For professional clients/qualified investors only, not suitable for retail investors.

Royal London
Global Sustainable Credit Fund

The fund provides the opportunity to invest in global credit markets with a well-defined investment process that assesses the sustainability criteria of global credit issuers. Royal London Asset Management has an established sustainable team who use proprietary research to analyse and understand the Environmental, Social and Governance (ESG) profile of those securities considered as fund holdings. We proactively assess global credit issuers against our own sustainability criteria and invest only in companies that we believe make a positive contribution to society or are ESG leaders in their field.

Key points

- An investment universe highly diversified by geography, currency, sector and issuer. Our sustainable analysis and screening reduces the eligible universe by over 50%.
- Low carbon intensity – actively avoiding carbon intensive industries while investing in securities at the forefront of the low carbon energy transition.
- Sustainable investment expertise, supported by an independent External Advisory Committee.
- Globally diversified credit portfolio aiming to take advantage of inefficiencies in ESG and wider credit analysis.
- We have been managing sustainable credit portfolios since 2009 and our established and proven sustainable process has evolved over 15 years making Royal London Asset Management one of the longest established sustainable asset managers.

Investment focus

The fund's investment objective is to outperform the Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD (the 'Benchmark') by 0.75% per annum over rolling three year periods (gross of fees).

The fund invests in bonds from companies that are deemed to make a positive contribution to society or are ESG leaders in their sectors.

Investments will adhere to Royal London Asset Management's sustainable investment policy.

Why sustainable credit?

While historically, sustainable investing has been associated with equities, we think it is equally important for credit markets. With the risk profile of bonds being asymmetric, effective risk management and ESG criteria are critical to limit downside risk. A sustainable approach is particularly valuable, since it limits the investment universe to those companies with strong credentials and therefore relatively low ESG risk. Importantly, we believe that you do not have to give up on market returns to invest in a sustainable way.

Fund facts

Launch date	10.02.2021
Minimum initial investment	Class M (GBP Hedged) £100,000 Class Z (GBP Hedged) £3,000,000 Class M $100,000 Class Z $3,000,000
Asset class exposure	80-100% Investment Grade; 0-20% Sub-Investment Grade and Unrated; strategic exposure to secure bonds
Number of issues	>200
Turnover	15-25%
Fund management fee	Class M (GBP Hedged and US Dollars) 0.53% Class Z (GBP Hedged and US Dollars) 0.40%
Base currency	USD
SFDR classification:	Article 9
Fund managers	Rachid Semaoune Khuram Sharih

Source: RLAM as at 29 February 2024.

Key personnel

Rachid Semaoune is Fund Manager of the Royal London Global Sustainable Credit Fund. Rachid 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.

Khuram Sharih is Deputy Fund Manager of the fund. Khuram joined Royal London Asset Management in August 2016 as a Fund Manager, focusing on global credit including loans and alternative credit. He joined from Newton Investment Management, where he worked with their fixed income and global multi asset teams.

Investment process

The first part of our process is sustainability screening as shown in figure 1. We have an in-house team of 17 ‘responsible investment’ professionals with different areas of specialism including research, engagement, governance and strategic level operations. Following their analysis, the team takes a democratic vote to decide whether an issuer passes our sustainability screen. If no decisive conclusion is agreed, we put the matter to our external and independent advisory committee, composed of leading experts across different disciplines relevant to sustainability.

Our sustainable analysis looks across geography, currency and sectors and reduces the eligible universe by over 50%. That means we have a highly diversified global universe of credits from which to select. Indeed this is an obvious benefit of creating a global fund, it counteracts one of the main drawbacks of sustainable investing – that it must inevitably shrink the investment universe.

While some sectors and issuers are well represented globally, such as banks and insurance, others are essentially specific to certain markets (for example, social housing in the UK and technology in the US). As can be seen in figure 2, taking a global approach allows us to diversify across more themes, more sectors and more issuers, thereby reducing the idiosyncratic risks that we would otherwise face. It also brings additional opportunities like being able to take advantage of cross-currency inefficiencies to pick up yield.

In the final phase of our process we apply our credit philosophy. This is based on the premise that there are exploitable inefficiencies in corporate bond markets. By conducting our own research, centred on exploiting these systematic inefficiencies, we believe we can achieve higher and more consistent returns to meet our clients’ objectives.

