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Royal London Diversified ABS Fund

Fund investment parameters

Benchmark	SONIA
Target	SONIA + 2% (gross of fees)
Investment universe	Senior ABS, MBS, RMBS, CMBS, secured, unsecured and covered bonds.
Duration	Duration hedged
Average credit rating	A-
Number of issues	>200
Fund management fee	0.425%*
Fund	Daily Dealing UCITS
Inception date	24 December 2012†

Source: RLAM as at 30 June 2024.

* Fund management fee includes expenses for the Z Acc share class.

† Launch date of Royal London Duration Hedged Credit Fund. Renamed the Royal London Diversified ABS Fund on 21 December 2020.

Portfolio characteristics and holdings are subject to change without notice.

Our approach

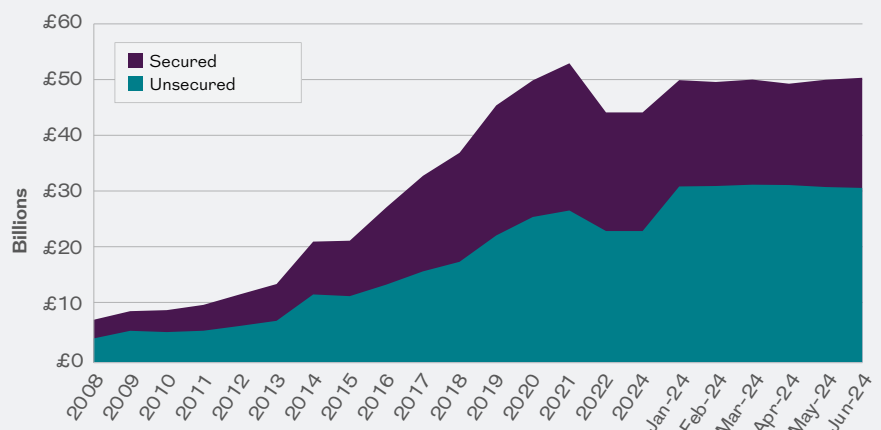
- We are one of the most experienced managers in the sterling secured market and manage over £19bn across both secured credit and securitisations (Source: Royal London Asset Management as at 30 June 2024.)
 - The fund is designed to deliver high conviction, low volatility income and return
 - Duration hedged to protect from impact of rising rates and isolate returns from high conviction credit selection
 - Sterling portfolio investing primarily in senior secured debt
 - Diversified across broader range of sectors than typically seen in ABS funds
- Selective allocation to unsecured corporate bonds to help enhance returns and eliminate 'forced-buying' of subordinated and concentrated securitisation positions

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As a value investor, we emphasise our own research and aim to invest in attractively valued bonds that offer additional protection from high quality security and protective covenants.

Shalin Shah, Fund Manager

Figure 1: Fixed income AUM - Credit



Source: Royal London Asset Management as at 30 June 2024.

Secured bonds include covered bonds, investment trusts, real estate and social housing.

Diversified ABS fund overview

Our investment approach places a strong emphasis upon diversification. Within the ABS market this means investing in both high-quality secured bonds and securitisations.

We target the inefficiencies across these distinct markets, which allows us to deliver on the yield objectives with a higher quality portfolio. This enables us to avoid sector concentrations (sub-prime RMBS, CLOs and credit card/ auto debt) in the narrower securitised market and build a portfolio with largely senior exposures. By contrast, typical ABS funds, that focus solely on the securitisation market, can be dominated by junior subordinated bonds. Our fund encompasses a much broader range of

sectors, going beyond consumer debt concentrations, including bonds issued by social housing, infrastructure and real estate companies.

The fund aims to deliver high conviction, low volatility income and returns, and is duration hedged. This helps to protect against the impact of rising rates whilst allowing us to select from the best credit opportunities across maturities. The fund uses Royal London Asset Management's long-established credit philosophy, targeting bond market inefficiencies that allow us to buy secured bonds that are often under-priced by the market. As a value investor, we emphasise our own research and aim to invest in attractively valued bonds that offer additional protection from high quality security and protective covenants.

Fund manager



Shalin Shah,
Fund Manager

Shalin Shah joined the Fixed Income team in 2008. He is an experienced senior fund manager responsible for managing corporate bond portfolios, including RL Corporate Bond Fund, RL Sustainable Managed Income, RL Sustainable Managed Growth and RL Diversified ABS funds. Shalin holds a BSc in MORSE (Mathematics, Operational Research, Statistics and Economics) from the University of Warwick and is a qualified actuary.

Glossary

ABS	Asset-backed securities
RMBS	Residential mortgage backed securities
CLOs	Collateralised loan obligations
PFI	Private finance initiatives

Investment risks

Past performance is not a reliable indicator of future results. 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: 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.

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.

Government and public securities risk: The fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

Leverage risk: The fund employs leverage with the aim of increasing the fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the fund's losses can be magnified significantly.

Contact us

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

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