Short Duration Emerging Markets Corporate Bond Fund

ROYAL LONDON
ASSET MANAGEMENT

Contents

Summary:

The Fund's investment objective 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.

Policy: At least 80% of the Fund will be invested in emerging market corporate bonds, of which at least 70% will have a duration of two years or less. The average duration of the corporate bonds in the Fund's portfolio will be approximately 2 years or less under normal market conditions. This includes investment grade and sub-investment grade corporate bonds which are listed or dealt on the Recognised Markets as set out in the Prospectus, across the credit spectrum. The Fund may invest up to 100% of its assets in sub-investment grade corporate bonds. The corporate bonds in which the Fund will invest also include fixed or floating rate securities, including zero coupon bonds, deferred interest bonds, bonds on which the interest is payable in the form of additional bonds of the same kind. This also includes investment in credit-linked notes (which may embed derivatives), medium-term notes, asset-backed securities, private placements and hybrid securites.

Fund may invest up to 10% in collective investment schemes for the purposes of achieving its investment objective and policy.

The Investment Manager's internal rating methodology looks not only at the probability of default (where credit ratings agencies place their focus) but also the protection offered to its clients (covenants and security), and it also considers ESGC (Environmental, Social, Governance and Climate) factors as part of the credit review.

Investors should note that the Fund may use currency forward contracts to hedge currency exposure arising from the Fund's investments in assets denominated in currencies other than the Base Currency and to hedge currency exposure arising in respect of the hedged Classes. The Fund will not be leveraged. The Fund may employ for the purpose of efficient portfolio management. In particular, interest rate swaps may be used to manage the duration of the Fund's portfolio.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund adopts a multi-layered approach to the promotion of Environmental, Social and Governance (ESG) characteristics. In particular for environmental and social characteristics, the following applies:

Social includes S factors under a range of pillars: the policies, operations, product or services and governance (as applicable) of employees, customers, communities and controversies.

Environment (ex Climate) includes E factors under a range of pillars: the consumption and impact of toxic emissions, energy, water, waste and environmental controversies.

Climate includes C factors under a range of pillars: exposure (carbon emissions), ability (transition targets), willingness (recent relative change in emissions) and climate controversies.

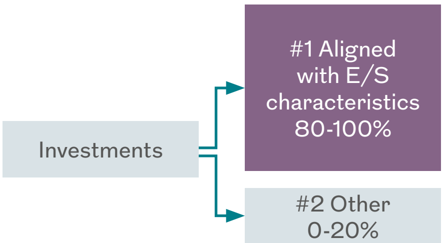
Investment strategy

The Fund will be managed using the Investment Manager's disciplined credit investment process focusing on security selection combined with top-down macroeconomic analysis. The Investment Manager's value-orientated approach seeks to exploit the inefficiencies within credit markets. At the macro level, the Investment Manager's analysis starts with a monthly macro review which covers all major economic regions and focuses upon key variables such as growth rates and inflation. This strategy is also used to formulate the Investment Manager's outlook scenarios, including long-term yield and interest rate forecasts which helps to shape its investment strategy. The Investment Manager also undertakes internal research on companies, which is supplemented by research from rating agencies and the sell side (brokers/banks). The internal research analysis includes building detailed financial credit models that incorporate historic data and forecasts, which generate existing and expected credit metrics. This is then fed into the Investment Manager's credit view of a target business. The Investment Manager's internal rating methodology looks not only at the probability of default (where credit ratings agencies place their focus) but also the protection offered to its clients (covenants and security), and it also considers ESGC (Environmental, Social, Governance and Climate) factors as part of the credit review.

As part of the Investment Manager's rigorous internal search process, a number of company visits may be undertaken to help assess the quality of companies within the Fund's portfolio. Overall, the Investment Manager aims to construct a diversified portfolio that will deliver consistent alpha from multiple sources.

Proportion of investments

The Investment Manager employs a binding proprietary ESG methodology, as described in detail above. 80-100% of the Fund's Net Asset Value will be invested in emerging market bond issuers which will be aligned with the environmental and/or social characteristics promoted by the Fund. The Fund does not commit to invest in Taxonomy aligned investments.



#**1 Aligned** with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#**2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Monitoring of environmental or social characteristics

The Investment Manager undertakes analysis on every company within the fund to ensure investments are made that are consistent to the Investment Manager's Responsible Investment Policy and wider fund objectives

Once approved for inclusion in the fund, monitoring of a company's ability to meet the fund objective and warrant inclusion in the fund is undertaken primarily via regular stock review, leveraging data to highlight most at risk holdings and combining with qualitative assessments, to ensure inclusion remains appropriate.

Methodologies

The Investment Manager looks at each credit instrument in detail and applies factors (as detailed above in the description of the ESGC characteristics promoted by the Fund) to score each credit instrument across E, S, G and C metrics based on a 1 – 10 rating scale. A "low score" is where the score is in the bottom quartile of MSCI ESG scores. MSCI ESG scores aim to measure a company's management of ESG risks and opportunities taking into account the most material risks per industry/sector, using a similar scoring range as the Investment Manager's ESGC scoring methodology. MSCI is a leading provider of research, data and technology for the global investment community.

This analysis of the above factors results in E, S, G and C scores for each credit instrument. This scoring is integrated into the Investment Manager's credit decision making. G is dealt with separately to E, S and C.

