

# Royal London Global Bond Opportunities Fund

## Key points

- **Diversified bond exposure:** invests across a broad range of fixed interest securities with typically 180 holdings.
- **Strong income generation:** targets bonds which offer an attractive yield with the aim of maximising income, without taking on the degree of risk associated with high yield bond funds.
- **Unconstrained approach:** managers seek attractive investments across a broad spectrum of fixed income opportunities and currencies. In addition the fund is not benchmark constrained.
- **Value orientated:** aims to exploit credit market inefficiencies and seek bonds that offer the best returns on a risk-adjusted basis whilst mitigating stock-specific risk by holding a diversified portfolio of investments, so that no individual allocation can in isolation have an undue impact on overall performance.
- **Focus on security:** managers seek bonds with protective covenants or security.

## Fund overview

The investment objective of the fund is to achieve a high level of income with the opportunity for capital growth. The fund invests in a broad spectrum of fixed income opportunities, encompassing investment grade, sub-investment grade and unrated bonds. Its diversified portfolio contains securities denominated across a range of G10 currencies, with currency exposures substantially hedged back to sterling. The average duration of the fund's portfolio is relatively short, and the sensitivity of the fund's performance to changes in government bond yields is consequently modest.

## Investment philosophy

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) helps contribute to a consistent return.

Active credit management thrives on market inefficiencies and although they are not common, there are certain biases within debt markets that maintain these inefficiencies. We believe that our highly experienced team, structured in a collegiate manner and supported by high quality credit analysis allows us to build better portfolios for our clients.

## Investment approach

The managers use their considerable experience of researching and investing in a broader credit universe, enabling them to source bonds with strong covenants that are usually secured i.e. backed by a charge on specific assets. We believe this approach provides higher yield without taking the degree of risk we believe is generally associated with high yield funds.

Stock selection reflects the views of our experienced credit team; the process is underpinned by a core investment philosophy of favouring covenants, structure and security. This means that we do not rely just on credit ratings; a key question for us is: 'are we getting sufficient reward for the risk we are taking?'. In practice this means that we hold credit bonds that are excluded from the credit benchmarks (e.g. unrated bonds, smaller issue size bonds) where we believe valuations are attractive.

We believe volatile credit markets provide more opportunities for active investors to exploit inefficiencies and add value. Within that, rising interest rates globally support the generation of high income from corporate bonds, which the fund explicitly targets, with the aim of boosting total return.

Our investment focus typically leads to a portfolio with a bias towards more developed regions. In addition, our focus on under-researched credits, often with strong covenants or other additional security, also leads to uncorrelated credit portfolios, which aim to deliver genuine diversification of risk alongside return.

The managers are able to adjust asset allocation in line with their views on markets with the aim of generating returns and mitigating losses across the cycle.

The 'go anywhere' bond fund approach has proved popular, particularly amid a backdrop of market and economic uncertainty. The effectiveness of this approach however is dependent upon the skill of the fund managers in navigating markets. Our approach allows us to focus on investing for the longer term. 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. We firmly believe in credit diversification as a way of reducing single name credit risk.

## Fund facts

Launch date	08.12.2015 (Z Inc Share Class)
Domicile	Dublin
IA sector	Global Mixed Bond
Fund structure	ICVC
Minimum investment	GBP Z Inc Class: £3,000,000 GBP Z Acc Class: £3,000,000 USD Z Acc Class: £3,000,000 EUR Z Acc Class: £3,000,000
Fund Management Fee (FMF)	GBP Z Inc Class: 0.52% GBP Z Acc Class: 0.52% USD Z Acc Class: 0.57% EUR Z Acc Class: 0.57%

Source: Royal London Asset Management as at 30 September 2023

## Fund managers



**Rachid Semaoune** joined Royal London Asset Management in February 2015 as a credit fund manager within the fixed income team. Rachid joined

from UBS Asset Management where he spent three years managing investment grade credit portfolios. Prior to this he was a deputy credit fund manager at Old Mutual Asset Management. Rachid began his investment career in 2001 at Gulf International Bank where he worked as a credit analyst and deputy fund manager.



**Eric Holt** has extensive knowledge of UK investment grade and high yield corporate bonds, gained over a career spanning more than 40 years. He

manages the Sterling Extra Yield Bond Fund and the Ethical Bond Fund. He joined Royal London Asset Management in 1999 following Royal London's acquisition of Refuge Assurance's investment team, where he had worked for the previous 20 years.

## Fund risks

**Investment risk:** 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:** 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.

**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.

## Contact us

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

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The Fund is a sub-fund of Royal London Asset Management Bond Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under section 264 of the Financial Services and Markets Act 2000. The Investment Manager is Royal London Asset Management Limited. For more information on the trust 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). Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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