices seeing weakness due to US stocks posting a torrid quarter as tech stocks saw a dramatic sell-off following news of a competitor in China, DeepSeek. European and UK stocks fared much better, posting positive total returns for the three months.

Most major central banks are running with interest rates above neutral, but increasingly not by much. If growth remains positive but unimpressive and if inflation reassures somewhat then central banks can continue to cut towards neutral. 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.

In the high yield market, the ICE BofAML (BB-B) Global Non-Financial High Yield Index (sterling hedged) benchmark returned 1.34% in the quarter with spreads at 312bps, widening from 269bps at the start of the quarter.

At the end of the period, the index's yield-to-worst stood at 6.78% (6.64%), drifting higher since the fourth quarter on the back of rising yields and widening spreads. In the broader-based high yield index, which includes CCC rated bonds, spreads widened to 372bps from 324ps, with a yield-to-worst of 7.4%.

Government bond markets suffered 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%.

In the US, at its final meeting of the quarter, the Federal Reserve, as expected, kept rates on hold with the Fed Funds target range at 4.25-4.50%. With them seeing the US economy as "strong overall", the Fed feels they are in a good place.

Chair Powell noted that they are at a position, where the bank can cut and they can hold (perhaps notably not mentioning a possible hike). Participant forecasts still have two rate cuts in them for 2025. Broader Fed commentary continued to indicate that they are not in a hurry to cut rates. In a very uncertain environment, it makes sense to wait until things are clearer and "we'll be adapting as we go," said Powell.

US activity growth indicators have been mixed of late, but sentiment and survey indicators typically soft with worries about tariffs featuring in much of the commentary. The February US Employment Report didn't surprise by much but was a bit softer than expected overall. Non-farm payrolls rose 151K, so not far from consensus at 160K or the average increase of the past 12 months (168K).

February's US CPI came in lower than expected at 0.2% month-on-month from 0.5%. Core was also 0.2% month-on-month after 0.4%. Both figures were a tenth less than expected and a bit more inflation target friendly. The data was likely somewhat reassuring, but with tariffs being implemented and likely to impact with a bit of a lag – alongside plenty of other US policy uncertainty – the most recent inflation data is unlikely to alter the Fed's thinking at this stage.

There are risks on all sides to the US outlook with President Trump bringing policy upheaval on multiple dimensions. To the extent that the surprisingly robust growth picture of the last couple of years was fiscal spending and immigration assisted, there are additional reasons to worry with the early targets for Trump's team including cutting Federal spending and immigration, alongside raising/threatening tariffs.



# Market commentary

## Outlook

We continue to invest in companies with strong fundamentals, where we believe they are less exposed to trade sanctions or fluctuations. Emerging market corporate fundamentals remain stronger than similar rated developed market corporates. We remain confident with the regional weightings of the fund and will use any volatility to invest opportunistically into the fund.

Global geopolitical and macroeconomic uncertainties have impacted Emerging Market corporate credit yields creating attractive opportunities for those prepared to look carefully.

We are also in a very moderate default climate up to now. Emerging Market corporate default rates are very low,. While companies are relatively comfortable with the strength of their balance sheets, primary markets going forward will need to be monitored if uncertainty and the risk off environment keeps primary markets closed for a sustained period.

The main catalyst for volatility on the horizon – as with other asset classes – is the policy trajectory from the Donald Trump administration. Until there is greater clarity on this, risk will remain politically driven, not market driven.

## 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](http://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.

This is a financial promotion and is not investment advice.

Telephone calls and written communications may be recorded and monitored. For further information please see the Privacy Policy at [www.rlam.com](http://www.rlam.com).

Issued in April 2025 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 Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797.

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).

# 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.

## 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.

## 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.

## 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 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.

## 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.

# Performance to 31 March 2025

## Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception		
<b>Fund (gross)</b>	1.68	2.86	7.55	-	14.93	-	7.38
<b>Fund (net)</b>	1.57	2.64	7.08	-	13.95	-	6.91

## Annualised (%)

## Year on year performance (%)

	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
<b>Fund (gross)</b>	7.55	-	-	-	-
<b>Fund (net)</b>	7.08	-	-	-	-

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 2025. All figures are mid-price to mid-price for the Royal London Short Duration Emerging Markets Corporate Bond Fund Z Acc USD share class. Since inception date 18 April 2023.

# Glossary

## Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

## Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

## FX adjusted yield

FX adjusted yield is the gross rate of return to the expected maturity adjusted for hedging and excludes the impact of cash.

## Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.

This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

## 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.

## Maturity Profile

The maturity profile is based on position redemption dates expected by the manager, which may differ from market interpretation of redemptions

## 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.