Figure 1: Our sustainability screening

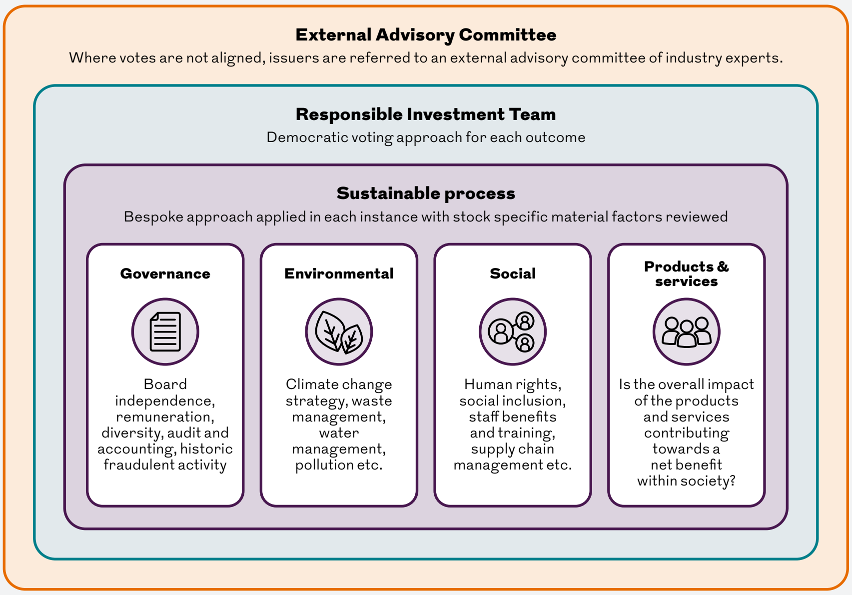
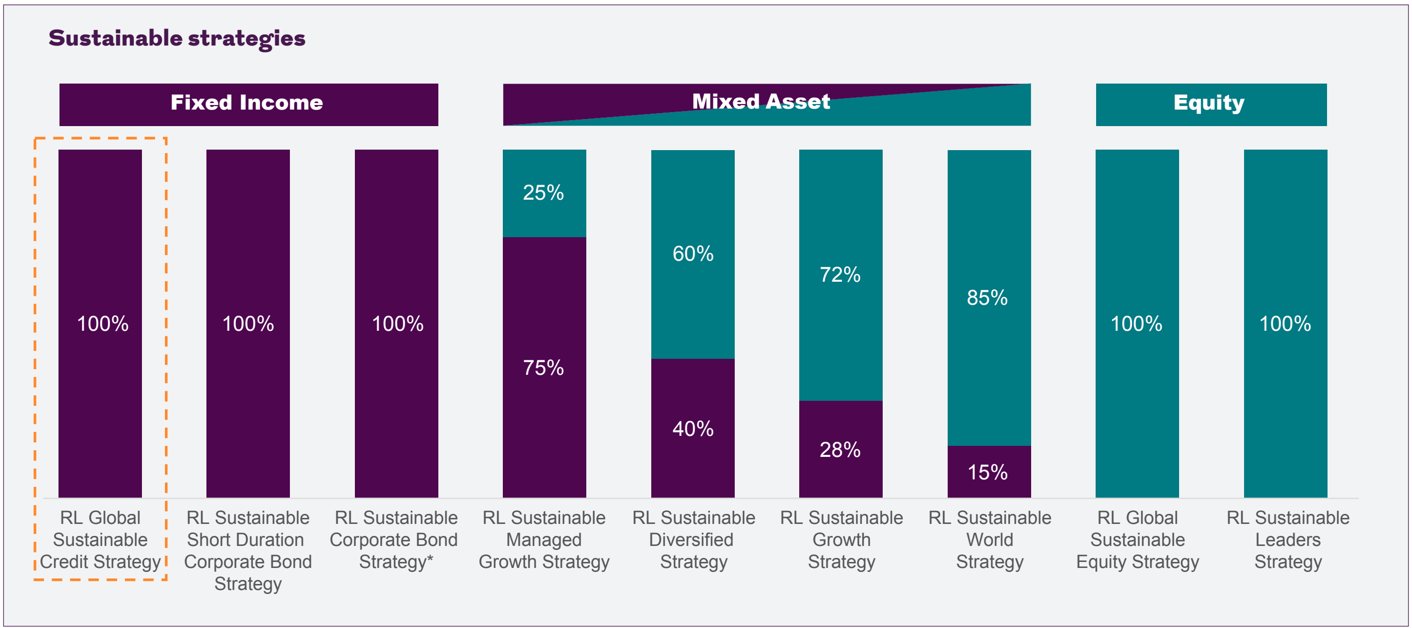


Figure 2: Access to a diverse array of critical themes

Source: RLAM, as at 29 February 2024. For illustrative purposes only.

Our Sustainable Strategies

We offer a risk-rated suite of sustainable strategies to meet the varying risk, capital and income requirements of our clients. Our range spans the risk spectrum, ranging from 100% fixed income to 100% equity, with mixed asset strategies in between. The chart below shows where the RL Global Sustainable Credit Fund fits within our sustainable strategies.



For illustrative purposes – reflects approximate percentage asset allocation, weightings may vary.

* Strategy name changed from Royal London Sustainable Managed Income Strategy on 27 March 2024.

Investment risks

The value of investments and the income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

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.

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.

Efficient Portfolio Management (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.

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.

Exchange rate risk: Changes in currency exchange rates may affect the value of this 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.

Leveraged 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.

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.

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.

Contact us

For more information about our range of products and services, please contact us. Royal London Asset Management has partnered with FundRock Distribution S.A, who will distribute our products and services in the EEA. This follows the United Kingdom's withdrawal from the European Union and ending of the subsequent transition period, as UK Financial Services firms, including Royal London Asset Management, can no longer passport their business into the EEA.

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