Governance is assumed to be material to credit worthiness. As a result, G scores are used to size positions, with a negative risk decision impacting internal credit ratings, which impact the sizing of positions. Anything below a baseline governance level is automatically excluded. Low G scoring credit instruments above the baseline threshold will be engaged with.

Low E, S and C scores will lead to a secondary assessment analysing the impact on credit worthiness, determined on a case-by-case basis.

Where there is no material impact on the credit worthiness, then a low score will lead to an engagement process with the relevant issuer where the Investment Manager believes there is the potential for the issuer to improve its policies. The Investment Manager evaluates whether there is such scope to engage by researching and assessing different sources of data, where available, including but not limited to, an issuer's/company's annual reports, sustainability reports, existing ESGC policies and communicating with management to discuss such ESGC policies/plans and how these are expected to evolve. Engagement with the credit issuer is periodic, including periodic re-evaluations of the business and its policies along with mitigation steps taken by the issuer over time, to assess improvement in the scores over a two year period. If there is no 'significant improvement' of the score then the position sizing will be re-evaluated, with potential for full disinvestment.

If the E, S, G and C score is thought by the Investment Manager to impact credit worthiness materially, then the Fund will not invest in the relevant credit instrument or will consider smaller sizing depending on severity of impact, or where already invested, then the internal credit rating of the relevant issuer will be adjusted accordingly and the position will re-sized, reduced or exited entirely depending on the specific circumstances.

Data sources and processing

The Investment Managers approach to attain Article 8 compliance is to use both qualitative and quantitative data.

Data sources used to attain the sustainable investment objective of the financial product include, but are not limited to:

- MSCI
- Reprisk
- Company websites and public disclosures
- Broker research
- Meetings and engagements with companies

To ensure data quality, RLAM seeks to engage data providers who are seen as leading in the industry and who are able to provide RLAM with significant data volumes using good practice methodologies.

Additionally, where deemed appropriate, RLAM will seek to harvest data manually. This both helps to increase data coverage and accuracy. This is particularly important for fixed income funds where issuer-level ESG data is not as well covered by data providers and researchers.

Where disclosing data, the Investment Manager seeks to provide information on amount of data which is estimated so as to increase transparency around data quality.

The proportion of data that is estimated will vary by each data point that is considered.

Limitations to methodologies and data

We are confident that these limitations do not affect the attainment of the E&S characteristics investment approach due to our thorough approach to the overarching investment strategy, our methodologies and our on-going monitoring of the investments.

Due Diligence

Regular company meetings and record keeping

We record our ESG engagement meetings, including the objectives of the meeting, attendees, minutes, and the outcomes and key issues discussed. We use this information to monitor and track company improvements, and to report progress to our investment teams and clients. Our investment teams also maintain a high degree of contact with investee companies, often meeting with them on multiple occasions throughout the year to discuss strategy, performance (both financial and non-financial), risk profile, capital structure and other material factors. These financial meetings regularly include discussions of ESG issues and are recorded by each investment team.

Engagement outcomes

The outcome of our engagements, whether successful or not, represents part of the investment process and our ESG integration strategy. All of our engagements are recorded. In making this assessment, fund managers consider how material the issue is, whether there are mitigating factors that reduce the risk to clients, and the time horizon of the investment, among other factors. We do not advocate a 'onesize- fits-all' approach and believe these decisions must be made within the context of each fund, based on the financial and non-financial objectives set by our clients. As a result, the way in which ESG risks and opportunities affect investment decisions will vary between funds

ESG integration.

Integrating, analysing and assessing ESG issues across our funds help us better manage investment risks and opportunities. We believe those companies best prepared for a more sustainable future are more likely to deliver long-term returns for clients, as governments, regulators and consumers continue to focus on delivering a better future for society and the environment. Each investment team is responsible for considering ESG factors in their investment processes, alongside financial and other non-financial factors.

Engagement policies

Our Engagement Policy

Engagement is purposeful, targeted communication with an entity on particular matters of concern. The goal of engagement is to encourage change at an individual issuer level and/or address market-wide or systemic risks (in addition to a wider goal of exchanging information or increasing the investor's understanding of business risks and opportunities). Engagement is a fundamental part of the research process as well as an important tool for encouraging companies to make ongoing improvements, reduce their investment risk, and create better outcomes for our clients and society. We engage with businesses in our fixed income funds, as we believe this provides valuable insight for our investment teams and is a key part of our stewardship responsibilities.

We engage with companies in two ways: engagement for information and engagement for change. Both forms of engagement allow us to understand how ESG risks affect our investments and, in turn, the adverse effects our investment decisions may have on the environment and society

Engagement for information.

Here we speak to company representatives to uncover additional evidence to complement and enhance existing research as part of our investment process.

Engagement for information is part of our research process and is often the first step in the engagement process. It is also critical to enhancing our ESG insights and, in turn, improving our investment decision-making. We believe information discovery and disclosure in itself is an important and positive outcome.

Engagement for change

Here we seek to influence a company's behaviour, policies and practices as a direct outcome of engagement. Engagement for change is often more focussed, sets out clear objectives regarding what change we would like to see and may span many months or years.

Designated reference benchmark

Not Applicable – the Fund does not have a specific reference benchmark for sustainable purposes

Contact us

For more information about our range of products and services, please contact us.

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